BASEL INSTITUTE ON GOVERNANCE

# Basel AML Index 2023: 12th Public Edition

## Ranking money laundering and terrorist financing risks around the world

**About this report**

The Basel AML Index is developed and maintained by the International Centre for Asset Recovery (ICAR) at the Basel Institute on Governance. ICAR receives funding from the Government of Jersey, Principality of Liechtenstein, Norwegian Agency for Development Cooperation (Norad), Swiss Agency for Development and Cooperation (SDC), UK Foreign, Commonwealth & Development Office (FCDO) and UK Home Office.

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 Please send any feedback to: index@baselgovernance.org.

# Acronyms and abbreviations

| | |
|---|---|
| **AML** | Anti-Money Laundering |
| **CFT** | Counter Financing of Terrorism |
| **DNFBP** | Designated Non-Financial Businesses and Professionals |
| **EU** | European Union |
| **FATF** | Financial Action Task Force |
| **GITOC** | Global Initiative against Transnational Organized Crime |
| **INCSR** | International Narcotics Control Strategy Report |
| **IO** | Immediate Outcome (FATF effectiveness measure) |
| **ML / TF** | Money Laundering and Terrorist Financing |
| **R** | Recommendation (FATF standard) |
| **SAR** | Special Administrative Region |
| **UAE** | United Arab Emirates |
| **US** | United States |
| **WEF** | World Economic Forum |

# 1 Overview and key takeaways

This year's Basel AML Index gets to the heart of why it matters to tackle money laundering and terrorist financing (ML/TF). The field can seem remote and technical, but the impacts are very real. Since last year's public report, we have seen:

→ Governments facing **challenges to implement financial sanctions**, from identifying the beneficial owners of companies to outsmarting "enablers" of money laundering and sanctions evasion.

→ **Terrorist groups** said to have received millions in financing through cryptocurrencies, plus fears that non-profit organisations are being misused to fund terrorism.

→ Countries struggling to fund efforts to address climate change, food insecurity and natural disasters – while **losing trillions of dollars** to corruption and organised crime and **recovering not even one percent** of those stolen funds.

These problems are not new, but global events have thrust them into the spotlight. It is in everyone's interest to understand what's going wrong and what's going right with anti-money laundering and counter financing of terrorism (AML/CFT) systems, and act on these lessons to do better. For that we need data and analysis, which is what the Basel AML Index seeks to bring.

## 1.1 Global ranking and analysis

At the heart of the Basel AML Index is a ranking of global jurisdictions according to their risks of ML/TF. The ranking is based on a composite index of 18 indicators of ML/TF risk in five domains:

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

More data is becoming available. A record 25 more jurisdictions in Sub-Saharan Africa (10), Latin America (6), Western Europe (3), Eastern Europe and Central Asia (2), Middle East (2) and East Asia and Pacific (2) met the minimum data requirements of the Basel AML Index this year, bringing the total coverage to 152.

## Standout findings are:

1

**The average global ML/TF risk level increased from 5.25 in 2022 to 5.31 in 2023**, where 10 is the maximum risk.

2

**Risks increased in four of the five domains** measured by the Basel AML Index: corruption and bribery; financial transparency and standards; public transparency and accountability; and political/legal risks. Scores for the quality of AML/CFT frameworks remained static.

3

**Analysis of data from the Financial Action Task Force (FATF) shows a continued decline in the effectiveness of AML/CFT systems globally.** Effectiveness scores dropped from the already low level of **30 percent to 28 percent** over the last two years. Among the least effective areas are those that are key to AML/CFT: the misuse of non-profit organisations for terrorist financing, transparency of beneficial ownership, supervision, prosecution, confiscation and measures to prevent the profileration of weapons of mass destruction.. Many of these areas are also problematic in terms of compliance, together with new technologies and the regulation and supervision of so-called “enablers” – designated non-financial businesses and professionals.

Though ML/TF is a global phenomenon, different regions often show particular trends. Our regional focus and maps starting on page 33 highlight key developments and problem points. The regional infographics are available for download at: index.baselgovernance.org/download.

## 1.2 Spotlight on current debates

This report points you to available data and analysis in three critical areas:

**NEW TECHNOLOGIES – ARE WE MISSING A TRICK?**

**Countries need to supercharge their efforts to understand the evolving financial crime risks of new technologies like cryptocurrencies.**

Getting regulation, supervision and enforcement right is the only way to foster a thriving FinTech industry while protecting financial integrity, crypto users and investors.

**CUTTING OFF FUNDS FOR TERRORISTS, NOT CIVILIANS**

**We need to do better at preventing terrorist financing through bogus non-profit organisations.**

But for the sake of humanitarian assistance and human rights, it is essential to avoid collateral damage on legitimate organisations and the people they serve.

**CONFISCATION: THE MISSING KEY TO PREVENTING CRIME**

**Countries are getting better at tracing and seizing illicit assets domestically. But permanent confiscations are rare – and even more rare when assets are hidden in a foreign jurisdiction.**

Stronger laws will help, but won't solve gaps in implementation and cross-border cooperation.

Together, the analyses show – as we continuously stress – the need for a risk-based approach to ML/TF based on a thorough assessment of each country's and sector's specific context and threats.

All three topics illustrate how AML/CFT deficiencies impact economic prosperity, security and sustainable development. Building resilience to ML/TF is not only about getting good scores from the FATF and the Basel AML Index. More importantly, it is:

- To prevent the harm to people and the planet caused by ML/TF and the corruption and crimes that generate those illicit funds.
- Because the same elements that make up a strong AML/CFT system are conducive to a well-functioning society and economy based on trust, transparency and the rule of law.

## 1.3 Digging deeper: Expert Edition

The Public Edition of the Basel AML Index reflects the overall score of jurisdictions in terms of their risk exposure to ML/TF. However, 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.

For this purpose, the Basel AML Index Expert Edition and Expert Edition Plus subscriptions, free of charge for almost all organisations outside the private sector, offer you a wealth of information. They allow you to delve into regional/global trends and developments and to do a more in-depth analysis of individual countries, regions or risk factors. They also give you more insight into what the data says about remaining weaknesses in the global response to ML/TF.

The country ranking dashboard, with its search function and filters for region and income level, is an easy-to-use tool to understand how your country is performing on policy areas vital to effectively address ML/TF risks. It also highlights current sanctions or related lists like the FATF black and grey lists and EU/UK lists of high-risk jurisdictions. Lastly, it shows areas where data is lacking.

New in 2023: the Basel AML Index Expert Edition Plus subscription offers an "early warning" system to identify jurisdictions at risk of ending up on the FATF grey list of jurisdictions subject to increased monitoring.

**METHODOLOGY AND EXPERT REVIEW**

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 a proper interpretation of the results and that any action taken in response to the ranking is well founded. The methodology is described in Annex I of this report and at: index.baselgovernance.org/methodology.

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 it continues to meet best practice standards, and that the ranking is accurate, plausible and continues to capture the latest developments in ML/TF risks.

The Basel Institute warmly thanks all participants in the Basel AML Index annual review meeting 2023: Ruta Bajarunaite (Ministry of Foreign Affairs of Lithuania); Pauline Blu (The Wolfsberg Group); Nico di Gabriele (European Central Bank – ECB)*; Pedro Enrique Inca Guzman (Superintendencia de Banca, Seguros y AFP del Perú – Peru Supervisory Authority); Alan Ketley (The Wolfsberg Group); Manolis Oikonomakis (UBS); Joseph Pozsgai-Alvarez (Osaka University); Farida Saraid Paredes Falconi (Superintendencia de Banca, Seguros y AFP del Perú – Peru Supervisory Authority); Bjarke Per Skovby Ahm (Finanstilsynet – Financial Supervisory Authority of Denmark), Kathryn Westmore (Royal United Services Institute), Malcolm Wright (Independent AML expert). ** The views expressed by Nico di Gabriele do not necessarily reflect those of the ECB.*

# 2 Missing a trick with new technologies?

**Countries need to supercharge their efforts to understand the evolving financial crime risks of new technologies – especially cryptocurrencies and other virtual assets. Getting regulation, supervision and enforcement right is the only way to foster a thriving FinTech industry while protecting financial integrity, consumers and investors.**

Cryptocurrencies and other virtual assets keep many financial crime professionals up at night. There are billion-dollar scandals and scams, rollercoaster-style volatility and indications that organised crime groups are using cryptocurrencies to hide and launder illicit funds.

