BASEL INSTITUTE ON
GOVERNANCE

Basel AML Index 2021: 10th Public Edition

Ranking money laundering and terrorist financing risks around the world

Acronyms and abbreviations

AML	Anti-Money Laundering
AMLD	Anti-Money Laundering Directive (EU)
CDD	Customer Due Diligence
CFT	Counter Financing of Terrorism
DNFBP	Designated Non-Financial Businesses and Professionals
EU	European Union
FATF	Financial Action Task Force
IO	Immediate Outcome (FATF effectiveness measure)
ML / TF	Money Laundering and Terrorist Financing
R.	Recommendation (FATF standard)
TCSP	Trust and Company Service Provider
UAE	United Arab Emirates
US	United States
VASP	Virtual Asset Service Provider
WEF	World Economic Forum

About this report

The Basel AML Index is developed and maintained by the International Centre for Asset Recovery at the Basel Institute on Governance.

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1 Introduction

This report accompanies the 10th Public Edition of the Basel AML Index, released in September 2021. The Basel AML Index measures the risk of money laundering and terrorist financing (ML / TF) in jurisdictions around the world. Risk, as measured by the Basel AML Index, is defined as a jurisdiction's vulnerability to ML / TF and its capacities to counter it; it is not intended as a measure of the actual amount of ML / TF activity in a given jurisdiction.

Published annually since 2012, the Basel AML Index remains the only independent, research-based index by a non-profit organisation ranking jurisdictions according to their risk of ML / TF.

1.1 Calculating and interpreting risk scores

Risk scores are based on data from publicly available sources such as the Financial Action Task Force (FATF), Transparency International, the World Bank and the World Economic Forum. They cover 17 indicators in five domains relevant to assessing ML / TF risk at the jurisdiction level:

1. Quality of AML / CFT Framework
2. Bribery and Corruption
3. Financial Transparency and Standards
4. Public Transparency and Accountability
5. Legal and Political Risks

The Public Edition of the Basel AML Index reflects the overall score of jurisdictions in terms of their risk exposure to ML / TF. However, and while the Basel AML Index does provide a ranking in accordance with this score, we strongly advise against a superficial comparison of countries in accordance with their ranking.

Instead, we encourage users to look at regional and global trends, and developments over time, and at what the Basel AML Index says about remaining weaknesses in the global response to ML / TF. We also encourage users to conduct a more in-depth analysis of individual countries or regions or risk factors by using the more comprehensive data that is available in the Expert Edition.

1.2 AML risk trends in 2021

Crunching data on money laundering risks for the Basel AML Index reveals interesting – and often concerning – trends. This year, we look at the data behind four topics that are hitting headlines:

Virtual assets

The latest data on how jurisdictions are responding to money laundering threats related to virtual assets.

The answer: not well at all.

Beneficial ownership

How slow and ineffective implementation of beneficial ownership registries continues to provide safe havens for dirty money.

This is damaging for individual jurisdictions, but more importantly undermines all global efforts to combat money laundering.

Effective AML systems

Are jurisdictions more effective at prevention of money laundering or at enforcement?

Ineffective systems are the general rule, but jurisdictions consistently score worse for prevention than for enforcement.

Non-financial professions

Lawyers, accountants, real estate agents and other non-financial businesses and professions continue to underperform on compliance with AML / CFT standards.

More supervision is urgently needed to close that gap.

These concerns are described in the following sections, followed by an analysis of regional risk trends and insights.

1.3 Methodology and expert review

The methodology is described in detail in Annex I, with more information on the underlying indicators available on our website. It is essential to familiarise yourself well with the methodology to ensure that you fully understand what the Basel AML Index can and cannot show. This will ensure that you interpret the results properly and that any action you may take in response to the ranking is well founded.

The method employed by the Basel AML Index to calculate the risk scores is reviewed every year by an independent panel of experts to ensure that the method continues to meet best practice standards, and that the ranking is accurate, plausible and continues to capture the latest developments in ML / TF risks.

View the Basel AML Index interactive map and ranking on our new website at **index.baselgovernance.org**

1.4 Public, Expert and Expert Plus editions

Public Edition

The Public Edition of the Basel AML Index 2021, and the analysis in this report, covers **110 jurisdictions**. This year, we are including only jurisdictions that have been evaluated using the FATF's fourth-round methodology, in order to provide a reliable basis for comparison. A separate list in Annex II also includes **45 jurisdictions** with older FATF evaluations but otherwise sufficient data to calculate a risk score.

Expert Edition

The Expert Edition, which includes a customisable interactive ranking, jurisdiction profiles and data downloads, covers **203 jurisdictions**. Companies and financial institutions use the Expert Edition for **compliance and risk assessment** purposes. In the public sector and academia, the Expert Edition supports AML / CFT **research and policymaking.**

Expert Edition Plus

Expert Edition Plus subscribers benefit from an in-depth quantitative and written **analysis of FATF reports,** plus special reports on money laundering risks in Jersey, Guernsey, Isle of Man, Gibraltar and the Cayman Islands.

2 Trend 1: Virtual assets and money laundering

The latest data on how jurisdictions are responding to money laundering threats related to virtual assets. *The answer: not well at all.*

2.1 Money laundering threats from cryptocurrencies

The use of virtual assets such as cryptocurrencies is exploding – for legitimate as well as illicit purposes. In January 2021, there were an estimated 106 million cryptocurrency users globally. Data on how any of these may be using cryptocurrencies for criminal purposes, including to launder stolen money, is however scarce. According to a 2021 report by blockchain analysis firm Chainalysis, of the estimated USD 21.4 billion in cryptocurrency transactions in 2019, criminal activity represented around 2.1 percent (USD 450 million).

Cryptocurrencies have unique characteristics, many of which are very positive, including for example the potential to improve financial inclusion. Yet their borderless nature and existence outside the formal financial system also make them a tempting option for criminals to conceal proceeds of corruption and other crimes, evade tax or fund terrorism.

Box 1: Mitigating ML / TF threats from virtual assets – FATF Recommendation 15

In 2018, in an effort to motivate jurisdictions to take action to prevent virtual assets becoming a threat to global financial stability, the FATF revised its Recommendation 15 on virtual assets and virtual asset service providers (VASPs). Finalised amendments, an Interpretive Note and accompanying Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers followed in 2019. In essence, the revised Recommendation requires among other things:

- Jurisdiction must apply a risk-based approach to AML / CFT risks associated with virtual assets.
- VASPs should be licensed/registered, and subject to adequate regulation and supervision.
- VASPS must conduct customer due diligence on one-off transactions over USD/ EUR 1,000, and submit suspicious activity reports where needed.

- VASPs should obtain information about the originator and beneficiary of transfers and make it available to competent authorities (the so-called travel rule).

The FATF defines the term "virtual asset" as any "digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes". This does not include digital representations of fiat currencies or other financial assets included elsewhere in its Recommendations.

VASPs include natural or legal persons that offer services such as exchanging between virtual assets and fiat currencies, exchanging between different forms of virtual assets, transferring virtual assets, safekeeping or administering virtual assets, or providing other financial services relating to virtual assets.

In July 2020 and July 2021, the FATF issued the first and second reports on the results of 12-month reviews on the revised standard.

2.2 How are jurisdictions doing at mitigating their risks of money laundering using virtual assets?

It is still early days, as the final version of the revised Recommendation 15 was only issued in June 2019. However, initial signs are not encouraging.

- Of the 27 jurisdictions assessed or reassessed[1] for technical compliance with the new R.15 from June 2020 to June 2021, **19 downgraded their scores**. Five jurisdictions retained the same scores and only three managed to improve.

- The average compliance score for R.15 across all jurisdictions assessed with the latest (fourth-round) FATF methodology **decreased from 70% to 60%**.

- Of the 10 jurisdictions assessed with Mutual Evaluation Reports, **none was rated as being compliant.** Two jurisdictions were non-compliant (score of 0), 5 were partially compliant (score of 1 out of 3) and 3 were largely compliant (score of 2 out of 3).

1 Ten jurisdictions were assessed with Mutual Evaluation Reports. Seventeen jurisdictions were re-assessed with Follow-Up Reports. All reports are available on the FATF website.

2.3 Is there a risk of “regulator shopping” in the virtual assets sector?

Yes. The consequences of individual failings by jurisdictions in implementing effective AML / CFT requirements on VASPs could be serious.

The reason is simple and visible in regular money laundering schemes too: criminals wishing to abuse virtual assets for illicit purposes can simply switch from jurisdictions with a strong regulatory framework to one in which regulations are weak and not enforced. This risk is exacerbated by the hyper-global nature of virtual assets.

A lack of coordinated and concerted global action may therefore result in some jurisdictions becoming safe havens for illicit activity using virtual assets.

This challenge has been recognised by the European Commission’s June 2021 package of proposals to tackle ML / TF, which includes an ambitious plan to harmonise AML / CFT legislation, in relation to VASPs, across all EU jurisdictions. This is a positive move, but without similar efforts among other jurisdictions and regional bodies, it is likely that the illicit activity will simply move to locations with fewer or no controls.

2.4 What are the biggest issues to fix, and how can jurisdictions with upcoming FATF assessments obtain a better evaluation?

The FATF’s second review of trends with regard to the implementation of the revised R.15 indicated progress in certain areas, including with respect to transposing the new requirements into domestic legislation, submitting suspicious activity reports and establishing supervisory regimes.

Significant gaps however remain, in particular in the following areas:

- **Weak implementation of the “travel rule”** (see Box 1), meaning that information on the originators and beneficiaries of cryptocurrency transactions is not being obtained or made available to competent authorities.
- **Sluggish action by jurisdictions** in implementing AML / CFT obligations in the virtual assets sector, with infrequent examinations or sanctioning.
- Generally, a **lack of knowledge and expertise** among supervisory/regulatory bodies in the field of virtual assets, reducing their ability to oversee and guide VASPs.

2.5 What data is available to assess ML / TF risks relating to virtual assets?

The new and fast-evolving nature of the virtual assets sector means that reliable data relevant to evaluating money laundering risks is not widely available.

Regular market data on virtual assets, such as the use of cryptocurrencies and the location of cryptocurrency mining centres, are largely collected and analysed by blockchain analytic companies such as Chainalysis, CipherTrace, Coinfirm, Elliptic, Merkle Science, Scorechain, TRM Labs.[2]

However, the differences in methodologies, analytical techniques and tools, along with the proprietary nature of the data, mean that comparability is difficult. The data also tend to focus on a select few cryptocurrencies only and are therefore not sufficiently comprehensive for this purpose.

A prerequisite for evaluating risks of ML / TF relating to virtual assets is understanding geographical trends in their use and regulation.

- Chainalysis issued a helpful analysis of such geographic trends in September 2020, although it does not provide data on the risk of misuse of cryptocurrencies.

- Statistica published a list of jurisdictions with the highest cryptocurrency use per capita in March 2021. There is however no evidence as yet that a lack of regulation or intensive usage of virtual currencies in a population correlates with an increased risk of ML / TF using virtual assets.

We therefore suggest that the FATF assessment of jurisdictions' compliance with R.15 remains the most reliable source of data on ML / TF risks relating to virtual assets. It also has the virtue of enabling comparisons across jurisdictions and measurement of progress over time.

2 These companies were selected by the FATF to develop market metrics on virtual assets.

3 Trend 2: Effectiveness of AML / CFT systems

Are jurisdictions more effective at prevention of money laundering or at enforcement? *Ineffective systems are the general rule, but jurisdictions consistently score worse for prevention than for enforcement.*

3.1 Assessing the effectiveness of AML / CFT systems

Last year's Basel AML Index lamented jurisdictions' consistently poor results in terms of the effectiveness of their AML / CFT systems. It is all too common for jurisdictions to have laws and institutions in place that are largely compliant with FATF Recommendations yet ineffective in practice.

The Wolfsberg Group, a Collective Action initiative of 13 global banks that develops frameworks and guidance on financial crime risks, reinforced our concerns in a June 2021 statement on Demonstrating Effectiveness:

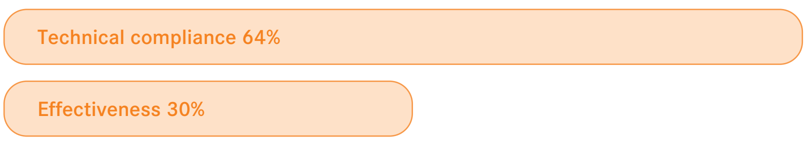
> *"[L]argely in response to supervisory expectations, AML / CFT risk assessments are focused on technical compliance with requirements rather than the effectiveness of the [financial institution's] efforts to prevent and detect financial crime".*

Data on the effectiveness of AML / CFT systems is drawn from the FATF Mutual Evaluation Reports. The FATF's fourth-round methodology uses 11 "Immediate Outcomes" (IOs) to assess the effectiveness of AML / CFT systems according to its 40 Recommendations.

The 11 IOs and the assessment methodology are detailed on the FATF website.

3.2 Is there any sign of improvement in the figures for 2021?

Not really. Based on the latest FATF data, the average score for effectiveness across all assessed jurisdictions is only 30%. That is two times lower than the average score for technical compliance with FATF Recommendations, which stands at 64%.



Weak spots vary between jurisdictions, but overall they are as follows:

Average effectiveness across all assessed jurisdictions

	IO3	IO4	IO5	IO7	IO11
WHAT IT MEASURES	Supervisors appropriately supervise, monitor and regulate financial institutions, DNFBPs and VASPs for compliance with AML/CFT requirements commensurate with their risks.	Financial institutions, DNFBPs and VASPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.	Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.	Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.	Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.
	26%	24%	22%	21%	25%

3.3 Are jurisdictions doing better at prevention or enforcement?

Ideally, AML / CFT systems need to be particularly effective at preventing money laundering from occurring. Enforcement remains of course important, and it must be effective. But relying too heavily on catching the criminals post factum presents an unreasonable risk and also means that some damage invariably will remain.

