

Panama's removal from the FATF grey list

A Basel AML Index briefing following the decision of the Financial Action Task Force (FATF) to delist Panama from its list of jurisdictions under increased monitoring ("grey list") in October 2023.

In a nutshell

Jurisdiction: Panama

On FATF grey list: June 2019 to October 2023

Principal reasons: Low performance in effectiveness

Latest FATF reports: January 2018 (mutual evaluation report) and August 2019 (follow-up report), by GAFILAT (FATF regional body in Latin America)

Significance: Being delisted is essential for Panama to improve its image and regain access to investments.

1 Background information

Panama was first on the grey list from 2014–2016. It was included on the grey list again in June 2019, based on poor performance in its mutual evaluation report. In that evaluation, Panama scored 75% for technical compliance with the FATF's Recommendations but only 30% for the effectiveness of its measures. Low effectiveness was demonstrated in the following areas:

- Understanding of money laundering and terrorist financing risks (Immediate Outcome 1)
- Transparency of beneficial ownership information (Immediate Outcome 5)
- Financial intelligence (Immediate Outcome 6)

The first follow-up report was issued in August 2019 and signaled progress in technical compliance from 75% to 78%.

In January 2021, Panama missed its deadline to deliver on the action plan (see below). In October that year, the FATF [urged](#) Panama again to complete the outstanding items. The deadline was later extended to October 2023. In June 2023, FATF confirmed that the action plan had been fulfilled and announced an on-site mission that led to Panama's delisting in October 2023.

Panama has however not yet been removed from the European Union's list of jurisdictions deemed [non-cooperative for tax purposes](#) or its list of [high-risk third countries](#) for money laundering and terrorist financing. It has been on both lists since 2020.

2 Action taken and progress made

Panama's [action plan](#) required the country to, among other things:

1. Strengthen understanding of national and sectoral money laundering and terrorist financing risks, and use this to inform policies.
2. Identify unlicensed money remitters, apply a risk-based approach to supervision of designated non-financial businesses and professions (DNFBPs), and ensure effective, proportionate and dissuasive sanctions for AML/CFT violations.
3. Ensure that obliged entities adequately verify and update beneficial ownership information, establish effective mechanisms to monitor the activities of offshore entities, implement measures to prevent the misuse of nominee shareholders and directors, and ensure timely access to adequate and accurate beneficial ownership information.
4. Ensure effective use of products from the Financial Intelligence Unit for money laundering investigations, demonstrate its ability to investigate and prosecute money laundering involving foreign tax crimes and to provide constructive and timely international cooperation with such offences, and continue to focus on money laundering investigations in relation to high-risk areas.

The main [actions taken](#) included:

- Major amendments to the legal framework.
- Development of guidelines in support of the above Action Plan.
- Improvements in the quality of risk-based supervision, including adoption of a risk-based supervision plan for DNFBPs.
- Updates to the national risk assessment, related to terrorist financing.
- Increase of personnel, both in the Financial Intelligence Unit and in the Public Prosecutor's Office in charge of the analysis and investigation of terrorist financing.
- Stronger penalties for non-compliance.

- Progress in the verification of beneficial ownership information.
- Increased capacities in the Financial Intelligence Unit.
- More money laundering investigations related to predicate offences other than drug trafficking, including foreign predicate offences.

3 Expected results

Panama's Government has high expectations following the country's removal from the grey list. For instance, the Minister of Economy expects:

1. An improved international image, triggering increased foreign investment and job creation.
2. Cheaper and expanded credit lines.
3. Improvements in correspondent banking relationships.
4. Less pressure on the financial system, allowing it to operate more effectively and with greater confidence.
5. Benefits for the insurance and securities industry, attracting reinsurers serving the Latin American market.

Panama's further progress and development will depend on other factors too. These include tackling serious corruption and deficiencies in judicial capacities, especially in terms of independence of judiciary.

4 Panama in the Basel AML Index

Panama's overall ML/TF risk score in the Basel AML Index Public Edition is 5.76. Its current score in the Expert Edition, which is updated quarterly, is 5.56.¹ This places it in the medium-risk category compared to other global jurisdictions.

Panama achieved the following scores in the latest FATF assessments:

- 30% for effectiveness
- 78% for technical compliance

¹ Designed for busy professionals, the Basel AML Index Expert and Expert Plus editions offer deep, detailed and up-to-date insights into a jurisdiction's ML/TF risk score and the reasons behind it. Both editions are free for public-sector, international, non-profit and academic organisations. See: <https://index.baselgovernance.org/expert-edition>

Based on the Basel AML Index methodology and calculations, Panama's score on the FATF indicator alone was 5.40 before graduation from the grey list and 4.79 afterwards.²

A note for Basel AML Index users

The Basel AML Index uses FATF data from both mutual evaluation reports and follow-up reports to score a jurisdiction's money laundering and terrorist financing risks. Information on a jurisdiction's categorisation as being "under increased monitoring" ("grey list") or a "high-risk jurisdiction" ("black list") is included in the Basel AML Index Expert Edition for information or decision-making purposes. This information is included in a separate column to the jurisdiction's risk scores. Being on these lists does impact the overall score of the jurisdiction in the Basel AML Index. This is because the jurisdiction's performance is already taken into account based on the latest mutual evaluation report and follow-up report data.

However, in October 2023, the Basel AML Index methodology was amended to better reflect the progress in effectiveness of jurisdictions that graduate from the grey list. The methodology now assumes that jurisdictions that have graduated from the grey list have improved the effectiveness of their AML/CFT systems to at least a moderate level. This contributes to larger improvements in the scores and rankings of some delisted jurisdictions. See the [website](#) for more information.

² The Basel AML Index uses a double weight for effectiveness criteria in its methodology. See: <https://index.baselgovernance.org/methodology>.