Terrorist groups including Hamas are known to have received funding via cryptocurrencies, while others are taking advantage of cryptocurrencies to circumvent sanctions, gain revenue through hacks and cyber scams, and fund nuclear weapons programmes.

So it is not good news that global performance in this area has been plummeting ever since the FATF strengthened its Recommendation 15 on new technologies, covering virtual assets and virtual asset service providers (VASPs). According to our analysis, average levels of compliance with this Recommendation have now dropped to the second weakest of all 40 Recommendations.

Are countries too relaxed? Or simply being cautious, as one may expect with any new and complex phenomenon? Perhaps they are just unsure how to regulate and supervise this fast-evolving industry? And is law enforcement up to the task?

The stakes are high, in terms of both risks and opportunities. How (and how fast) countries deal with crypto regulation and enforcement could make the difference between becoming a honeypot for criminals and terrorists and being at the forefront of FinTech innovation and attracting investment capital.

The risks are high, and so is the uncertainty in the sector. Despite this, there are reasons to be cautiously optimistic. First, because despite the fact that the crypto market is booming in terms of the number of transactions and their overall value, the percentage of criminal funds flowing through blockchains is decreasing constantly. While crypto's first years saw nearly 20 percent of Bitcoin's daily activity moving through illicit online markets like Silk Road, in 2022 illicit activities were estimated to represent less than 1 percent of the total transaction volume.

Second, because regulations are becoming stronger and more harmonised in the world's major financial centres.

And third, because initial enforcement successes point at the huge potential to trace illicit financial flows and recover stolen funds.

**WHAT ARE VIRTUAL ASSETS AND VASPS?**

The FATF defines "virtual asset" as any "digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes."

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.

This report broadly refers to these under the umbrella term "crypto" and "crypto industry". The term "crypto assets" is also increasingly used, for example in the latest EU regulations.

## 2.1 What data do we have?

The main source of data on countries' performance in regulating the crypto industry for AML/CFT purposes comes from the FATF.[1]

In 2018, the FATF extended its Recommendation 15 on New technologies to specifically include virtual assets and VASPs.

**FATF RECOMMENDATION 15: NEW TECHNOLOGIES**

"Countries and financial institutions should identify and assess the money laundering or terrorist financing risks that may arise in relation to (a) the development of new products and new business practices, including new delivery mechanisms, and (b) the use of new or developing technologies for both new and pre-existing products. In the case of financial institutions, such a risk assessment should take place prior to the launch of the new products, business practices or the use of new or developing technologies. They should take appropriate measures to manage and mitigate those risks.

To manage and mitigate the risks emerging from virtual assets, countries should ensure that virtual asset service providers are regulated for AML/CFT purposes, and licensed or registered and subject to effective systems for monitoring and ensuring compliance with the relevant measures called for in the FATF Recommendations."

— FATF. 2013–2023. International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation.

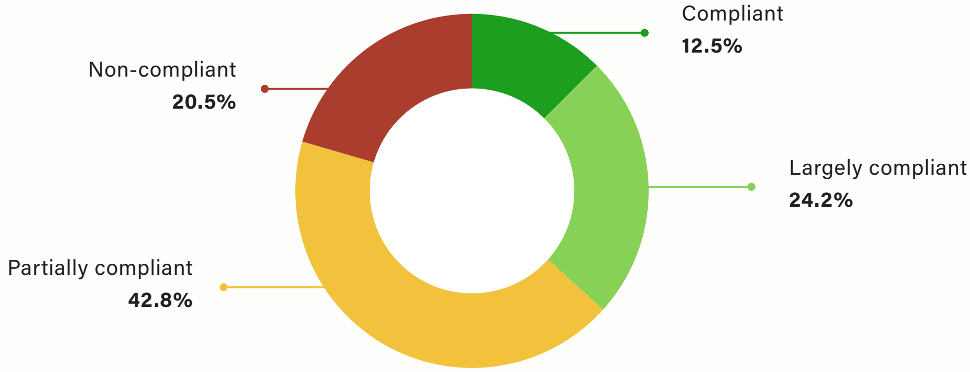
1 Little other data is currently available. Trackers or mapping reports such as those of the Atlantic Council and Thomson Reuters primarily look at the legality or otherwise of crypto but do not assess the strength or effectiveness of different systems of regulation.

In terms of the *effectiveness* of AML/CFT systems at addressing crypto-related risks, VASPs are included in the FATF's Immediate Outcomes 3 (supervision) and 4 (preventive measures and suspicious transaction reporting). However these Immediate Outcomes also cover traditional financial institutions and designated non-financial businesses and professions. As such, their broad scope makes them unsuitable for measuring the effectiveness of efforts targeted at virtual assets specifically and have not been included in this analysis.

## 2.2 Plummeting performance

Of the 161 jurisdictions assessed by the FATF from December 2017 until September 2023, the results for Recommendation 15 are concerning. Only 12.5 percent are evaluated as "compliant"; many more (20.5 percent) are "non-compliant".

**Technical compliance with Recommendation 15 across 161 assessed countries**




Average global performance in technical compliance is just 43 percent. This is well below the average across all 40 Recommendations (65 percent) and the second lowest after the non-profit sector (see section 3).

And performance has worsened significantly compared to our analysis in 2021[2] when the global average was at 63 percent.

- One reason for the dramatic fall is of a technical nature, as it is related to a 40 percent increase in coverage by FATF mutual evaluations. Fifty new jurisdictions were assessed under the strengthened FATF standards for Recommendation 15. The fact that this has resulted in such a dramatic drop in global performance indicates that of these, most did particularly badly.
- But there is also reason for concern among those that have already been included in the 2021 analysis: More than 30 percent of jurisdictions were downgraded in Recommendation 15 as a result of FATF follow-up reports.

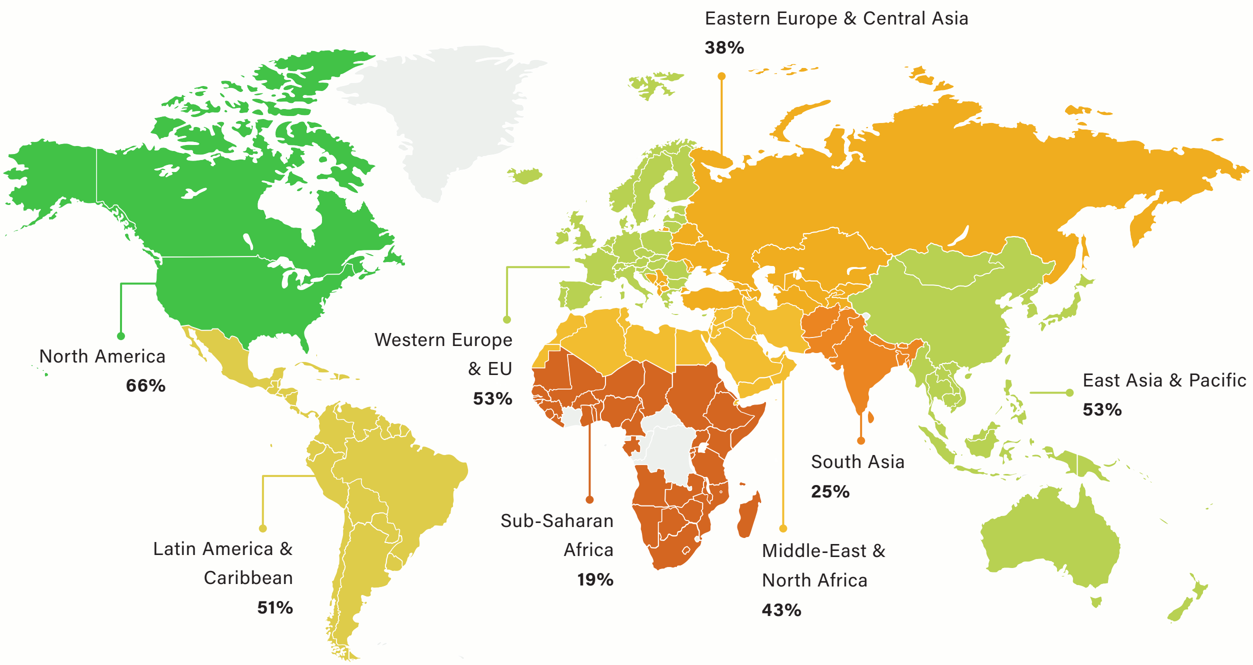
2 Find the 2021 Basel AML Index report and other previous reports at: index.baselgovernance.org/download.