So we should be asking if jurisdictions doing enough on the prevention side, or if they are too heavily focused on enforcement. To explore this question, we divided FATF data on effectiveness criteria (IOs, see chart above) into two categories:[3]

3 IO2 is not included as it refers to elements of both prevention and enforcement, while IO11 is not relevant to the topic.

Prevention	Enforcement
IO1: Risk, policy and coordination	**IO7:** Money laundering investigation and prosecution
IO3: Supervision	**IO8:** Confiscation
IO4: Preventive measures	**IO9:** Terrorist financing investigation and prosecution
IO5: Legal persons and arrangements	**IO6:** Financial intelligence (mainly enforcement)
IO10: Terrorist financing preventive measures (mainly prevention)	

Based on an analysis of 112 jurisdictions assessed with the fourth-round methodology by 15 July 2021, the data shows that jurisdictions are **less effective at preventing** ML / TF than at **enforcing** AML / CFT measures. And this is in a context where performance for enforcement is unsatisfactory already.

- Globally, **average effectiveness for prevention was 27%,** compared to 31% for enforcement.
- Nineteen jurisdictions (17%) **scored zero for the effectiveness of their preventive measures,** compared to 12 jurisdictions (11%) for enforcement.
- **Nine jurisdictions demonstrated zero effectiveness in both prevention and enforcement** criteria. These are: Cape Verde, Democratic Republic of the Congo, Haiti, Mali, Mauritania, Mozambique, Pakistan, Uganda and Vanuatu.
- The UK and Spain are the **only jurisdictions assessed so far** to achieve scores of 67% or above for both prevention and effectiveness criteria.

A regional perspective shows some variation, but the same overall story: When it comes to money laundering, jurisdictions seem to be more effective at enforcement than prevention. That being said, it is a well known fact that measuring effectiveness in prevention is considerably more difficult than measuring effectiveness at enforcement, for which data and statistics are often available from law enforcement and judicial actions.

Region	Prevention average	Enforcement average
East Asia and Pacific	26%	32%
Eastern Europe and Central Asia	37%	38%
Latin America and Caribbean	25%	26%
Middle East and Northern Africa	32%	40%
North America	53%	56%
South Asia	7%	13%
Sub-Saharan Africa	5%	8%
Western Europe and EU	37%	43%

These findings should ring an alarm bell for policy makers. Jurisdictions should invest more resources in the prevention of ML / TF, because a fire contained is always better than an arsonist caught when the house has burnt down, while of course the arsonists must be caught and punished.

That being said, we are far from arguing that such an increase of resources for prevention should come at the detriment of enforcement. On the contrary, both sides clearly need a serious boost, except perhaps the boost for prevention needs to be even more serious than that for enforcement.

4 Trend 3: Beneficial ownership as a pillar of effective AML / CFT systems

How slow and ineffective implementation of beneficial ownership registries continues to provide safe havens for dirty money. *This is damaging for individual jurisdictions, but more importantly undermines all global efforts to combat money laundering.*

4.1 Beneficial ownership and resilience to ML / TF threats

Beneficial ownership transparency is directly related to the effectiveness of a jurisdiction's AML systems and the essential role of these systems in preventing, detecting, prosecuting and sanctioning financial crimes. It is therefore crucial to a jurisdiction's resilience against ML / TF threats.

Both public authorities (law enforcement, Financial Intelligence Units) and private actors (financial institutions and Designated Non-Financial Businesses and Professions, or DNFBPs) are responsible for maintaining this resilience.

For public authorities, low transparency of beneficial ownership and anonymity of some legal arrangements hamper ML / TF investigations and attempts to trace and freeze illicit assets.

This is because of the very nature of money laundering, which is to disguise the criminal origins of money and take a number of actions to introduce it into the financial system and make it appear legal. Criminals often use complex "layers" of legal corporate structures spanning multiple jurisdictions to hide the illicit origin of their money. If such layering activities remain undetected, the money is more easily integrated into the financial system. It then becomes much more difficult for law enforcement authorities to identify and prosecute the crimes and to recover whatever is left of the money.

This is especially the case where the trail of the money passes through multiple jurisdictions with very different methods for recording and sharing beneficial ownership information. This problem of opaque beneficial ownership arrangements also applies to terrorist financing crimes, where criminals aim not only to stay undetected but to circumvent sanctions lists.

For the private sector, the information contained in beneficial ownership registers is also essential to effective AML / CFT compliance processes.

Financial institutions and DNFBPs effectively play a gate-keeping role to prevent illicit money from entering the financial system. Without proper access to reliable information on beneficial ownership, private actors have a limited ability to understand who is behind the legal entities and legal arrangements – i.e. a limited ability to fulfil their customer due diligence requirements. They are therefore not able to perform their role of preventing financial crimes and of protecting their own businesses to their full capacity.

The financial institutions and DNFBPs themselves also suffer as a result of a jurisdiction's dysfunctional or nonexistent beneficial ownership transparency: poor AML compliance increases their exposure to legal, reputational and financial (fines) risks.

4.2 Beneficial ownership transparency has risen up the global agenda

The FATF published the first international standards on beneficial ownership transparency in 2003. 190 jurisdictions committed to implementing legal requirements for:

- financial institutions and other gatekeepers to **collect and verify information** on the ownership of legal persons and arrangements;
- measures to ensure that this **information is available** competent authorities.

The standards were revised in 2014 to provide more clarity, close loopholes and better distinguish between basic ownership information (about the immediate legal owners of a company or trust) and beneficial ownership information (about the persons who ultimately own or control it). In 2019, FATF published best practices on beneficial ownership for legal persons.

There is now widespread consensus that beneficial ownership registers are needed not only to combat ML / TF but also tax evasion and other forms of financial crime, to assist in tracing and recovering stolen assets, and – especially for publicly available registers – for their deterrent effect.

This concern has been picked up by a multitude of policy and advocacy bodies from all sectors. The G20, B20 and C20, the OECD and its Global Forum on Transparency and Exchange of Information for Tax Purposes, the Extractive Industries Transparency Initiative (EITI), the Open Government Partnership through its Beneficial Ownership Leadership Group, and Transparency International are just a few of those calling actively for the establishment of effective beneficial ownership registers globally. Open Ownership, an NGO, has developed Principles for Effective Beneficial Ownership Disclosure, which provide a framework for implementing beneficial ownership transform reforms and assessing the adequacy of existing measures.

Far from being a purely technical issue, beneficial ownership is also increasingly a public demand following scandals such as the Panama and Paradise Papers. These have revealed how anonymous shell companies have been misused (and in many cases intentionally set up for that purpose) to assist criminals and professional money launderers in hiding the proceeds of corruption and other crimes.

Box 2: Further reading on beneficial ownership and money laundering

- Atkinson, P., 2020. *Quick Guide to Offshore Structures and Beneficial Ownership*. Basel Institute on Governance
- Van Der Merwe, 2020. *Beneficial Ownership Registers: Progress to Date*. U4 Anti-Corruption Helpdesk
- FATF, 2019. *Best Practices on Beneficial Ownership for Legal Persons*
- FATF, 2016. *Report to the G20 on Beneficial Ownership*
- Global Coalition to Fight Financial Crime. 2021. *Position Paper on Beneficial Ownership Transparency*.

4.3 Implementation and effectiveness of beneficial ownership registers

Despite the fact that the importance of beneficial ownership transparency is increasingly recognised, implementation remains uneven and more clarity and granularity are necessary. To gain a greater understanding of the main weaknesses, and perhaps draw first conclusions of the underlying reasons, we examined what the FATF data reveals on this question.

For this, we looked at the following FATF Recommendations and effectiveness indicators (IO5) for beneficial ownership:

Box 3: FATF indicators on beneficial ownership

Technical compliance	Effectiveness
R.24: Transparency and beneficial ownership of legal persons. Jurisdictions should take measures to prevent the misuse of legal persons for money laundering or terrorist financing.	IO5: Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.

R.25: Transparency and beneficial ownership of legal arrangements. Jurisdictions should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing.

The data covers the 112 jurisdictions assessed under the FATF's fourth-round methodology in the period from 2018 to July 2021.[4]

The analysis reveals poor performance across the board.

- **Technical compliance** with R.24 and R.25 across all 112 assessed jurisdictions lies at only 47% on average.
- **Almost half of the jurisdictions (44%) score zero for the effectiveness** of their beneficial ownership transparency measures under IO5 – 49 jurisdictions out of the 112 assessed.
- **No jurisdiction has an effective system**, where IO5 is achieved to a very large extent.
- **Only 11 jurisdictions out of the 112 score 66%** for effectiveness. A further 52 jurisdictions demonstrate just 33% effectiveness.
- **The average effectiveness score** across all assessed jurisdictions is only 22%.

As explained above and emphasised repeatedly by the FATF, this lack of effective collection and verification of information on the beneficial owner of a corporate vehicle hinders the efforts of law enforcement and financial institutions to prevent or investigate abuse of the financial system.

The data also seem to indicate that the non-binding nature of the FATF Recommendations on beneficial ownership leaves a great deal of flexibility in the way that jurisdictions implement them in their national legislation. Is this the reason for the uneven and tardy implementation?

The FATF has conducted a public consultation this year on possible amendments to R.24 on the transparency and beneficial ownership of legal persons, the outcomes of which are pending at the time of writing this report. It is hoped that this process will shed more light on the causes of the current weakness of existing beneficial ownership frameworks and the lack of such frameworks in far too many jurisdictions still.

Based on our analysis of jurisdictions in the Basel AML Index, we predict that average performance will decrease if the FATF strengthens its requirements under R.24.

4 The data therefore does not reflect the recent changes with regard to beneficial ownership in the US and Canada, as these jurisdictions have not undergone an FATF evaluation since the changes came into effect.

4.4 Beneficial ownership transparency in the EU

The case of the European Union illustrates that implementing effective beneficial ownership registers remains challenging even in a region with substantial resources at its disposal, a relatively low risk of ML / TF (see regional profile, page 27) and, importantly when comparing to the global standard, very clearly defined mandatory rules.

These rules for EU Member States are set out in the so-called EU AML Directives (AMLD).

- The 4th AMLD signed in 2015 required Member States to ensure that the beneficial owners of legal persons and some trusts should be known and registered with an authority.

- The 5th AMLD required that beneficial ownership registers for companies and legal persons should be publicly accessible, and that beneficial ownership information on trusts should be accessible to competent authorities, financial institutions and designated non-financial business and professions (DNFBPs), as well as anyone who can demonstrate a legitimate interest. By January 2020, Member States were supposed to have transposed the 5th AMLD into domestic law.

Although the 5AMLD set out the necessary framework for establishing transparent beneficial ownership across EU jurisdictions, there remain gaps in implementation of these standards in national legislation as well as weaknesses in supervision at the EU level.

As pointed out by Transparency International, three jurisdictions (Italy, Hungary, Lithuania) still have not established any form of beneficial ownership register. A further six (Cyprus, Czech Republic, Finland, Greece, Romania and Spain) have failed to make their registers public, as required in the 5AMLD. Others restrict access in different ways.

So the problem seems to be going further than “just” the question of how specific the rules are. In July 2021 the EU passed what it calls an “ambitious package of legislative proposals” to strengthen and harmonise AML / CFT rules across Member States, including beneficial ownership transparency requirements. It can be hoped that with this, combined with the ongoing revisions of relevant FATF standards, at least the high-risk countries will start understanding the critical role of beneficial ownership registers in both ML / TF prevention and enforcement, and act on it.

4.5 Are compliant systems more effective?

Actually, no. Interestingly, the data reveals no strong correlation between technical compliance and effectiveness.

- **Only nine jurisdictions** demonstrate a high performance (above 50%) in both technical compliance and effectiveness ratings: Armenia, Bermuda, Cuba, Cook Islands, Italy, Israel, Macao, Spain and the UK.

- Some jurisdictions, such as Latvia and Iceland, score highly on technical compliance criteria (67% and 83% respectively) but **zero in terms of effectiveness.**

The US and Canada are among those jurisdictions that have been – at least until now – let down by their ineffective beneficial ownership transparency measures. Though falling into the medium-risk category in the Basel AML Index,[5] both jurisdictions suffer from beneficial ownership transparency systems rated by the most recent FATF evaluation as 0% effective.

4.6 What can we learn from analysing FATF data on beneficial ownership?

The analysis shows, among other things, that:

- **There is still an unacceptably poor level of compliance in establishing beneficial ownership registers (or other mechanisms),** even when this is required not only by FATF standards but by law. In some jurisdictions, this is a major aspect letting down their otherwise acceptable performance in AML / CFT.

- **The majority of beneficial ownership registers that do exist are either mostly or completely ineffective** at doing even the minimum that they are supposed to do – provide reliable information to the competent authorities on the ultimate beneficial owners of companies or trusts incorporated in the jurisdiction.

Increasing the transparency of information on beneficial ownership is both an obvious and an essential measure to improve the general level of AML / CFT compliance and to help prevent or investigate ML / TF offences.

This applies both domestically (since no jurisdiction has a fully functioning beneficial ownership system) and internationally (due to the cross-border nature of financial crimes).

Strong government action to improve beneficial ownership transparency will support not only the competent authorities responsible for investigating and prosecuting financial crimes, but also financial institutions and other reporting entities with their customer due diligence obligations.