## 2.3 Regional picture

Low levels of compliance with Recommendation 15 are especially high in places with the most to gain from innovative financial technologies, including the speed and low cost of transactions on the blockchain. Sub-Saharan Africa and South Asia, where many people remain excluded from the traditional financial sector, are currently languishing at the bottom of the list with 19 percent and 25 percent compliance respectively.

This contrasts with the more positive performance of North America, followed by Europe, East Asia and Pacific, and Latin America and the Caribbean.

**Technical compliance with FATF Recommendation 15 on new technologies: a regional picture**




## 2.4 What makes for good performance?

The few countries that are doing well in Recommendation 15 have common characteristics:

- They identify and assess ML/TF risks related to new technologies, including crypto, through national and sectoral risk assessments.
- They have specific, binding and enforceable obligations for reporting entities (such as banks and other non-financial businesses and professions) to manage and mitigate the ML/TF risks of new technologies.
- Supervisory authorities apply a risk-based approach to supervising new technologies and proactively seek to identify and assess ML/TF risks in relation to new business practices and products.

- Financial institutions establish risk mitigation measures to reduce ML/TF risks identified in new business practices and products.

Regulators and supervisors who have had less exposure to crypto would do well to learn from their more advanced peers.

## 2.5 Regulation and supervision: trial, error and improvement

Though perhaps to be expected given the fast evolution of the crypto industry, this poor performance is worrying. Nobody – other than the criminals – benefits from having VASPs that are unregulated and unlicenced:

- User funds are at greater risk of fraud and mismanagement.
- Money launderers and other criminals can bypass customer due diligence checks.
- Unregulated, unlicenced VASPs are unlikely to cooperate with law enforcement to provide information on suspicious clients and transactions or to freeze suspect accounts.

It is natural for countries to be unsure and hesitant about how to regulate and supervise the fast-evolving crypto ecosystem:

First, because virtual assets are by nature a complex field that is highly volatile and evolving fast.

Second, because the risks seem both very large and very remote. The infamous collapse of crypto exchange FTX wiped out billions of dollars in virtual assets. Yet its collapse shook only the crypto industry, leaving the traditional financial sector that is still the backbone of the global economy unscathed.

Third, because of the unintended consequences of regulating and enforcing too loosely or too tightly, or with measures that don't fit the industry's nature and needs. The case study of Estonia (see box below) highlights the difficulties in designing regulation that will foster innovation and growth of Fin-Tech companies while keeping consumers and investors safe.

**FLIPSIDE OF THE "SIMPLE LICENCING PROCESS": ESTONIA**

In 2017, Estonia became one of the first EU member states to enact legislation that regulates and controls cryptocurrencies. It introduced a simple licensing process and provided favourable tax regimes for virtual assets companies. The crypto market boomed in the country: by mid-2021, there were 650 active authorisations of VASPs.

However, after examining the market, the authorities found that simplified regulations were often misused. Some companies provided false corporate information:

- some businesses registered board members/directors without their knowledge or consent;
- employees of these businesses submitted falsified CVs;
- identical business plans were copied from one online website, using poor-quality machine translation.

Many applications were submitted through the same providers of legal services or company services.

To correct this and ensure only legitimate businesses were operating as VASPs, Estonia quickly introduced new legislation strengthening AML requirements for VASPs.

Since the new legislation came into force on 15 March 2023, authorisations for 189 companies were revoked for non-compliance. Almost 200 VASPs voluntarily closed down. By 1 May 2023, only 100 active VASPs remained registered and operating.

The case shows the challenges of getting regulation right. Ultimately Estonia only wants to encourage legitimate companies that will protect customer and investor funds and not increase its risks of money laundering and terrorist financing.

Perhaps as a result of this uncertainty, countries are experimenting with a wide range of ways to regulate and supervise the crypto industry.

This experimentation is natural and a good thing – as long as the authorities evaluate and learn from those experiments, share experiences internationally, and consult closely with the private sector and other stakeholders to ensure the rules are fit for purpose.

## 2.6 Reasons to be optimistic

Despite the bleak picture seen in the data, some developments are encouraging:

**First, regulation is becoming stronger and more joined up.** In the EU, the new Markets in Crypto-Assets (MiCA) regulation aims to create a comprehensive framework for regulating crypto assets within the bloc. VASPs (called CASPs in the regulation) will need to be licenced in their host country, to adhere to AML/CFT regulations like other financial institutions and to operate more transparently by, for example, providing potential investors with detailed information.

In parallel, the Transfer of Funds Regulation will ensure that transfers of cryptocurrencies – like other transfers of funds – will contain information about the sender and receiver of the funds. This implements the so-called "travel rule" of the FATF Recommendation 15, a key weak spot according to the FATF's latest review on the matter.

Regulations like the MiCA will reduce the risks of regulatory arbitrage or "regulator shopping", at least within the EU.[3] As always, the crux will be in how effectively the legislation is implemented and in the resources and knowledge of supervisors and law enforcement. Also crucial, of course, is whether other regions follow suit with equally robust and harmonised regulation.

**Second, major enforcement successes** by some countries show the huge potential of catching organised criminals and recovering assets. These will hopefully act as a deterrent for other criminals tempted to misuse cryptocurrency for illegal purposes.

The US seized a staggering USD 3.6 billion in Bitcoin in connection to the 2016 Bitfinex hack – the largest ever financial seizure. The UK has reformed its laws to make it easier to confiscate cryptocurrencies linked to crime after recovering over USD 370 million in crypto in 2022. Other countries are seeing their first major recoveries of crypto assets, with more and more cases in the pipeline.

## 2.7 Looking into the crypto ball

Poor performance is a concern, but also to be expected given the growth and complexity of the crypto industry globally. And there is also reason for optimism.

Few can predict how the crypto industry will evolve and the exact implications for preventing money laundering and terrorist financing. But the data is clear: countries at all stages of the FATF evaluation process need to invest serious, immediate attention and resources in understanding and addressing the risks posed by virtual assets and other new technologies.

Partly for the sake of meeting FATF standards – but mostly for the sake of fostering positive financial innovation while preventing further misuse for criminals and protecting customers and investors.

3 Regulator shopping: Where criminals and unscrupulous businesses can switch from jurisdictions with a strong regulatory framework to one in which regulations are weak and not enforced.

# 3 Cutting off funds for terrorists, not civilians

**We need to do better at preventing terrorist financing through bogus non-profit organisations – but avoid collateral damage on legitimate organisations and the people they serve.**

Are non-profit organisations being used to hide transfers of money to terrorists? How should governments and financial institutions evaluate and mitigate the risks of non-profit entities being misused to finance terrorism? Are there dangers in cutting off financial flows to non-profits in high-risk countries?

The latest geopolitical tensions have once again put a seemingly technical issue – measures to prevent the misuse of non-profit organisations for terrorist financing – into the political spotlight.

Our analysis shows that compliance with global standards on the abuse of non-profit organisations for terrorist financing is at rock bottom globally. On average, it is the weakest among all 40 Recommendations of the FATF.

Yes, this is worrying. But knee-jerk reactions are not the answer. There is no need to cut off large numbers of non-profit organisations in high-risk countries from receiving aid flows or from the financial system as a whole. This risks hampering the valuable work of many organisations dedicated to helping the world's most vulnerable people.

Instead, countries are strongly advised to use more sophisticated risk-based methods to ensure that measures are targeted and do not create collateral damage. For this, countries need to conduct a thorough assessment of their specific context and resulting ML/TF risks.

## 3.1 What are the standards?

Protecting the non-profit sector from abuse for terrorist financing is a key part of the FATF standards, and absolutely critical to an effective counter-financing of terrorism system. But it is equally important in order to ensure that the non-profit sector can continue to serve its true mission. In most cases, this is directly relevant for the protection of the most vulnerable people in our societies and/or for the health of our planet.

The non-profit sector fell under the FATF's spotlight after the 9/11 terrorist attack in the United States. In October 2001, the FATF quickly issued Special Recommendation VIII on terrorist financing related to non-profit organisations. In 2002, it issued its first best practices publication on the topic. In its updated methodology in 2013, the FATF established:

- **Recommendation 8 (Non-profit organisations)** as part of its 40 Recommendations. R 8 is a broad requirement to regulate the non-profit sector for greater transparency and accountability. Governments must protect the sector from becoming abused or misused for financial crime by implementing a regulatory regime that adequately and effectively addresses terrorism financing risks.
- **Immediate Outcome 10** as part of its 11 indicators of an effective AML/CFT regime. IO 10 covers the effectiveness of measures that prevent terrorists, terrorist organisations and terrorist financers from raising, moving and using funds, and from abusing the non-profit sector.

In 2013, FATF published a limited update of the best practices paper, with input from the non-profit sector. The aim was to reflect the revised FATF Recommendations and the need to protect the legitimate activities of non-profit organisations. Additionally, in June 2014, the FATF published a typologies report on the risk of terrorists using non-profit organisations to fund their activities.

In June 2015, the FATF further revised its best practices on implementing Recommendation 8. The document emphasised that not all non-profit organisations represent a high risk of terrorist financing. It stressed the need to identify the specific organisations that fall under the FATF definition and to apply supervision and monitoring measures according to a risk-based approach.

**FATF DEFINITION OF A NON-PROFIT ORGANISATION**

> "A legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works".
>
> — FATF. 2015. Best Practices: Combating the Abuse of Non-Profit Organisations (Recomendation 8).

## 3.2 Unintended consequences?

A contentious issue in the FATF's 2016 dialogue with non-profit organisations and 2021 study was the unintended consequences of implementing the Recommendation. Concerns included:

- **de-risking** – financial institutions terminating relationships with clients or whole classes of clients rather than managing them according to a risk-based approach;
- **financial exclusion** – when people cannot access financial services as they are perceived as high risk;
- **undue targeting** of non-profit organisations;
- **curtailment of human rights** (with a focus on due process and procedural rights).

Other multilateral entities have shown similar concerns. The European Banking Authority, for example, has made it clear that de-risking of entire categories of customers, without due consideration of individual customers' risk profiles, may be unwarranted and a sign of ineffective ML/TF risk management.

**POLITICAL (AB)USES OF TECHNICAL STANDARDS**

While the FATF's standards may seem technical, the way they are applied is highly political. The danger that some authorities may misapply the standards to suppress certain (or all) non-profit organisations for political reasons is very real. The FATF has raised concerns about this happening in specific countries in the past.

A greater focus on human rights and on a risk-based approach are needed to mitigate this danger, as Markus Pleyer, a former President of the FATF, has emphasised:

> *"In the past, assessors within the FATF Global Network primarily focused on determining whether a country had done enough to effectively implement the standards. However, they often neglected to check whether a country had gone too far, exceeding what was necessary for effectiveness.*
>
> *All limitations to the range of human rights need a sound justification, and in AML this is risk – based on a properly conducted risk assessment. The extent to which a country or an obligated entity implements or applies a standard should be both necessary and proportional to the identified risk."*

## 3.3 Voice of non-profit organisations

Implementation remains an ongoing challenge, not only to governments but to the work of non-profit organisations. The Global NPO Coalition on FATF brings together a broad range of non-profit organisations affected by the FATF's standards and their implementation. Members aim among other things to:

> *"mitigate the unintended consequences of countering the financing of terrorism (CFT) policies on civil society in order that legitimate charitable activity is not disrupted."*

The Coalition reports on cases of delayed or blocked bank transfers, difficulties in registration and obstacles in day-to-day operations connected to the implementation of Recommendation 8. It engages with the FATF Secretariat through a "constructive relationship" and exchanges ideas to "ensure that civil society is effectively engaged in the debate" on AML/CFT.

## 3.4 Current performance – severely lacking

Meeting FATF standards on non-profit organisations is a major problem globally, according to our analysis of FATF data used in the Basel AML Index. The data covers 161 jurisdictions assessed with mutual evaluation reports and follow-up reports as of September 2023.

*Technical compliance*

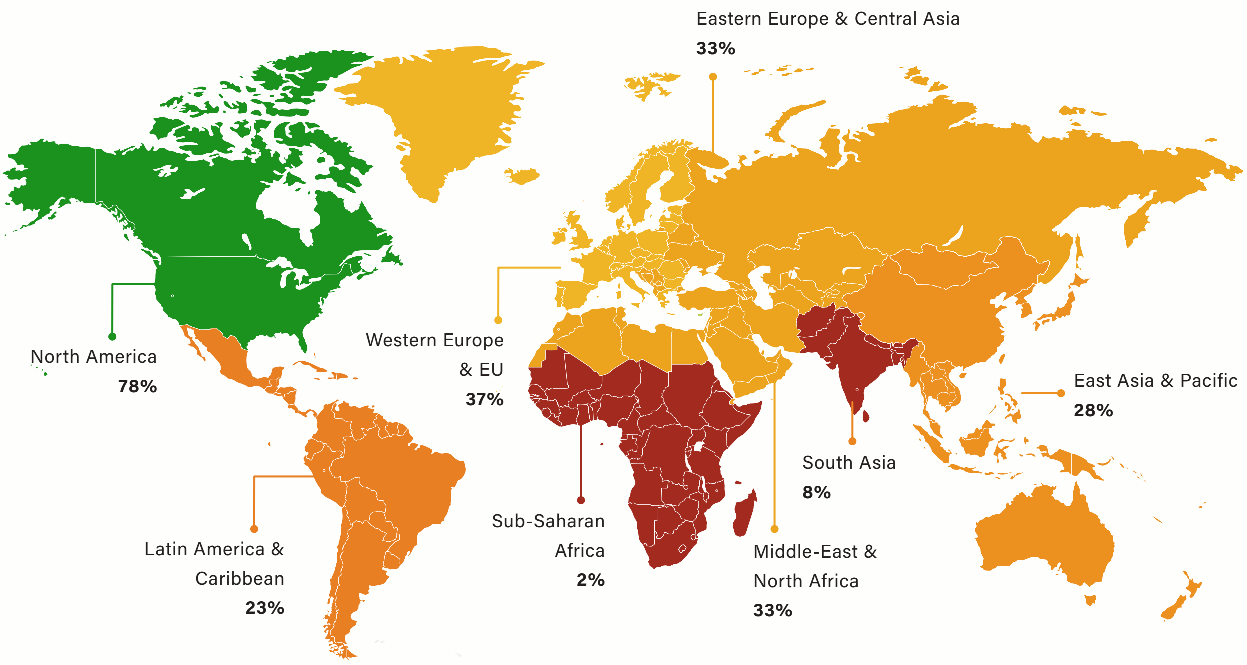
The average score for technical compliance with Recommendation 8 is just 41 percent, compared to 65 percent across all Recommendations.

This is the lowest level of compliance for any Recommendation. It is even worse than well-known weak spots such as virtual assets, beneficial ownership and the regulation and supervision of designated non-financial businesses and professions.

*Effectiveness*

The average effectiveness score for Immediate Outcome 10 (25 percent) is lower than the global average for all Immediate Outcomes (28 percent). Performance varies widely in different regions, from 2 percent in Sub-Saharan Africa and 8 percent in South Asia to 78 percent in North America.

**Average effectiveness across 161 countries according to Immediate Outcome 10**




Many countries do badly in both areas. Around 40 percent of all assessed countries demonstrate the lowest possible performance in terms of both technical compliance and effectiveness. Out of all assessed jurisdictions, only the United Kingdom has the highest possible technical compliance and effectiveness scores.

*Grey-listed jurisdictions*

The issue is also clearly visible in the action plans of jurisdictions under increased monitoring by the FATF – i.e. those on the FATF's so-called grey list. Nearly half of the 26 jurisdictions on the grey list at the time of writing are deficient in the area.