5 Canada: 4.67, US: 4.60 out of a maximum ML/TF risk score of 10. See the ranking table in Section 6.

5 Trend 4: ML / TF vulnerabilities beyond the financial sector

Lawyers, accountants, real estate agents and other non-financial businesses and professions continue to underperform on compliance with AML / CFT standards. *More supervision is urgently needed to close that gap.*

5.1 Growing attention to non-financial entities exposed to ML / TF risks

A significant issue highlighted by the Basel AML Index data analysis is the generally weak application of AML / CFT preventive measures by non-financial entities – so-called designated non-financial businesses and professions (DNFBPs). A related weakness lies in their supervision.

Box 4: What are DNFBPs?

DNFBPs are non-financial entities or individuals with a particular exposure to ML / TF risks due to the nature of their business. According to the FATF definition, DNFBPs include casinos; real estate agents; dealers in precious metals and precious stones; lawyers, notaries, other independent legal professionals and accountants; and trust and company service providers.[6]

Traditionally, national AML / CFT policies, standards and financial supervisory bodies have focused more on financial institutions than DNFBPs. However, the latter are important players in financial and economic sectors and have clear exposure to ML / TF risks arising from tax evasion, corruption and bribery, fraud schemes, insider trading or other crimes.

To take a simple example, money launderers can buy and sell properties or precious metals to help obscure the illicit origins of their money, as one "layer" in the laundering scheme. Using corporate vehicles allows them to disguise the true ownership and control of the funds and assets – especially where, as explained in Section 4, beneficial ownership registers do not exist or are poorly implemented. Moreover, there is increasing concern among regulators that some lawyers, accountants and TCSPs are advising and assisting criminal clients with hiding and laundering illicit funds, or that an accountant is used as an intermediary to avoid scrutiny from the financial institution.

6 In an effort to support the various DNFBPs in applying a risk-based approach to AML/CFT, the FATF has issued sector-specific guidance documents for legal professionals, TCSPs, casinos and accounting professions.

Several structural factors emerge from the data that make DNFBPs particularly vulnerable to ML / TF risks, including the top three:

- A **limited understanding** of ML / TF risks and AML / CFT obligations
- **Poor implementation** of AML / CFT measures
- **Weak monitoring** and supervision

These are substantial problems that will need addressing to prevent DNFBPs acting as a dangerous loophole in AML / CFT systems.

5.2 Customer due diligence and AML / CFT

Customer due diligence (CDD) – knowing the identity of your customers and verifying that they really are who they say they are – is an essential aspect of identifying potential ML / TF risks. The relevant FATF requirements are R.10 on CDD, R.22 on DNFPB CDD, and IO4 on a risk-based approach to ML/FT prevention and reporting of suspicious transactions.

Box 5: What are the requirements for customer due diligence?

CDD obligations apply to financial institutions and DNFBPs alike, for example when establishing a new business relationship, when they carry out certain transactions, and where there are doubts about previously obtained customer identification data or a direct suspicion of ML / TF.

The measures cover various aspects including:

- identifying and verifying the customer;
- identifying and verifying the beneficial owner;
- understanding the purpose and intended nature of the business relationship;
- conducting ongoing due diligence and/or scrutinising transactions for consistency with the apparent customer profile.

CDD is also an important aspect of a risk-based approach to AML / CFT: where a risk assessment reveals a high risk of ML / TF, enhanced CDD should be applied to gather more information about the customer, the sources of the funds, the nature of the business relationship and the purpose of the transaction. Additional monitoring can then be applied where needed.

According to an analysis of FATF data relating to the relevant indicators (see above), DNFBPs have a much lower level of technical compliance with CDD requirements than financial institutions:

- 12 jurisdictions out of the 112 evaluated are rated as **non-compliant in R.22 (CDD for DNFBPs).** This compares with just 2 jurisdictions that are rated as non-compliant in R.10 (CDD for financial institutions).

- At the other end of the scale, **only 8 jurisdictions are fully compliant with R.22,** compared to 17 jurisdictions that are fully compliant with R.10.

This means that lawyers, accountants, casinos, precious metal dealers, real estate agents and other DNFBPs are significantly less protected against ML / TF risks and do less to contribute to AML / CFT efforts. They should be considered a serious vulnerability in most jurisdictions' AML / CFT framework.

Does that mean they require greater attention and support from supervisory authorities?

5.3 Regulation and supervision of DNFBPs

In last year's report, the Basel AML Index provided a deep dive into the quality of AML / CFT supervision. We found that supervision was generally a very weak spot in countries' AML / CFT regime, and supervision of DNFBPs in particular.

Reviewing 2021 data on jurisdictions' performance in FATF R.28, which sets standards for the regulation and supervision of DNFBPs, reveals that far too little has changed:

- **Compliance with R.28 remains very low** at 45% on average.

- **15 jurisdictions still score a radical 0%** for compliance with R.28.

- **Only 8 jurisdictions are fully compliant** with R.28.

These figures illustrate that supervision remains one of the weakest fields in AML / CFT prevention. A 3% improvement across the board is far from the quantum shift that we would need to see.

When regulators continue to pressure financial institutions (and hopefully increasingly also DNFBPs) to do better – pressure that indeed needs to be maintained – it needs to be matched with significantly more efforts to supervise these institutions. Or else, it is highly likely that the pressure will fall short of delivering real results.

6 Scores and ranking

Only jurisdictions with sufficient data to calculate a reliable ML/TF risk score and that have been evaluated using the FAFT fourth-round methodology are included in the Public Edition of the Basel AML Index. See the methodology description in Annex I for more information. The Expert Edition contains a detailed overview of 203 jurisdictions and their risk scores based on available data.

low risk — high risk

Ranking	Country	Score
1	Haiti	8.49
2	Dem. Rep. of the Congo	8.35
3	Myanmar	7.83
4	Mozambique	7.71
5	Cayman Islands	7.66
6	Madagascar	7.40
7	Mali	7.37
8	Mauritania*	7.37
9	Senegal	7.25
10	Uganda	7.18
11	Cambodia	7.13
12	Zimbabwe	6.79
13	Burkina Faso	6.77
14	Ethiopia	6.77
15	Nicaragua	6.75
16	Solomon Islands	6.74
17	China	6.70
18	Sri Lanka	6.51
19	Cape Verde	6.49
20	Bahamas	6.46
21	Bhutan	6.24
22	Tanzania	6.22
23	Palau	6.17
24	Thailand	6.15
25	Kyrgyzstan	6.09
26	Mongolia	6.09
27	Zambia	6.03
28	Pakistan	6.00
29	Panama	6.00
30	Tajikistan	5.97
31	Macao, China	5.93
32	United Arab Emirates	5.91
33	Bangladesh	5.84
34	Barbados	5.82
35	Malawi	5.78
36	Jamaica	5.77
37	Philippines	5.76
38	Cuba	5.75
39	Albania	5.72
40	Turkey	5.70
41	Jordan	5.60
42	Fiji	5.56
43	Honduras	5.52
44	Russia	5.49
45	Malaysia	5.47
46	Serbia	5.47

This ranking was updated on 23 November 2021 following a correction to the original source data used to calculate Mauritania's risk score. The score was corrected from 8.13 to 7.37.

Ranking	Country	Score
47	Malta	5.45
48	Turks and Caicos	5.35
49	Vanuatu	5.33
50	Mauritius	5.32
51	Morocco	5.32
52	Samoa	5.32
53	Seychelles	5.29
54	Saint Lucia	5.21
55	Ukraine	5.21
56	Hong Kong, China	5.20
57	Tunisia	5.20
58	Egypt	5.19
59	Guatemala	5.12
60	Saudi Arabia	5.12
61	Mexico	5.09
62	Belarus	5.04
63	Hungary	5.04
64	Japan	4.99
65	Moldova	4.98
66	Antigua and Barbuda	4.95
67	Cyprus	4.95
68	Switzerland	4.89
69	Ghana	4.88
70	Botswana	4.87
71	Trinidad and Tobago	4.85
72	Georgia	4.82
73	Bermuda	4.75
74	Costa Rica	4.74
75	Dominican Republic	4.72
76	Indonesia	4.68
77	Canada	4.67
78	Singapore	4.65
79	Colombia	4.64
80	Armenia	4.63
81	South Korea	4.63
82	Latvia	4.61
83	United States	4.60
84	Italy	4.57
85	Bahrain	4.50
86	Peru	4.50
87	Ireland	4.45
88	Austria	4.42
89	Taiwan	4.39
90	Slovakia	4.37
91	Czech Republic	4.28
92	Iceland	4.16
93	United Kingdom	4.05
94	Uruguay	3.98
95	Belgium	3.94
96	Portugal	3.85
97	Israel	3.83
98	Australia	3.75
99	Greece	3.67
100	Spain	3.59
101	New Zealand	3.53
102	Lithuania	3.51
103	Denmark	3.46
104	San Marino	3.42
105	Sweden	3.36
106	Norway	3.35
107	Slovenia	3.30
108	Cook Island	3.13
109	Finland	3.06
110	Andorra	2.73

7 Regional focus

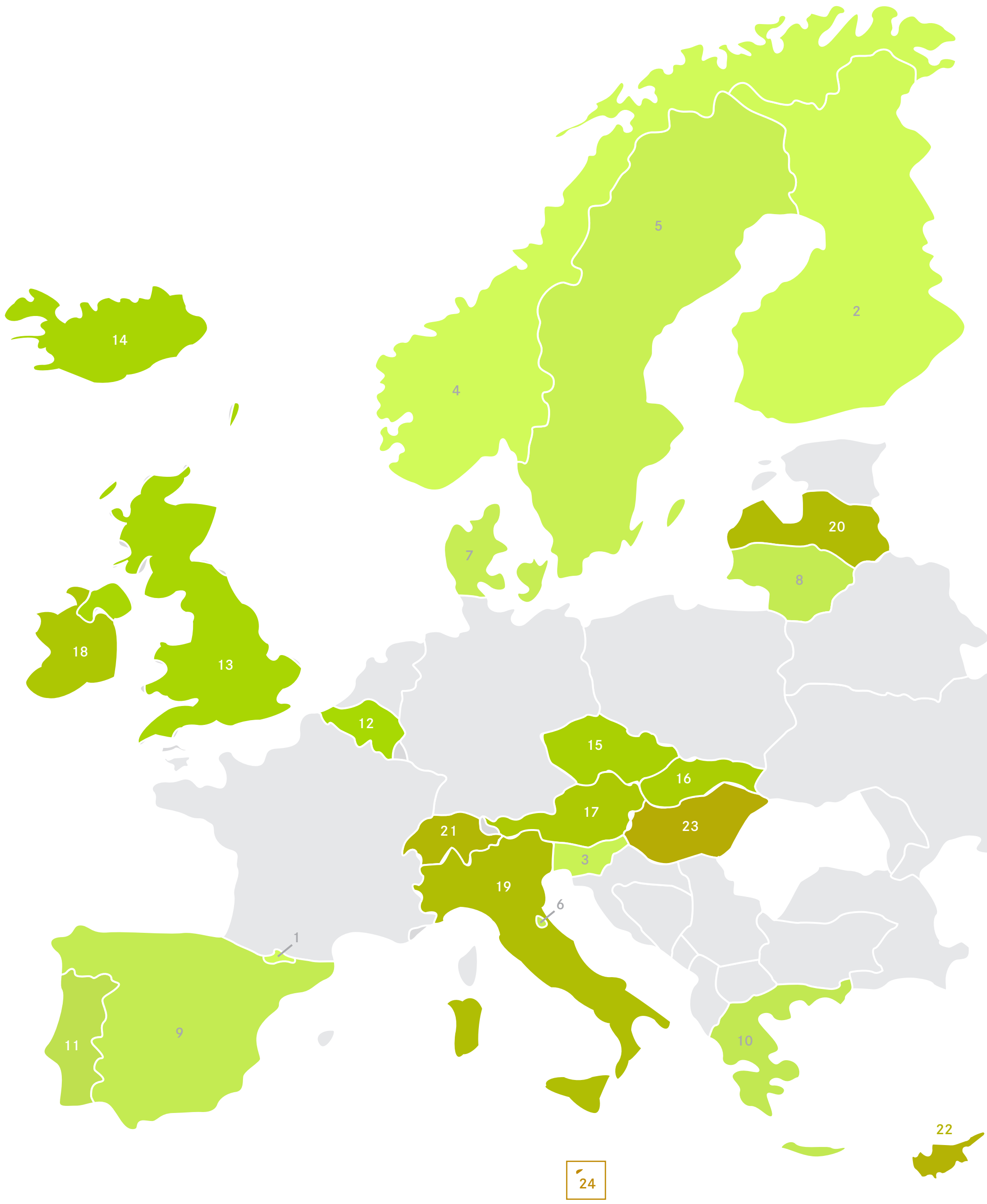
The Basel AML Index follows the World Bank classification of jurisdictions, with an additional separation of Europe and Central Asia into two regions:

- European Union and Western Europe
- Europe and Central Asia
- East Asia and Pacific
- Latin America and Caribbean
- Middle East and North Africa
- North America
- South Asia
- Sub-Saharan Africa

While each jurisdiction has different risks, we do see particular trends and problem zones in each region that help to highlight weak links and areas to address.