- Burkina Faso, Cameroon, Haiti, Uganda, Senegal and South Sudan must implement a risk-based approach to monitor and supervise non-profit organisations as part of their action plans.

- Croatia, Mali, Mozambique, Nigeria and Tanzania must identify vulnerabilities of non-profits being abused for terrorist financing and conduct terrorist financing risk assessments for non-profit organisations.

While the FATF is clearly putting pressure on its lowest performers to take remedial action in this area, it has also reminded them that overshooting on this goal must be prevented at all costs in order not to "disrupt legitimate NPO activities".

## 3.5 How to do better

To improve the resilience of the non-profit sector to abuse for terrorist financing without disrupting legitimate activities of these organisations, all key stakeholders have to be engaged: public authorities, financial institutions and non-profit organisations themselves.

Developing or engaging with multi-stakeholder initiatives focused on relevant topics, such as the Global NPO Coalition or Wolfsberg Group of private banks, could help to join the dots. Each has specific but intersecting tasks, some of which are set out below:

### Public authorities

A basic step is a national risk assessment that properly analyses a country's and sector's vulnerabilities to ML/TF, including risks relating to non-profit organisations. That assessment is still not done (or not done well) in many countries.

As per the FATF guidelines, the assessment should identify:

a. Which subset of organisations fall within the FATF definition of a non-profit organisation.
b. The nature of threats posed by terrorist entities to the non-profit organisations at risk.
c. How terrorist actors abuse those organisations.

The assessment should be reviewed periodically, as terrorism risks often evolve fast.

This understanding must form the basis of a coordinated, risk-based system to monitor and supervise the non-profit sector regularly. In other words, measures applied to non-profit organisations are focused on targeted outreach and engagement with those most at risk for abuse by terrorists. Focusing resources and attention on the highest risks will avoid overstretching supervisors and unnecessarily burdening both financial institutions and non-profit organisations.

Establishing clear reporting requirements and a framework for regulatory oversight that is practical and easy to understand is equally important.

## Financial institutions

Financial institutions have a role to play in terms of conducting customer due diligence and reporting suspicious transactions. According to the European Banking Authority's 2023 guidelines, financial institutions should do the following:

- when assessing the risk profile of a new customer or prospective customer that is a non-profit organisation, obtain a good understanding of the organisation's governance, how it is funded, its activities, where it operates and who its beneficiaries are;
- when developing or revising a risk-based approach to non-profit organisations, consider the organisation's governance, reputation, funding methods and operations in high-risk jurisdictions;
- promptly report suspicious transactions relating to terrorist financing abuse to the country's financial intelligence unit.

## Non-profit organisations

Non-profit organisations themselves can also help themselves by taking a proactive approach to compliance with standards. This may include some of the measures listed here, taking into account their own risk profile:

- transparently publishing information on the organisation's structure and operations;
- keeping operations in line with existing regulatory frameworks and reporting obligations;
- securing financial records;
- conducting audits and reviews;
- carrying out staff training.

Ultimately, the biggest benefits will come from bringing together the efforts of all different stakeholders in collective discussion forums and workshops. Each has different and likely complementary information to help develop typologies and risk profiles that will be helpful to all.

# 4 Confiscation: the missing key to effective crime prevention

**Countries are getting better at tracing and seizing illicit assets domestically. But permanent confiscations are rare – and even more rare when assets are hidden in a foreign jurisdiction. Stronger laws will help, but won't solve gaps in implementation and cross-border cooperation.**

> *"There needs to be a major mindset and culture shift to focus on asset recovery as a national law enforcement priority... Asset recovery is not a secondary or ancillary aspect of investigations and prosecution. It should be a key crime prevention strategy to remove the primary incentive for financial crime – money. If done well, it will prevent and reduce further crime."*

So said FATF President T. Raja Kumar at a meeting of a joint FATF-INTERPOL initiative to boost the amount of illicit assets that states recover from criminals. The organisations point to the depressing estimate that less than one percent of illicit financial flows are intercepted and permanently confiscated.

Those poor results in asset recovery are a problem not just because the money rightly belongs to the victim state and to its citizens, who suffer from the negative impact of corruption in their daily life. They are a problem because depriving criminals of criminal proceeds is key to *preventing* future crime – to deterring wrongdoers as well as stopping illicit funds from being reinvested in illegal activities.

In general, our analysis of FATF data shows that jurisdictions are doing fairly well at identifying and freezing/seizing[4] illicit funds and other assets during investigations. (In some countries, the recent rush to identify and freeze assets of sanctioned individuals and the Russian state in connection with the Russian invasion of Ukraine likely gave this a boost.)

But the data also shows that we are not managing to permanently confiscate[5] enough illicit assets to create a deterrent effect.

What's holding countries back? Typically, it's not the lack of laws but a failure to implement them effectively. And in international cases – which major corruption and money laundering cases almost always are – it's also a failure of formal cooperation channels, namely mutual legal assistance.

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4 Temporarily preventing a legal or natural person from using, changing or moving assets, often during a law enforcement investigation or under a sanctions regime. Note that seizing is sometimes also used in the sense of permanent confiscation.

5 Permanently taking away assets from a legal or natural person, following a judicial process.

**WHAT ARE THE STANDARDS?**

The strongest source of quantitative data on countries' confiscation systems are the FATF's:

- Recommendations 4 and 38, measuring technical compliance with standards on confiscation and international cooperation.
- Immediate Outcome 8, measuring the effectiveness of confiscation measures in practice.

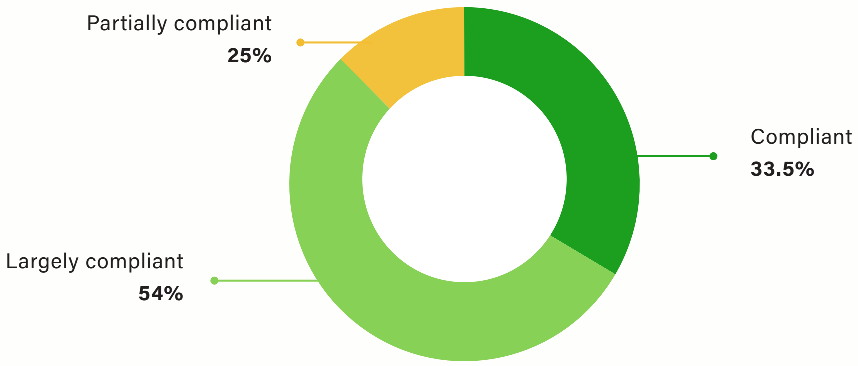
## 4.1 Domestic legal framework – sufficient on paper

FATF Recommendation 4 sets the requirements for the legal and operational framework for domestic confiscation, which should in brief:

- enable confiscation of a wide range of criminally tainted assets;
- enable competent authorities to identify, trace, evaluate and freeze/seize property subject to confiscation;
- protect the rights of *bona fide* third parties;
- ensure the effective management and disposal[6] of confiscated property.

Data from FATF evaluations shows that most jurisdictions do have sufficient legal instruments to confiscate illicit assets. The average score for technical compliance in Recommendation 4 is 76 percent – well above the average of 65 percent across all 40 Recommendations. No jurisdictions are assessed as non-compliant.

**Technical compliance with FATF Recommendation 4 across 161 jurisdictions**




6 Disposal refers to realising the value of the assets, including potentially using them for social or development purposes. For more on the management and disposal of recovered assets, see the UNODC guide to the effective management and disposal of seized and confiscated assets.

An in-depth study and interviews with authorities from 59 jurisdictions supports the generally positive figures. The FATF found that most had legal measures for criminal confiscation (100 percent), confiscation of instrumentalities of crime (98 percent) and value-based confiscation[7] (93 percent). Even forms of non-conviction based confiscation (which have not been required by the FATF until now) were available at 64 percent of the studied jurisdictions, at least on paper.

**STRONGER REQUIREMENTS FOR ASSET RECOVERY SYSTEMS**

During the October 2023 FATF plenary session, delegates agreed on major amendments to the FATF Recommendations that will provide countries with enhanced tools to more effectively freeze, seize and confiscate criminal property, both domestically and through international cooperation. The revised Recommendations will require countries to, among other things:

- have policies and operational frameworks that prioritise asset recovery;
- establish non-conviction based confiscation regimes to facilitate the recovery of assets without a criminal conviction;
- have the power to suspend transactions related to money laundering, terrorist financing and serious crime.

## 4.2 Mutual legal assistance – could do better

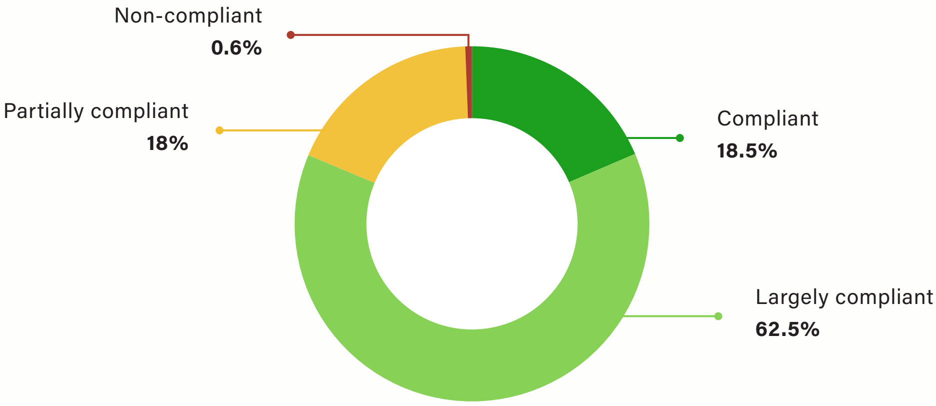
Recommendation 38 acknowledges the international nature of most ML/TF offences. It requires countries to respond to requests from foreign countries to freeze/seize or confiscate illicit assets. Countries should have, again in brief:

- the authority to respond quickly to requests by foreign jurisdictions to identify, freeze, seize or confiscate a wide range of criminally tainted property;
- the authority to provide assistance to requests for cooperation made on the basis of non-conviction based confiscation mechanisms;
- mechanisms to manage property seized or confiscated for foreign jurisdictions;
- arrangements to coordinate seizure and confiscation actions with other jurisdictions, including the sharing of confiscated assets.

In terms of mutual legal assistance on the freezing and confiscation of illicit assets, countries are doing less well – but not too badly, at least on paper. The average score for technical compliance in Recommendation 38 is 66 percent – only just above the average of 65 percent across all 40 Recommendations.

7 Confiscating an equivalent value of the proceeds or instrumentalities of crime, if the original assets are not available.

**Technical compliance with FATF Recommendation 38 across 161 jurisdictions**




An analysis of mutual evaluation reports reveals the main gaps relate to:

- legal mechanisms to share confiscated property with other countries;
- arrangements for coordinating seizure and confiscation actions with other countries;
- measures to freeze or seize property if the perpetrator is unknown or dead;
- procedures for requests for cooperation;
- mechanisms to manage the assets.

## 4.3 Confiscation: how effective are countries?

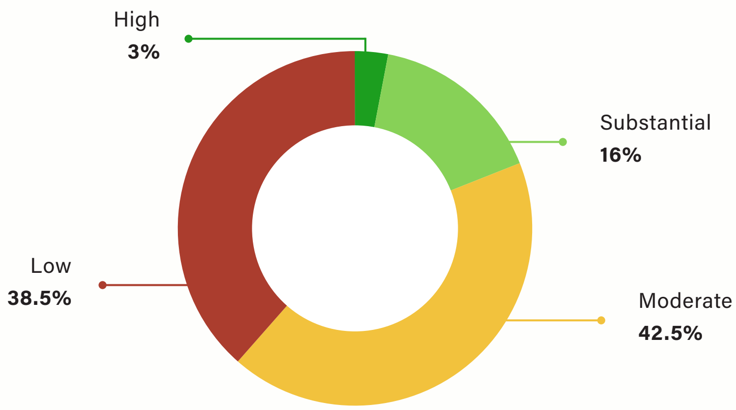
So in terms of technical compliance, the picture is not too bad: many jurisdictions have the necessary legal infrastructure to confiscate assets, including domestic and international instruments. But how effective are these in practice?

The FATF's Immediate Outcome 8 evaluates jurisdictions on how effective they are at confiscating illicit assets. An effective confiscation system has the following features:

- "Criminals are deprived...of the proceeds and instrumentalities of their crimes (both domestic and foreign) or of property of an equivalent value."
- "Confiscation includes: proceeds recovered through criminal, civil or administrative processes; confiscation arising from false cross-border disclosures or declarations; and restitution to victims (through court proceedings)."
- "The country manages seized or confiscated assets, and repatriates or shares confiscated assets with other countries."

The average global effectiveness in Immediate Outcome 8 is just 28 percent. The score has not changed since last year. Only five jurisdictions (3 percent) demonstrate a high level of effectiveness.

**Average levels of effectiveness of confiscation efforts across 161 countries, as per FATF Immediate Outcome 8**




In other words, many countries have the necessary legal mechanisms to confiscate more illicit assets but are not putting them into practice.

## 4.4 How can we do better?

An analysis of FATF mutual evaluation reports for countries with high results for both compliance and effectiveness reveals common factors. Based on this, countries need to:

- pursue confiscation as a priority policy objective;
- align confiscation efforts with national risk assessments and AML/CFT policies and priorities;
- ensure the relevant authorities have adequate resources;
- adopt effective measures to preserve and manage the value of seized/confiscated assets;
- ensure authorities can decide at the outset of a criminal investigation whether to commence a financial investigation with a view to confiscation;
- build the capacity of relevant authorities to identify and trace criminal assets.

Targeted recommendation to improve confiscation outcomes are visible in the action plans of several jurisdictions currently on the FATF's grey list of jurisdictions subject to increased monitoring. This highlights the importance of confiscation as one element in an effective AML/CFT system.

**A CROSS-CUTTING ISSUE**

Developing a well-functioning system for confiscating illicit assets can't be done in isolation. Confiscation relies on other parts of the asset recovery "chain" – from detection and investigation to criminal prosecution or civil/administrative proceedings. It also requires other key features of an AML/CFT system to be strong, including:

- a robust assessment of national ML/TF risks;
- a proactive approach to risks from new technologies, including the ability to confiscate cryptocurrencies and other virtual assets;
- the capacity to investigate and prosecute ML/TF offences;
- good international cooperation more generally;
- adequate powers and responsibilities of law enforcement authorities.

Ultimately, an effective confiscation regime is vital for the resilience and functioning of the entire AML/CFT system – and vice versa.

# 5 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.

High risk (max 10) Low risk (min 0)

↗ Increase in risks since 2022

↘ Decrease in risks since 2022

○ Added in 2023

| Ranking | Country | Score | |
|---|---|---|---|
| 1 | Haiti | **8.25** | ↗ |
| 2 | Chad | **8.14** | ○ |
| 3 | Myanmar | **8.13** | ↗ |
| 4 | Democratic Republic of the Congo | **8.10** | ↘ |
| 5 | Republic of the Congo | **7.91** | ○ |
| 6 | Mozambique | **7.88** | ↗ |
| 7 | Gabon | **7.73** | ○ |
| 8 | Guinea-Bissau | **7.69** | ↗ |
| 9 | Venezuela | **7.63** | ○ |
| 10 | Laos | **7.44** | ○ |
| 11 | Madagascar | **7.43** | ↘ |
| 12 | Algeria | **7.22** | ○ |
| 13 | Liberia | **7.17** | ○ |
| 14 | Sierra Leone | **7.09** | ↗ |
| 15 | Mali | **7.06** | ↘ |
| 16 | Suriname | **7.06** | ○ |
| 17 | Angola | **7.03** | ○ |
| 18 | Eswatini | **6.97** | ↗ |
| 19 | Vietnam | **6.96** | ↘ |
| 20 | Kenya | **6.95** | ○ |
| 21 | Togo | **6.95** | ○ |
| 22 | Côte d'Ivoire | **6.87** | ○ |
| 23 | Solomon Islands | **6.86** | ↗ |
| 24 | Uganda | **6.83** | ↗ |
| 25 | Turkmenistan | **6.80** | ○ |
| 26 | Cambodia | **6.78** | ↘ |
| 27 | China | **6.77** | ↗ |
| 28 | Cameroon | **6.75** | ↘ |
| 29 | Nigeria | **6.72** | ↘ |
| 30 | Senegal | **6.67** | ↘ |
| 31 | Niger | **6.64** | ↗ |
| 32 | Benin | **6.62** | ↘ |
| 33 | Mauritania | **6.62** | ↘ |
| 34 | Burkina Faso | **6.48** | ↘ |
| 35 | Tonga | **6.43** | ↘ |
| 36 | Nicaragua | **6.42** | ↘ |
| 37 | Tanzania | **6.27** | ↘ |
| 38 | Saint Kitts and Nevis | **6.11** | ↗ |
| 39 | Cape Verde | **6.05** | ↘ |
| 40 | Macao SAR, China | **6.05** | ↗ |
| 41 | Kyrgyzstan | **6.00** | ↗ |
| 42 | Tajikistan | **5.91** | ↗ |
| 43 | Bhutan | **5.89** | ↘ |
| 44 | South Africa | **5.85** | ↗ |
| 45 | Thailand | **5.82** | ↗ |
| 46 | Bangladesh | **5.80** | ↗ |
| 47 | Panama | **5.76** | ↘ |
| 48 | United Arab Emirates | **5.74** | ↗ |