7.1 European Union and Western Europe

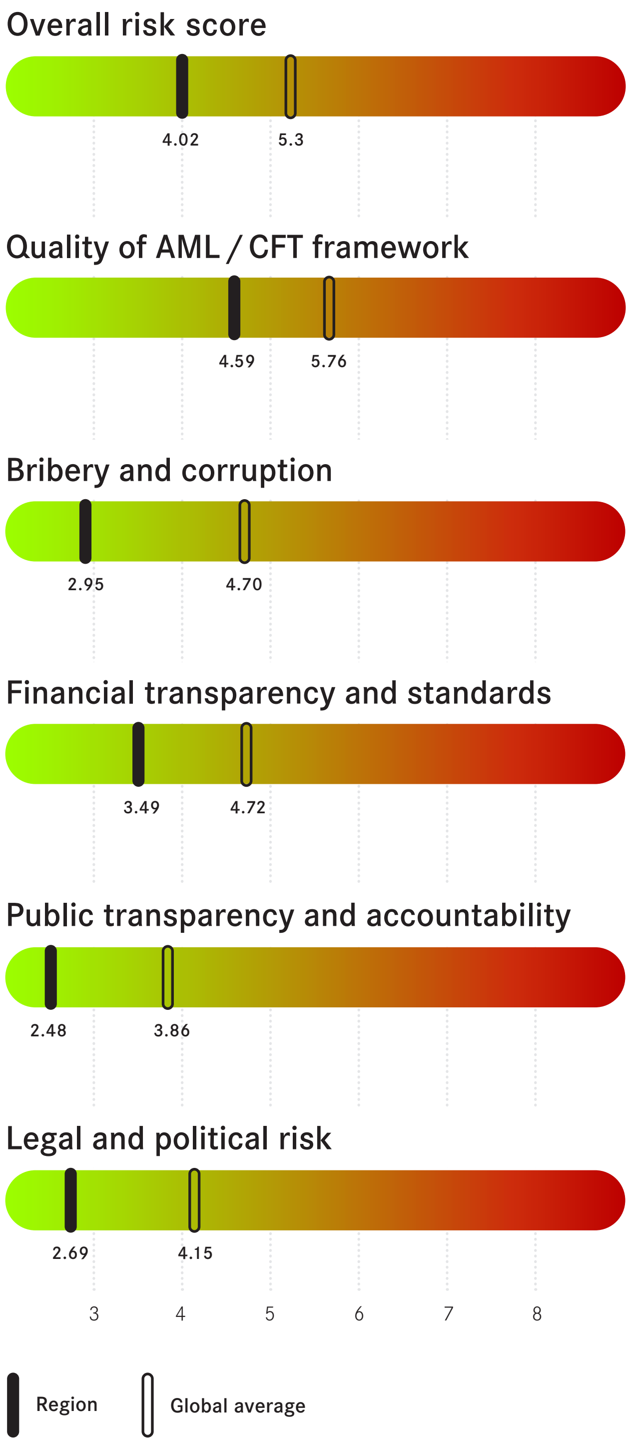
Despite having a generally lower risk than the global average, the region continues to be let down by the overall quality of AML / CFT systems. There are major variations in both compliance with FATF Recommendations and the effectiveness of their implementation.



1	Andorra	2.73
2	Finland	3.06
3	Slovenia	3.30
4	Norway	3.35
5	Sweden	3.36
6	San Marino	3.42
7	Denmark	3.46
8	Lithuania	3.51
9	Spain	3.59
10	Greece	3.67
11	Portugal	3.85
12	Belgium	3.94
13	United Kingdom	4.05
14	Iceland	4.16
15	Czech Republic	4.28
16	Slovakia	4.37
17	Austria	4.42
18	Ireland	4.45
19	Italy	4.57
20	Latvia	4.61
21	Switzerland	4.89
22	Cyprus	4.95
23	Hungary	5.04
24	Malta	5.45

Low risk High risk

The EU's July 2021 package of legislative reforms on AML / CFT attempts to address this variability, but more coordinated efforts are needed, including with jurisdictions outside the EU.



Weakest area:
Quality of AML / CFT frameworks

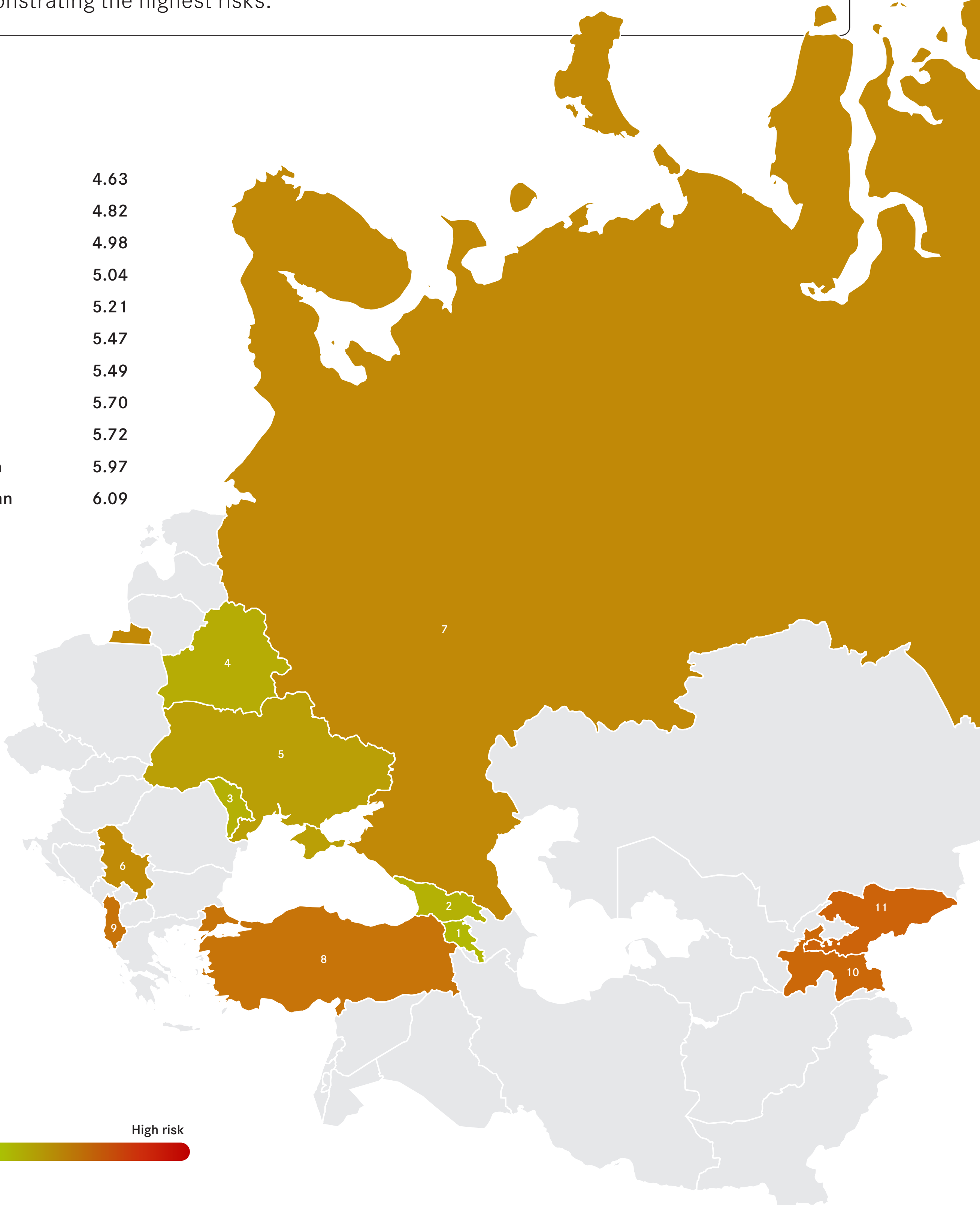
Belgium, Cyprus, the Netherlands, Spain and the UK are listed by the US as major money laundering destinations. Malta is grey-listed by the FATF as a jurisdiction with strategic deficiencies in its AML / CFT framework.

Since 2020, around half of jurisdictions have increased their risk scores due to changes in risk data relating to human trafficking (Cyprus, Norway, Portugal, and Switzerland), bribery/ corruption (Hungary) and public transparency (Hungary, Finland).

7.2 Europe and Central Asia

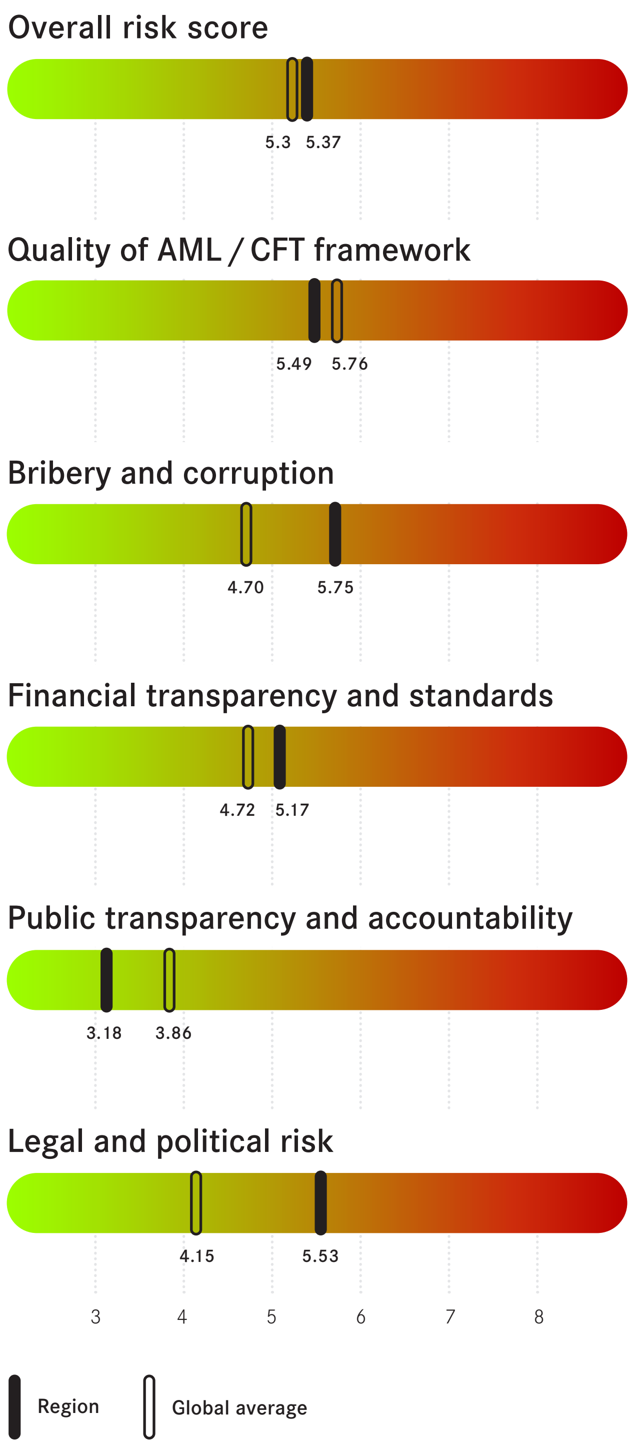
The region has slightly higher ML / TF risks than the global average, although there has been a general improvement since 2020. There are no significant outliers: risk scores are gradually distributed between 4.63 and 6.09, with the Kyrgyz Republic and Tajikistan demonstrating the highest risks.

1	Armenia	4.63
2	Georgia	4.82
3	Moldova	4.98
4	Belarus	5.04
5	Ukraine	5.21
6	Serbia	5.47
7	Russia	5.49
8	Turkey	5.70
9	Albania	5.72
10	Tajikistan	5.97
11	Kyrgyzstan	6.09



Low risk High risk

Governments across the region must take strong steps to address corruption and bribery in the first instance. However, issues with media freedom, independence of the judiciary, and political and civil rights in general appear likely to continue to hold the region back.



Weakest areas:
Corruption and bribery

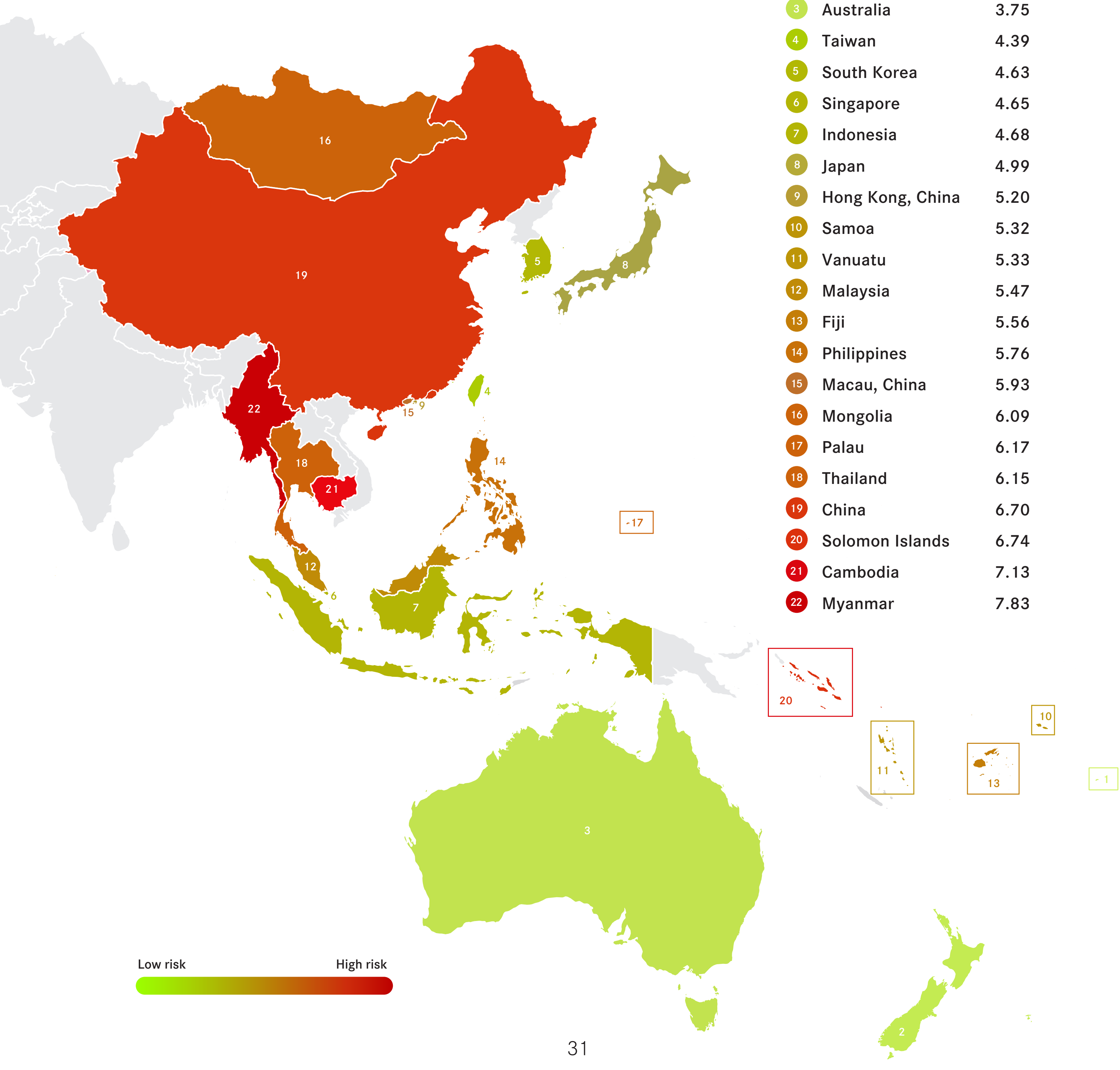
8 of the 11 assessed jurisdictions are listed by the US as major money laundering destinations; the exceptions are Moldova, Belarus and Serbia.