| Ranking | Country | Score | |
|---|---|---|---|
| 49 | Zambia | 5.70 | ↘ |
| 50 | Palau | 5.68 | ↘ |
| 51 | Gambia | 5.66 | ○ |
| 52 | Cuba | 5.64 | ↗ |
| 53 | Philippines | 5.64 | ↘ |
| 54 | Malawi | 5.63 | ↗ |
| 55 | Honduras | 5.60 | ↗ |
| 56 | Ethiopia | 5.54 | ↘ |
| 57 | Türkiye | 5.53 | ↘ |
| 58 | Zimbabwe | 5.52 | ↘ |
| 59 | Bahamas | 5.49 | ↘ |
| 60 | Vanuatu | 5.45 | ↗ |
| 61 | Pakistan | 5.44 | ↘ |
| 62 | Sri Lanka | 5.42 | ↘ |
| 63 | Guatemala | 5.38 | ↗ |
| 64 | Saudi Arabia | 5.38 | ↗ |
| 65 | Belarus | 5.33 | ↗ |
| 66 | Barbados | 5.32 | ↘ |
| 67 | Ghana | 5.29 | ↘ |
| 68 | Jamaica | 5.29 | ↘ |
| 69 | Saint Lucia | 5.25 | ↘ |
| 70 | Seychelles | 5.23 | ↘ |
| 71 | Dominican Republic | 5.21 | ↗ |
| 72 | Malaysia | 5.21 | ↘ |
| 73 | Mexico | 5.21 | ↗ |
| 74 | Qatar | 5.19 | ○ |
| 75 | Bulgaria | 5.16 | → |
| 76 | Uzbekistan | 5.12 | ↘ |
| 77 | Namibia | 5.09 | ○ |
| 78 | Ukraine | 5.08 | ↘ |
| 79 | Paraguay | 5.07 | ○ |
| 80 | Ecuador | 5.06 | ○ |
| 81 | Egypt | 5.06 | ↗ |
| 82 | Indonesia | 5.01 | ↘ |
| 83 | Mongolia | 5.00 | ↘ |
| 84 | Grenada | 4.97 | ↗ |
| 85 | Samoa | 4.95 | ↗ |
| 86 | Hungary | 4.94 | ↘ |
| 87 | Hong Kong SAR, China | 4.93 | ↘ |
| 88 | Antigua and Barbuda | 4.91 | ↘ |
| 89 | Jordan | 4.90 | ↘ |
| 90 | Romania | 4.90 | ○ |
| 91 | Bahrain | 4.82 | ↘ |
| 92 | Peru | 4.81 | ↗ |
| 93 | Albania | 4.75 | ↘ |
| 94 | Aruba | 4.74 | ↘ |
| 95 | Colombia | 4.74 | ↘ |
| 96 | Mauritius | 4.74 | ↘ |
| 97 | Serbia | 4.74 | ↘ |
| 98 | Armenia | 4.72 | ↗ |
| 99 | Costa Rica | 4.72 | ↗ |
| 100 | Kazakhstan | 4.71 | ○ |
| 101 | Fiji | 4.70 | ↗ |
| 102 | Georgia | 4.69 | ↗ |
| 103 | Morocco | 4.69 | ↘ |
| 104 | Cyprus | 4.67 | ↗ |
| 105 | Croatia | 4.66 | ↘ |
| 106 | Japan | 4.66 | ↘ |
| 107 | Malta | 4.65 | ↘ |
| 108 | Moldova | 4.59 | ↘ |
| 109 | Tunisia | 4.59 | ↘ |
| 110 | Liechtenstein | 4.58 | ↘ |
| 111 | Italy | 4.56 | ↗ |
| 112 | South Korea | 4.56 | ↗ |
| 113 | Botswana | 4.53 | ↘ |
| 114 | Trinidad and Tobago | 4.51 | ↘ |

| Ranking | Country | Score | |
|---|---|---|---|
| 115 | Dominica | **4.46** | ○ |
| 116 | Poland | **4.46** | ↗ |
| 117 | Brunei Darussalam | **4.38** | ○ |
| 118 | Singapore | **4.30** | ↗ |
| 119 | United States | **4.30** | ↘ |
| 120 | Germany | **4.29** | ↗ |
| 121 | Canada | **4.28** | ↗ |
| 122 | Macedonia North | **4.26** | ○ |
| 123 | Slovakia | **4.22** | ↘ |
| 124 | Netherlands | **4.15** | ↗ |
| 125 | Belgium | **4.13** | ↗ |
| 126 | Chile | **4.13** | ↗ |
| 127 | Austria | **4.10** | ↗ |
| 128 | Portugal | **4.08** | ↗ |
| 129 | Uruguay | **4.08** | ↗ |
| 130 | Switzerland | **4.05** | ↘ |
| 131 | Ireland | **4.01** | ↗ |
| 132 | Latvia | **4.00** | ↗ |
| 133 | Taiwan | **4.00** | ↘ |
| 134 | Spain | **3.96** | ↗ |
| 135 | Czech Republic | **3.82** | ↗ |
| 136 | Greece | **3.70** | ↘ |
| 137 | Australia | **3.69** | ↗ |
| 138 | Israel | **3.67** | ↗ |
| 139 | Luxembourg | **3.67** | ○ |
| 140 | United Kingdom | **3.66** | ↗ |
| 141 | France | **3.58** | ↗ |
| 142 | Slovenia | **3.57** | ↗ |
| 143 | San Marino | **3.51** | ↗ |
| 144 | Lithuania | **3.47** | ↗ |
| 145 | Norway | **3.45** | ↘ |
| 146 | New Zealand | **3.38** | ↗ |
| 147 | Denmark | **3.36** | ↘ |
| 148 | Sweden | **3.20** | ↗ |
| 149 | Andorra | **3.09** | ↗ |
| 150 | Estonia | **3.00** | ○ |
| 151 | Finland | **2.96** | ↗ |
| 152 | Iceland | **2.87** | ↘ |