Armenia saw the greatest improvement due to decreases in risk scores for human trafficking and corruption/bribery.

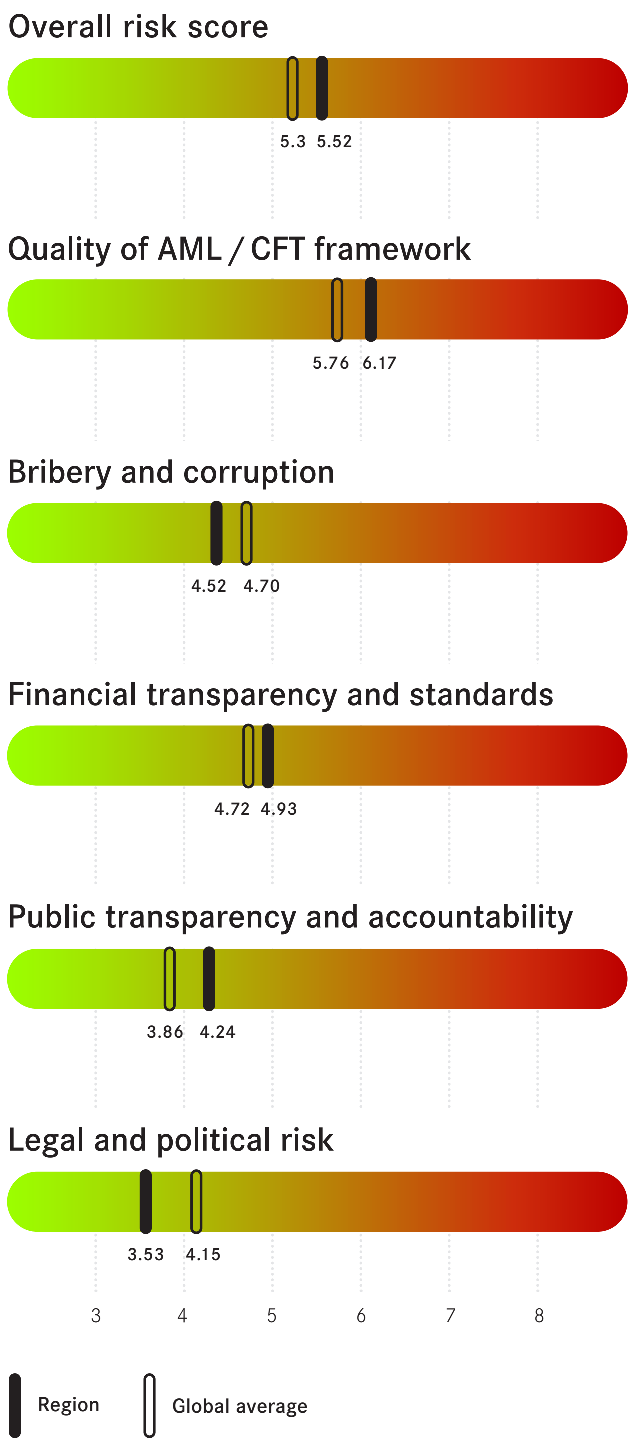
7.3 East Asia and Pacific

Risk scores in the East Asia and Pacific region are slightly higher than the global average, and many jurisdictions have increased their risks in the last year. There is significant variation in overall risk scores, as well as in risks relating to corruption/bribery, human trafficking, public and financial transparency, and political/legal systems.

1	Cook Islands	3.13
2	New Zealand	3.53
3	Australia	3.75
4	Taiwan	4.39
5	South Korea	4.63
6	Singapore	4.65
7	Indonesia	4.68
8	Japan	4.99
9	Hong Kong, China	5.20
10	Samoa	5.32
11	Vanuatu	5.33
12	Malaysia	5.47
13	Fiji	5.56
14	Philippines	5.76
15	Macau, China	5.93
16	Mongolia	6.09
17	Palau	6.17
18	Thailand	6.15
19	China	6.70
20	Solomon Islands	6.74
21	Cambodia	7.13
22	Myanmar	7.83



This may reflect the region's economic and political diversity, ranging from developing (cash-based) economies with few resources to address financial crimes risks, to stable, developed states with relatively strong institutions and low levels of corruption. Stronger regional coordination could be key to helping weaker jurisdictions to raise their standards and to strengthening enforcement.



Weakest area:
Quality of AML / CFT frameworks

New Zealand retains top place as the lowest-risk country, despite an increased risk score following a new FATF evaluation.

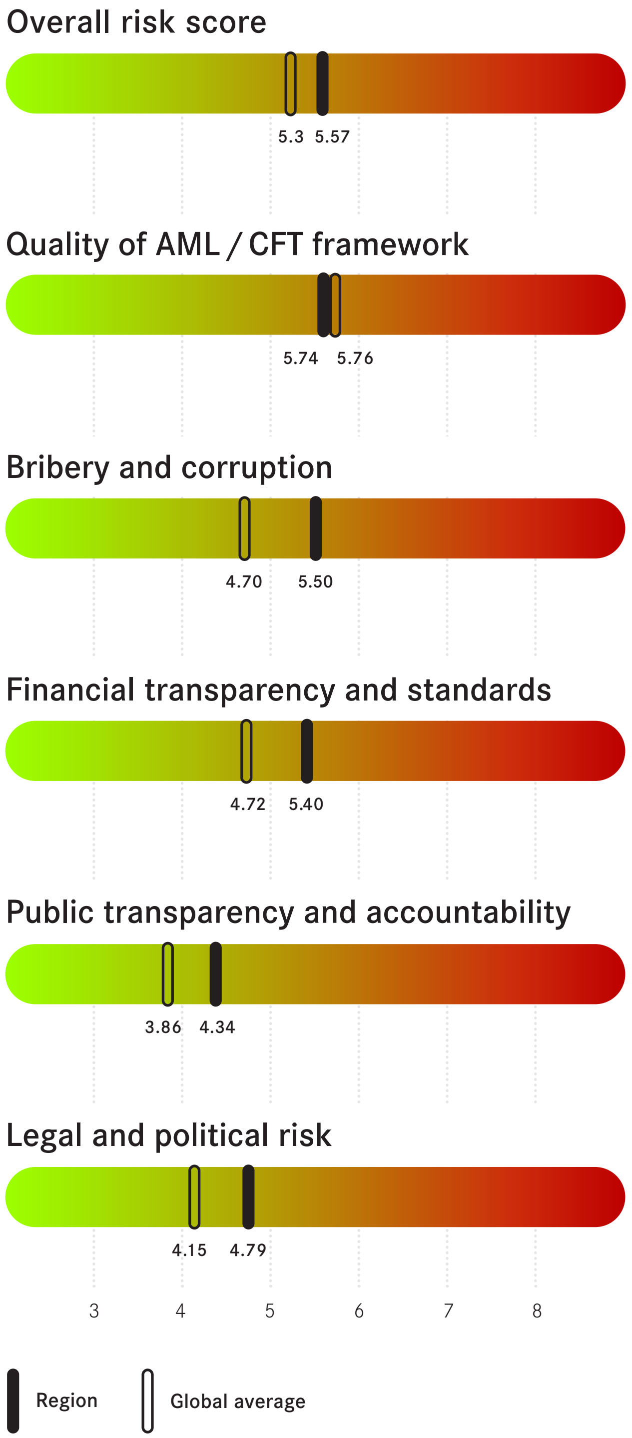
High risks of human trafficking in China, Malaysia and Myanmar.

7.4 Latin America and Caribbean

The region's higher than average overall risk score is in part due to high risks related to financial secrecy in the Bahamas, Panama and the Cayman Islands. The average risk score for financial transparency and standards is also high.

1	Uruguay	3.98
2	Peru	4.50
3	Colombia	4.64
4	Dominican Republic	4.72
5	Costa Rica	4.74
6	Trinidad and Tobago	4.85
7	Antigua and Barbuda	4.95
8	Mexico	5.09
9	Guatemala	5.12
10	Saint Lucia	5.21
11	Turks and Caicos	5.35
12	Honduras	5.52
13	Cuba	5.75
14	Jamaica	5.77
15	Barbados	5.82
16	Panama	6.00
17	Bahamas	6.46
18	Nicaragua	6.75
19	Cayman Islands	7.66
20	Haiti	8.49

There is significant variation across the region, demonstrating different institutional capacities to mitigate the risks. Political and legal instability in Cuba and Haiti may undermine efforts to strengthen AML / CFT measures.



Weakest area:
Quality of AML frameworks

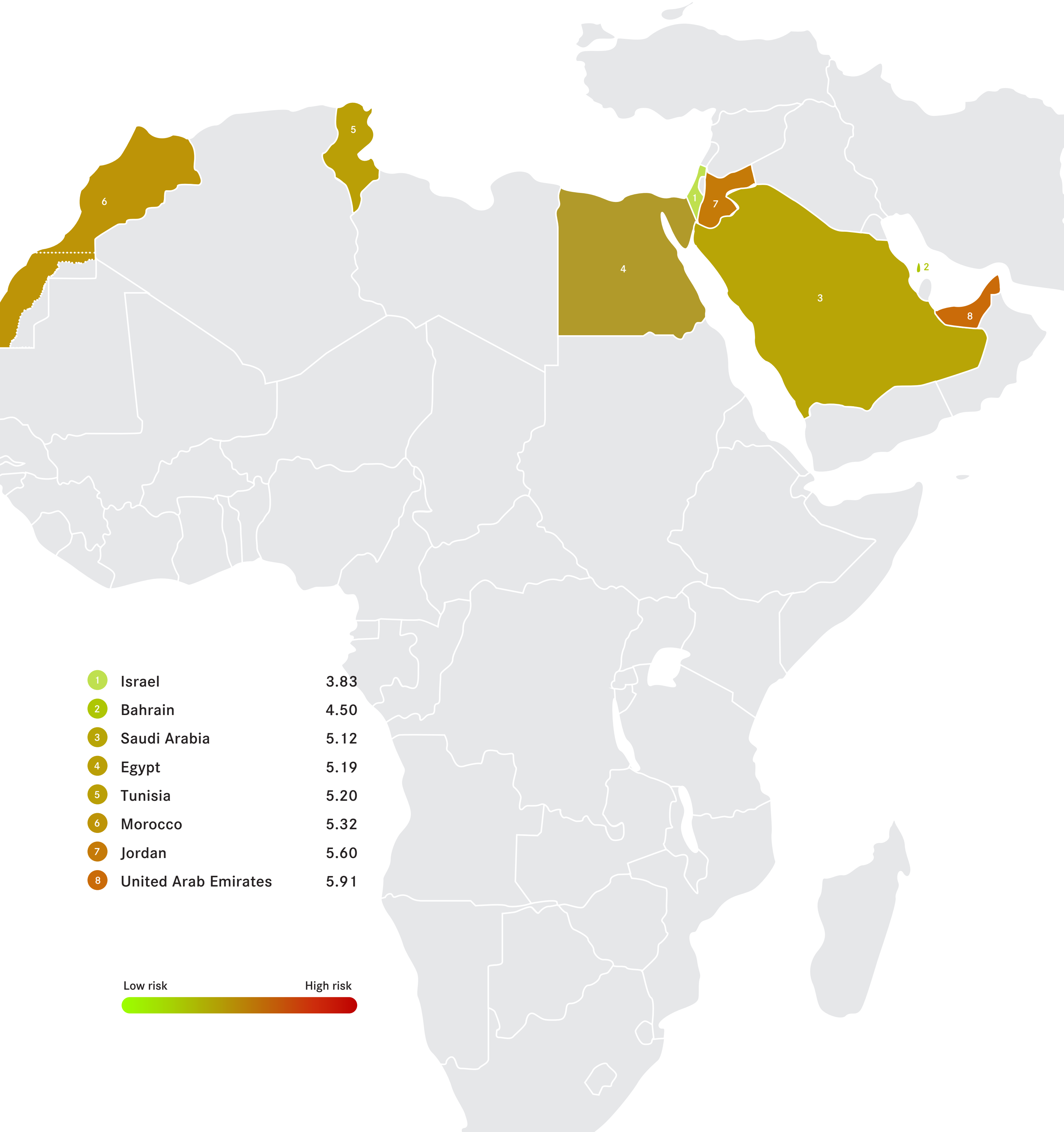
90% of assessed jurisdictions are listed as "major money laundering jurisdictions" by the US (all except Turks and Caicos and Uruguay).

Since 2020, Antigua and Barbuda, Barbados, Dominican Republic, Jamaica and Mexico have improved their ratings.

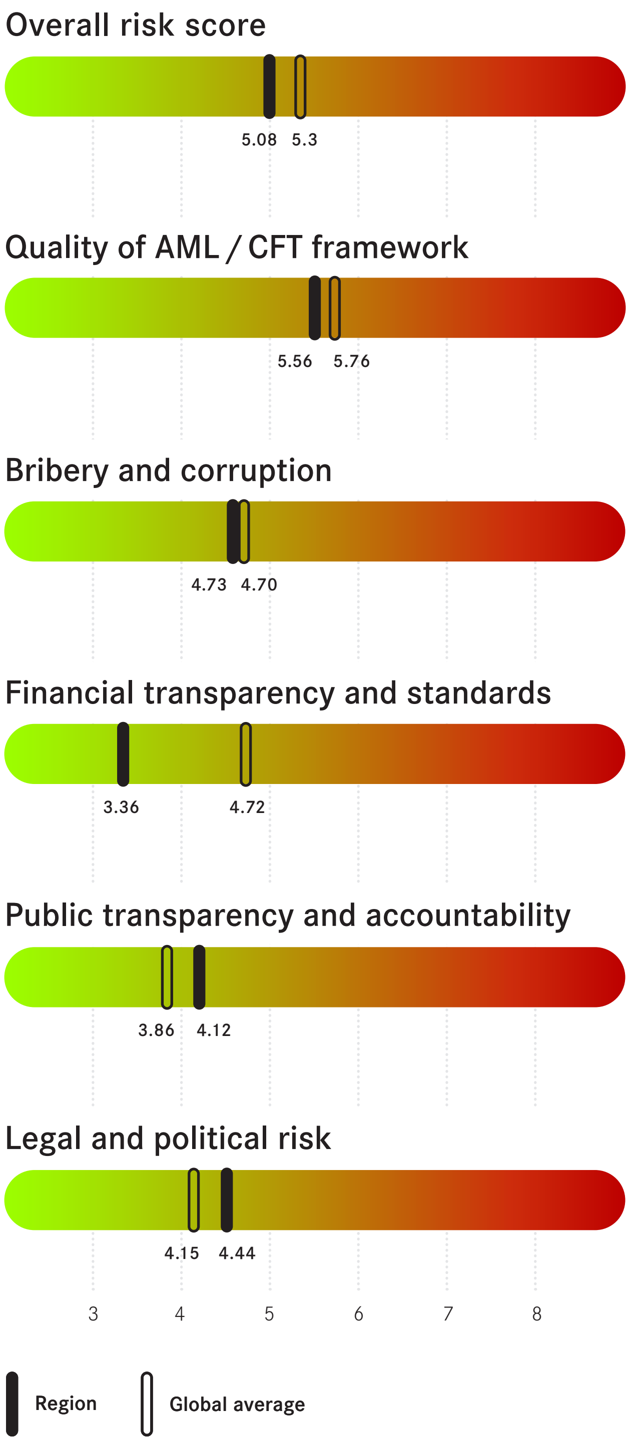
Haiti and Trinidad and Tobago received a higher risk score due to increased risks of human trafficking. Santa Lucia dropped by nearly a full point due to a poor FATF evaluation.

7.5 Middle East and North Africa

There is significant variation in risk levels across the region, but the main weaknesses relate to public transparency and accountability and to legal/political risks.



The importance of Saudi Arabia and the UAE as fast-developing financial centres means that these jurisdictions need to dedicate additional AML / CFT resources commensurate with their risks.



Weakest area:
Quality of AML / CFT frameworks

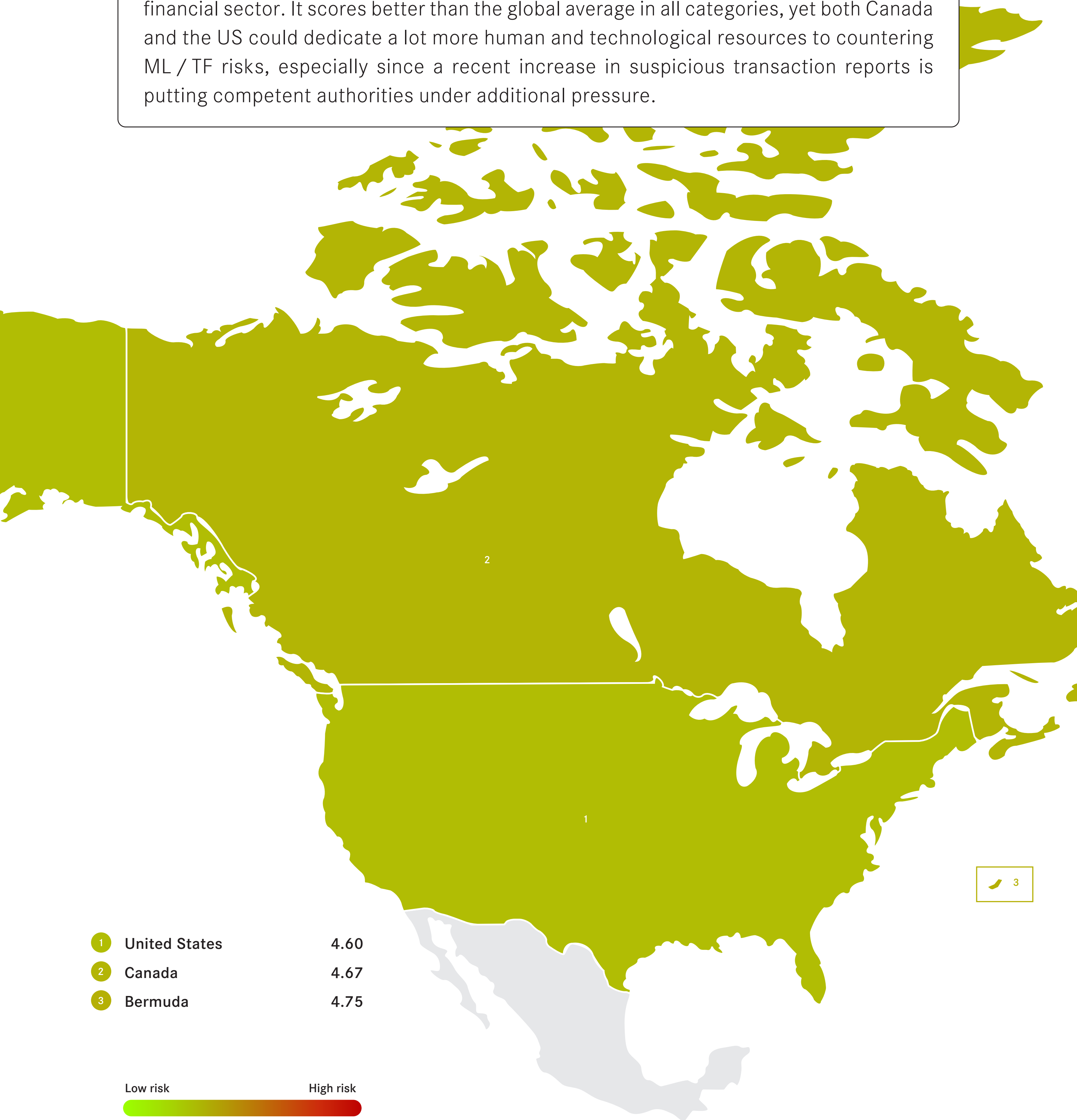
Specific weaknesses in prevention of ML / TF; Israel and Saudi Arabia are nearly two times worse at prevention than enforcement.

Improved scores for Saudi Arabia, Tunisia, Morocco and Jordan are due to reduced risks across several categories.

Although Israel remains the lowest-risk jurisdiction, its score worsened due to an increased risk score for human trafficking.

7.6 North America

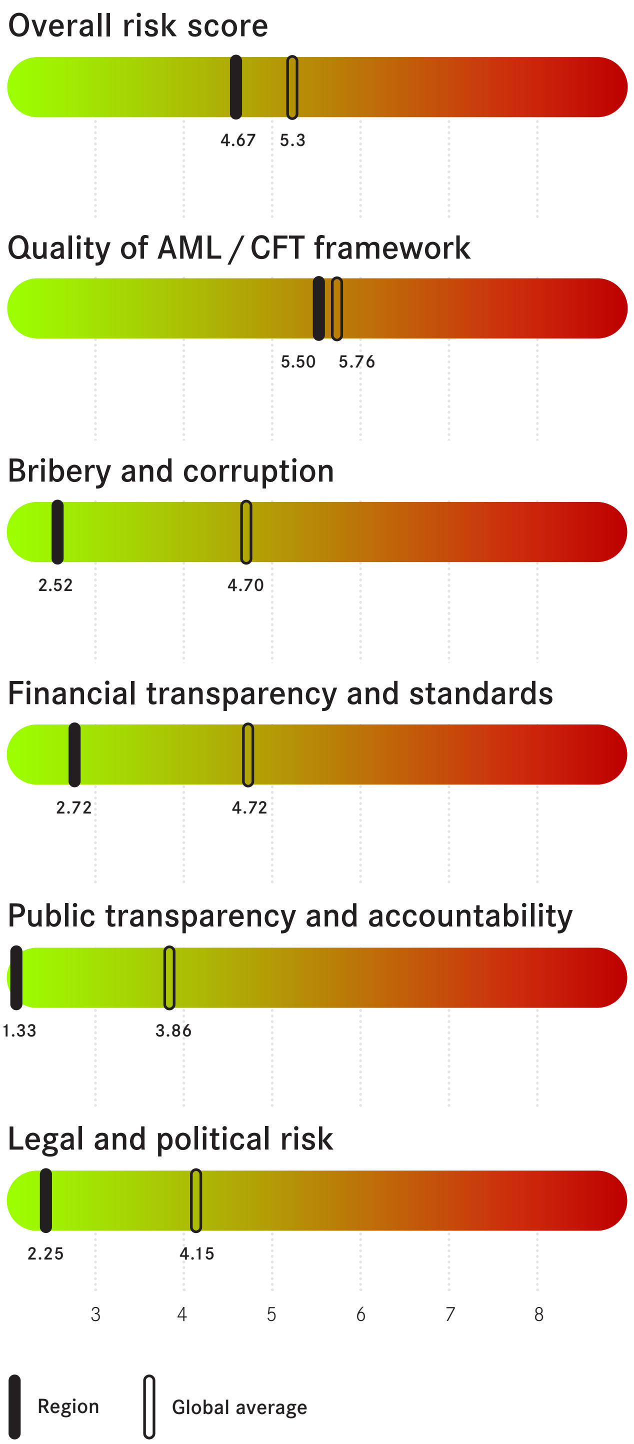
Though containing only three jurisdictions, this region is highly significant in the global financial sector. It scores better than the global average in all categories, yet both Canada and the US could dedicate a lot more human and technological resources to countering ML / TF risks, especially since a recent increase in suspicious transaction reports is putting competent authorities under additional pressure.



1	United States	4.60
2	Canada	4.67
3	Bermuda	4.75

Low risk High risk

It is hoped that recent regulatory and legislative reforms in both jurisdictions, dealing with beneficial ownership and whistleblower protections (not yet reflected in the Basel AML Index data), will help strengthen the region's main weakness – the quality of its AML / CFT frameworks.



Weakest area:
Quality of AML / CFT frameworks

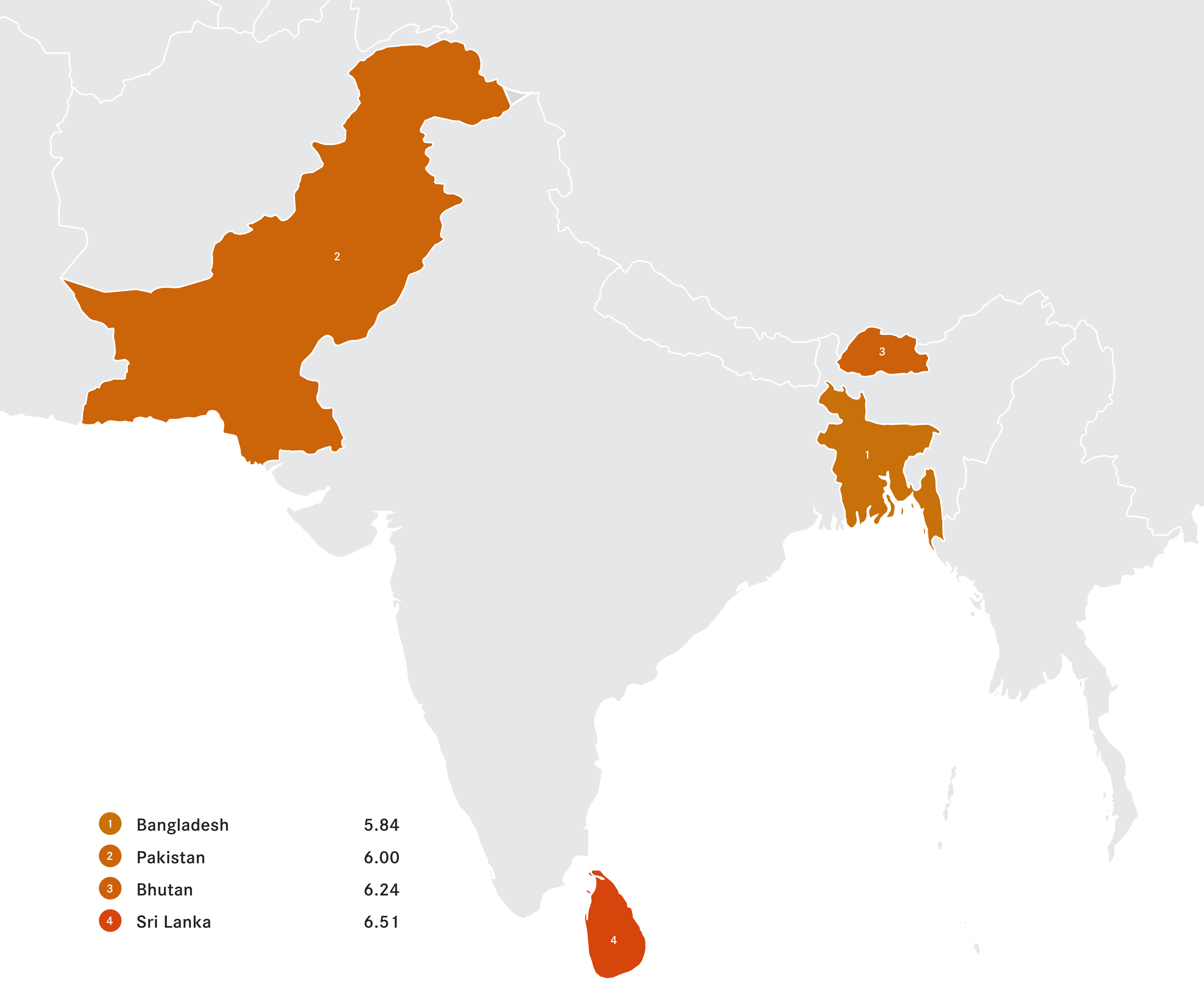
Canada and the US are remain listed by the US as major money laundering jurisdictions.

No significant changes in risk score for Canada and the US since 2020; Bermuda lacks data on ML / TF risks.

The US is significantly more effective at enforcement than prevention.

7.7 South Asia

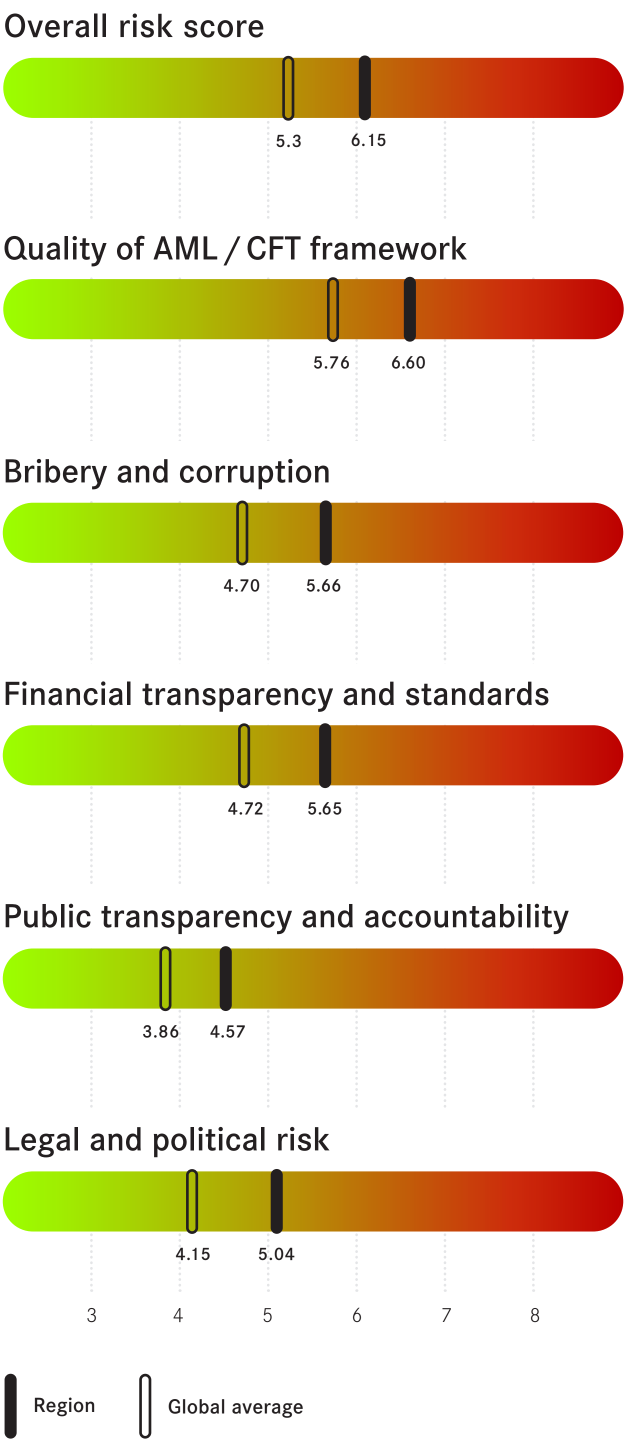
Lack of data is an issue in this region, with only four jurisdictions having sufficient data to calculate an overall risk score. The average for these four is, however, high and exceeds the global average across all domains. The largest deficiency is the quality of AML / CFT frameworks, but the region also suffers from very high levels of corruption and bribery, and poor levels of financial transparency.



1	Bangladesh	5.84
2	Pakistan	6.00
3	Bhutan	6.24
4	Sri Lanka	6.51

Low risk High risk

There is little variation among overall scores, with all of them exceeding 5 out of 10. Inconsistent enforcement of AML / CFT laws and low levels of effectiveness among the assessed jurisdictions (from 3–9%) are a major issue; turning this situation around will require significant resources and capacity building.



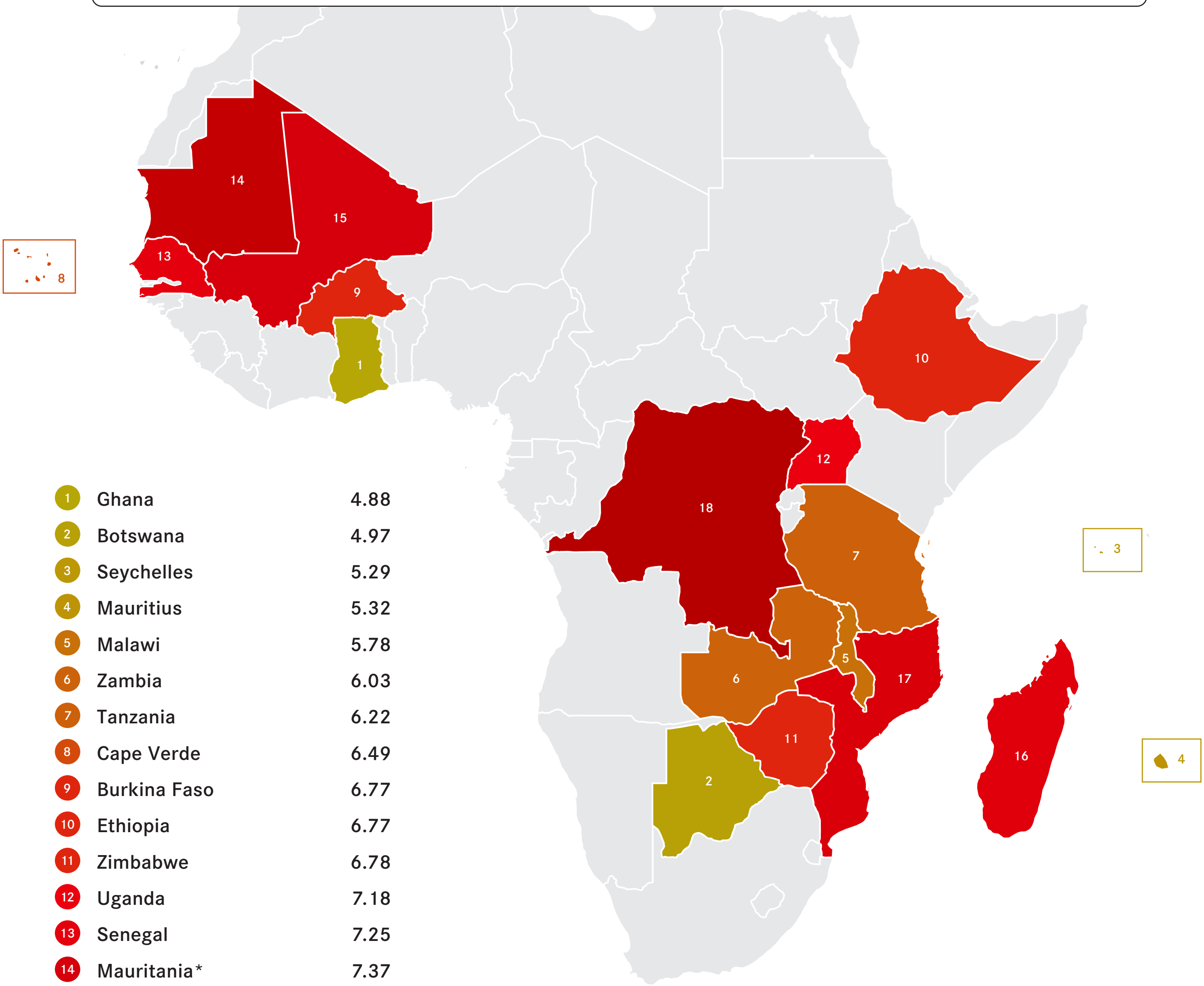
Weakest area:
Quality of AML / CFT frameworks

Pakistan and Bangladesh have demonstrated progress since 2020, although they remain high-risk jurisdictions and Pakistan is still grey-listed by the FATF.

Three jurisdictions (Bhutan, Pakistan, Sri Lanka) face significant TF risks and demonstrate low effectiveness in relation to prevention and prosecution of TF offences.

7.8 Sub-Saharan Africa

This region has the highest overall risk score of all regions, with the quality of AML/CFT frameworks being a particular concern. Although data is lacking, more than a third of countries covered have a risk score over 7 out of 10. Apart from Mauritius and Botswana, most assessed jurisdictions face high risks of bribery/corruption and financial transparency/standards.

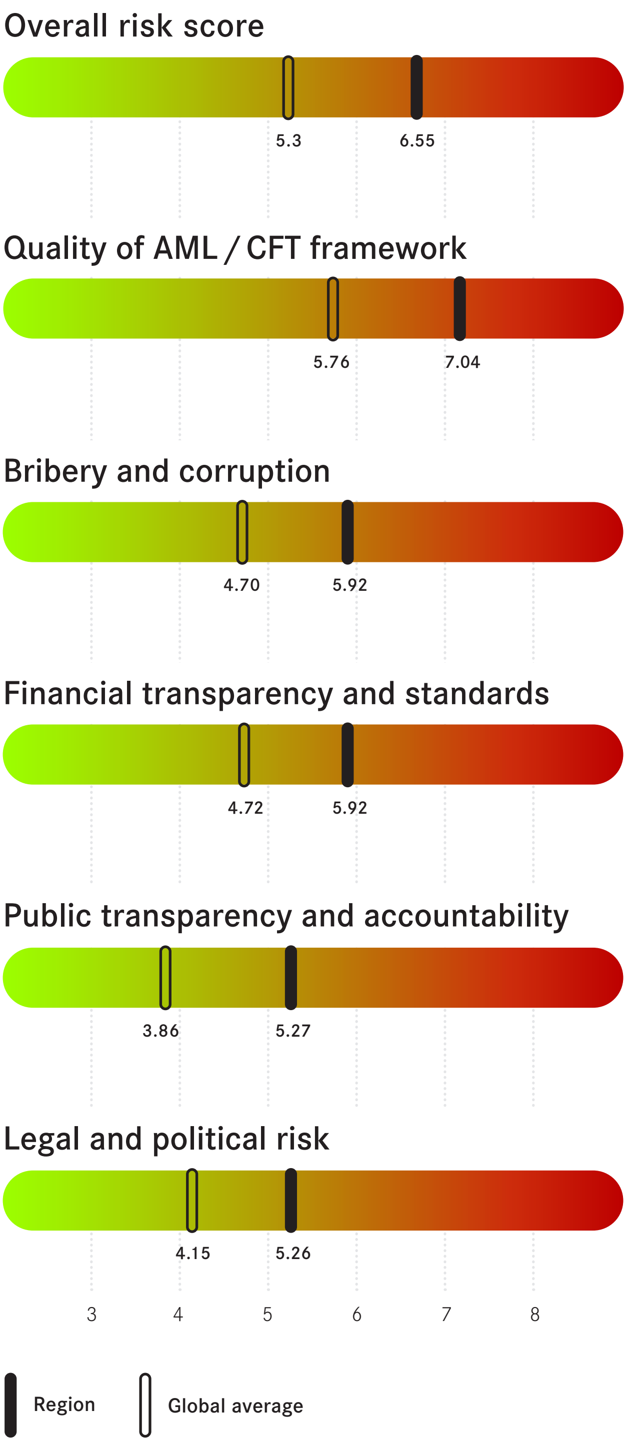


1	Ghana	4.88
2	Botswana	4.97
3	Seychelles	5.29
4	Mauritius	5.32
5	Malawi	5.78
6	Zambia	6.03
7	Tanzania	6.22
8	Cape Verde	6.49
9	Burkina Faso	6.77
10	Ethiopia	6.77
11	Zimbabwe	6.78
12	Uganda	7.18
13	Senegal	7.25
14	Mauritania*	7.37
15	Mali	7.37
16	Madagascar	7.40
17	Mozambique	7.71
18	Democratic Republic of the Congo	8.35

Low risk High risk

**This ranking was updated on 23 November 2021 following a correction to the original source data used to calculate Mauritania's risk score. The score was corrected from 8.13 to 7.37.*

These issues need to be addressed through broader long-term policies, although more effective ML / TF compliance could contribute to efforts to detect and prevent corruption. The wide distribution of scores across the region may in part be due to the presence of several developing economies with high levels of corruption and political / economic instability. More coordinated regional policies and capacity building could help to bring weaker jurisdictions up to standard.



Weakest area:
Quality of AML / CFT framework

Tanzania and Mozambique improved their scores following a fourth-round FATF evaluation, bucking the trend.

Zimbabwe's risk score increased since 2020, due mostly to higher risks of human trafficking.

8 Expert Edition and Expert Edition Plus

This report relates to the **Public Edition** of the Basel AML Index, which this year covers 110 jurisdictions and is designed to provide a general snapshot of money laundering trends around the world.

For professional compliance or risk assessment purposes, as well as research and policy making, we recommend using the **Basel AML Index Expert Edition**. The Expert Edition is a comprehensive and interactive risk assessment tool that helps users to evaluate the risk of corruption, money laundering and terrorist financing in any jurisdiction in the world. Unlike the Public Edition, it allows users to drill down into the reasons behind a jurisdiction's ML / TF risk score and explore where exactly that risk lies. The tool also highlights sanctions and other lists relevant to evaluating a jurisdiction's risk of ML / TF, including those issued by the FATF, UN Security Council, US Office of Foreign Assets Control, the EU, UK and Australia.

The **Expert Edition Plus** offers a detailed comparative analysis of the FATF Mutual Evaluation Reports. This allows users to assess each FATF recommendation individually by focusing on specific compliance needs, for example due diligence or terrorist financing regulations. It also includes special reports on ML / TF risks in the ML / TF risks in Jersey, Guernsey, Isle of Man, Gibraltar and the Cayman Islands.

The Basel AML Index Expert Edition and Expert Edition Plus are free for public-sector, international, non-profit and academic organisations.

Subscription options

	Public Edition	Expert Edition	Expert Edition Plus
Private companies & financial institutions	Free	CHF 2,000	CHF 4,000
Public-sector, international, non-profit and academic organisations	Free	Free	Free
Jurisdictions covered	110	203	203
Annual updates	✓	–	–
Quarterly updates	–	✓	✓
Customisable interface with 17 indicators and sanctions information	–	✓	✓
Jurisdiction profiles	–	✓	✓
Downloadable data set	–	✓	✓
Complete FATF data set and analysis	–	–	✓
Special reports on ML/TF risks in smaller jurisdictions	–	–	✓

See **index.baselgovernance.org/expert-edition**

9 About and contact

The Basel AML Index is developed and maintained by the International Centre for Asset Recovery at the Basel Institute on Governance.

The Basel Institute on Governance is an independent, non-profit organisation working around the world to strengthen governance and counter corruption and other financial crimes.

Headquartered in Basel, Switzerland since 2003, it is an Associated Institute of the University of Basel and has offices and field experts across Latin America, Eastern Europe and Africa. Some 90 staff members work with public, private and academic partners worldwide on cross-cutting issues in the areas of asset recovery, public governance, compliance, anti-corruption Collective Action, green corruption and public financial management.

Experts at the Basel Institute work constantly to improve the accuracy of ML / TF risk ratings and facilitate their use for research and compliance purposes.

For the online version of the Basel AML Index, including interactive ranking tables and information about the Expert Edition and Expert Edition Plus, see index.baselgovernance.org.

For feedback and technical queries or to request a custom service, such as an analysis of a specific jurisdiction or geographical region, please contact the Basel AML Index Project Manager, Kateryna Boguslavska, at **kateryna.boguslavska@baselgovernance.org.**

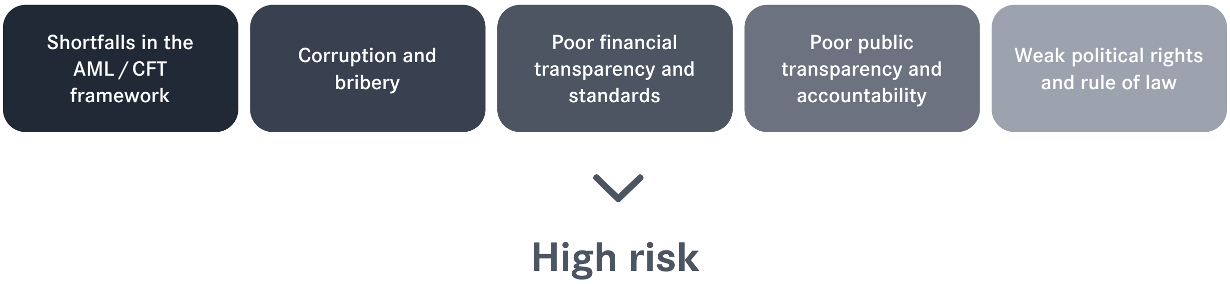
Basel Institute on Governance
Steinenring 60
4151 Basel
Switzerland

+41 61 205 55 11
www.baselgovernance.org

10 Annex I: Methodology

10.1 Data sources

The Basel AML Index uses a composite methodology based on 17 indicators relevant to evaluating ML / TF risk at the jurisdiction level. These are categorised into five domains in line with the five key factors considered to contribute to a high risk of ML / TF:



The aim of the Basel AML Index is to provide a holistic picture of money laundering risk. Its 17 indicators differ in focus and scope.

We choose indicators based on several criteria, including their relevance, methodology, jurisdiction coverage, public availability and the availability of recent data. The indicators and weighting are reviewed annually by an independent expert group.

In the 10th Public Edition released in September 2021 and in the Expert Edition from 1 July 2021 onwards, indicators are:

Domain 1: Quality of AML / CFT Framework (65%)

- FATF Mutual Evaluation Reports (35%)
- Tax Justice Network Financial Secrecy Index (20%)
- US State Department International Narcotics Control Strategy Report (INCSR) (5%)
- US State Department Trafficking in Persons (TIP) Report (5%)

Domain 2: Corruption Risk (10%)

- Transparency International Corruption Perceptions Index (5%)
- TRACE Bribery Risk Matrix (5%)

Domain 3: Financial Transparency and Standards (10%)

- World Bank Extent of Corporate Transparency Index (2.5%)
- WEF Global Competitiveness Report – Strength of auditing and reporting standards (5%)
- World Bank IDA Resource Allocation Index – Financial sector regulations (2.5%)

Domain 4: Public Transparency and Accountability (5%)

- International IDEA Political Finance Database – Political disclosure (1.66%)
- International Budget Partnership Open Budget Index – Budget transparency score (1.66%)
- World Bank IDA Resource Allocation Index – Transparency, accountability and corruption in the public sector (1.66%)

Domain 5: Legal and Political Risk (10%)

- Freedom House - Freedom in the World: political rights and civil liberties (1.67%)
- Reporters Without Borders - World Press Freedom Index (0.83%)
- WEF Global Competitiveness Report – Institutional pillar (2.5%)
- WEF Global Competitiveness Report – Judicial independence (2.5%)
- World Justice Project Rule of Law Index (2.5%)

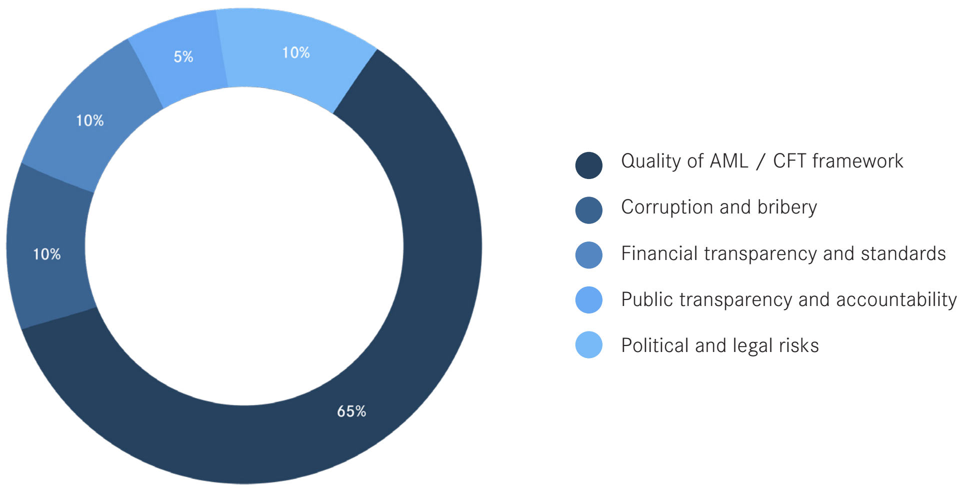
For detailed descriptions of each indicator and why it is important in assessing ML / TF risks, see the Basel AML Index website ("Methodology" section) at index.baselgovernance.org.

10.2 Scaling and weighting

Most indicators chosen for the Basel AML Index have their own scoring system. To achieve a unified coding system, individual indicator scores (variables) are collected and normalised using the min-max method into a 0 –10 system, where 10 indicates the highest risk level.

As with any composite index, each variable then receives a weight to aggregate all scores into one score. In this case, the variables used differ in quality, coverage and relevance, with some components being more applicable than others in assessing ML / TF risk.

The Basel AML Index therefore uses an expert weighting scheme (or so-called "participatory approach"), whereby experts assign a weight for a variable based on their in-depth knowledge and expertise in the matter.



The expert weighting method includes a degree of subjectivity, which is mitigated through an annual expert review meeting. This meeting brings together external experts from a diverse set of AML, compliance and risk assessment backgrounds to review the methodology of the Basel AML Index for continued validity and adequacy, and to discuss trends in global AML regulation and practice that may impact its effectiveness.

The role of the annual Basel AML Index expert review meetings is critical in ensuring that the original weighting decisions continue to be adequate and are not influenced by bias or other undue types of subjectivity.

10.3 Notes and limitations

10.3.1 Data availability

Data collection for the 2021 Public Edition of the Basel AML Index was finished in July/August 2021 and does not reflect developments after that date. The Expert Edition is updated quarterly.

There is not always a complete set of 17 indicators available for all jurisdictions. A jurisdiction's overall score is calculated based on available data only.

In addition, only jurisdictions with sufficient data to calculate a reliable ML / TF risk score are included in the Public Edition of the Basel AML Index. The Expert Edition contains a more comprehensive overview of all 203 jurisdictions with their risk scores and details of the available data.

10.3.2 Perception-based indicators

In contrast to financial risk models based purely on statistical calculations, the Basel AML Index evaluates structural factors by quantifying regulatory, legal, political and financial indicators that influence jurisdictions' vulnerability to ML / TF. The Index relies partially on perception-based indicators such as Transparency International's Corruption Perceptions Index.

Transforming qualitative data into quantitative data does not fully overcome the limitations of perception-based indicators. Unlike financial risk models, jurisdiction risk models cannot be used as a solid basis for prediction or for calculating potential loss connected to ML / TF.

10.3.3 Comparability of results

The Basel AML Index methodology is reviewed each year to ensure that it continues to accurately capture ML / TF risks. This may affect the comparability of the results over the years.

Comparability between countries is also hampered by a lack of full coverage of countries by FATF fourth-round evaluations. Data from FATF Mutual Evaluation Reports (MERs) and Follow-up Reports, which assess the quality of countries' AML / CFT systems, make up 35% of the total risk score in the Basel AML Index. The FATF methodology was revised in 2013 (fourth round of evaluations) in order to assess not only technical compliance with the FATF Recommendations but the effectiveness of AML / CFT systems according to 11 Immediate Outcomes.

As per July / August 2021, 112 jurisdictions had been evaluated with the FATF's fourth-round methodology. Although coverage with fourth-round evaluations is increasing, several countries still have MERs based on older methodologies.

10.3.4 Use for compliance or risk assessment purposes

Due to the above limitations, we recommend that the Basel AML Index Expert Edition, rather than the Public Edition, should be used for compliance or risk assessment purposes.

Use of the Expert Edition should also form part of a comprehensive, risk-based compliance programme along with additional indicators and procedures relevant to the organisation’s specific needs.

10.3.5 Review meeting and changes in 2021

In 2021, the following methodology changes were decided at the annual review meeting:

- **Change of indicator on media freedom.** We are switching from the Freedom and the Media report published by Freedom House to the World Press Freedom Index published by Reporters Without Borders.

- **Change in approach to FATF data.** The Public Edition will include only jurisdictions evaluated using the latest (fourth-round) FATF methodology. Jurisdictions evaluated using the older methodology but that otherwise meet the minimum data requirements will be listed separately in Annex II. This is to improve comparability between jurisdictions.

11 Annex II: Jurisdictions not included due to a lack of 4th-round FATF evaluation

Ranking	Country	Score
	Afghanistan	8.38
	Algeria	6.73
	Angola	6.77
	Argentina	5.03
	Aruba	5.19
	Azerbaijan	4.85
	Belize	5.68
	Benin	6.83
	Bolivia	6.14
	Bosnia-Herzegovina	4.98
	Brazil	4.98
	Bulgaria	3.12
	Chile	3.86
	Côte d'Ivoire	7.09
	Croatia	3.94
	Dominica	3.90
	Ecuador	4.83
	El Salvador	4.83
	Estonia	2.34
	France	3.99
	Gambia	5.22
	Germany	4.43
	Grenada	4.07
	Guyana	5.42
	Kazakhstan	4.87
	Kenya	7.23
	Laos	7.76
	Liberia	6.41
	Luxembourg	4.78
	North Macedonia	3.94
	Marshall Islands	5.61
	Montenegro	3.87
	Netherlands	4.55
	Nigeria	6.87
	Paraguay	6.40
	Poland	4.34
	Qatar	5.88
	Romania	4.82
	Sierra Leone	7.58
	South Africa	5.00
	St. Vincent and the Grenadines	4.46
	Uzbekistan	5.3
	Venezuela	6.29
	Vietnam	7.02
	Yemen	7.09