# 6 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:

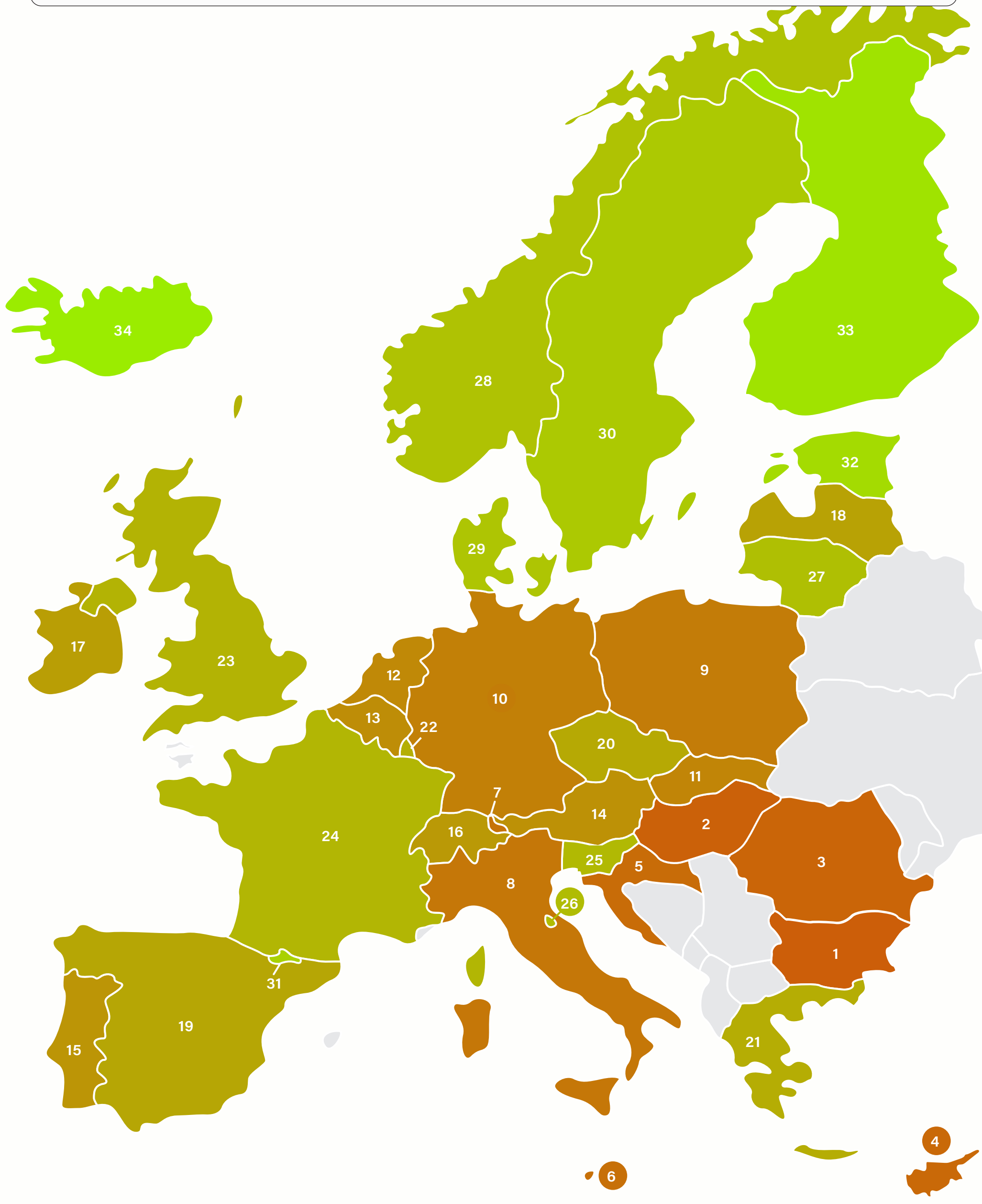
- European Union and Western Europe
- Eastern Europe and Central Asia
- East Asia and Pacific
- Latin America and Caribbean
- Middle East and North Africa
- North America
- South Asia
- Sub-Saharan Africa

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. These are highlighted in the following infographics. These are best viewed as a double-page spread and can be downloaded separately from index.baselgovernance.org/download.

## 7.1 European Union and Western Europe

The region's relatively low average risk score masks significant variation between countries – especially in the quality of AML/CFT frameworks. Many struggle with the effectiveness of their AML/CFT supervision, preventive measures and beneficial ownership transparency systems. Levels of corruption and bribery also vary widely, and have increased from 2.91 in 2022 to 3.15 in 2023.

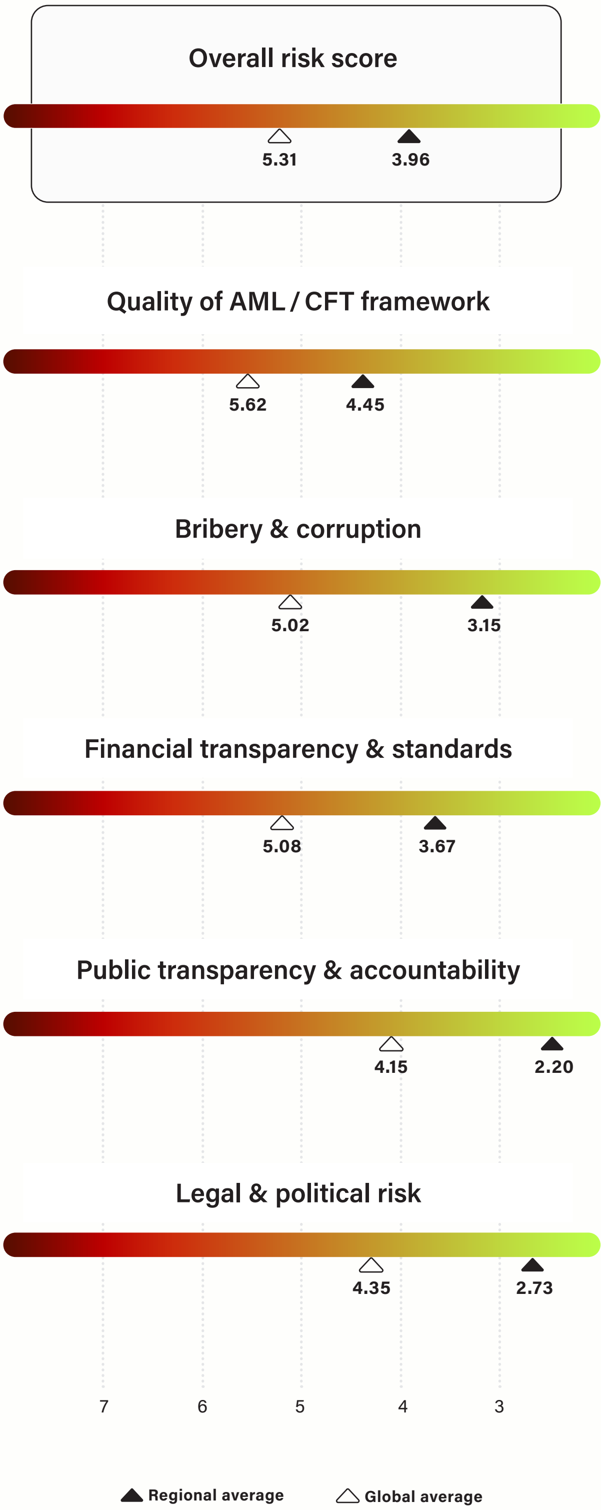
| | | |
|---|---|---|
| 1 | Bulgaria | 5.16 |
| 2 | Hungary | 4.94 |
| 3 | Romania | 4.90 |
| 4 | Cyprus | 4.67 |
| 5 | Croatia | 4.66 |
| 6 | Malta* | 4.65 |
| 7 | Liechtenstein | 4.58 |
| 8 | Italy | 4.56 |
| 9 | Poland | 4.46 |
| 10 | Germany | 4.29 |
| 11 | Slovakia | 4.22 |
| 12 | Netherlands | 4.15 |
| 13 | Belgium | 4.13 |
| 14 | Austria | 4.10 |
| 15 | Portugal | 4.08 |
| 16 | Switzerland | 4.05 |
| 17 | Ireland | 4.01 |
| 18 | Latvia | 4.00 |
| 19 | Spain | 3.96 |
| 20 | Czech Republic | 3.82 |
| 21 | Greece | 3.70 |
| 22 | Luxembourg | 3.67 |
| 23 | United Kingdom | 3.66 |
| 24 | France | 3.58 |
| 25 | Slovenia | 3.57 |
| 26 | San Marino | 3.51 |
| 27 | Lithuania | 3.47 |
| 28 | Norway | 3.45 |
| 29 | Denmark | 3.36 |
| 30 | Sweden | 3.20 |
| 31 | Andorra | 3.09 |
| 32 | Estonia | 3.00 |
| 33 | Finland | 2.96 |
| 34 | Iceland* | 2.87 |




* Affected by methodological changes (see Annex).

High risk

Low risk




WEAKEST AREA

Quality of AML/CFT framework.

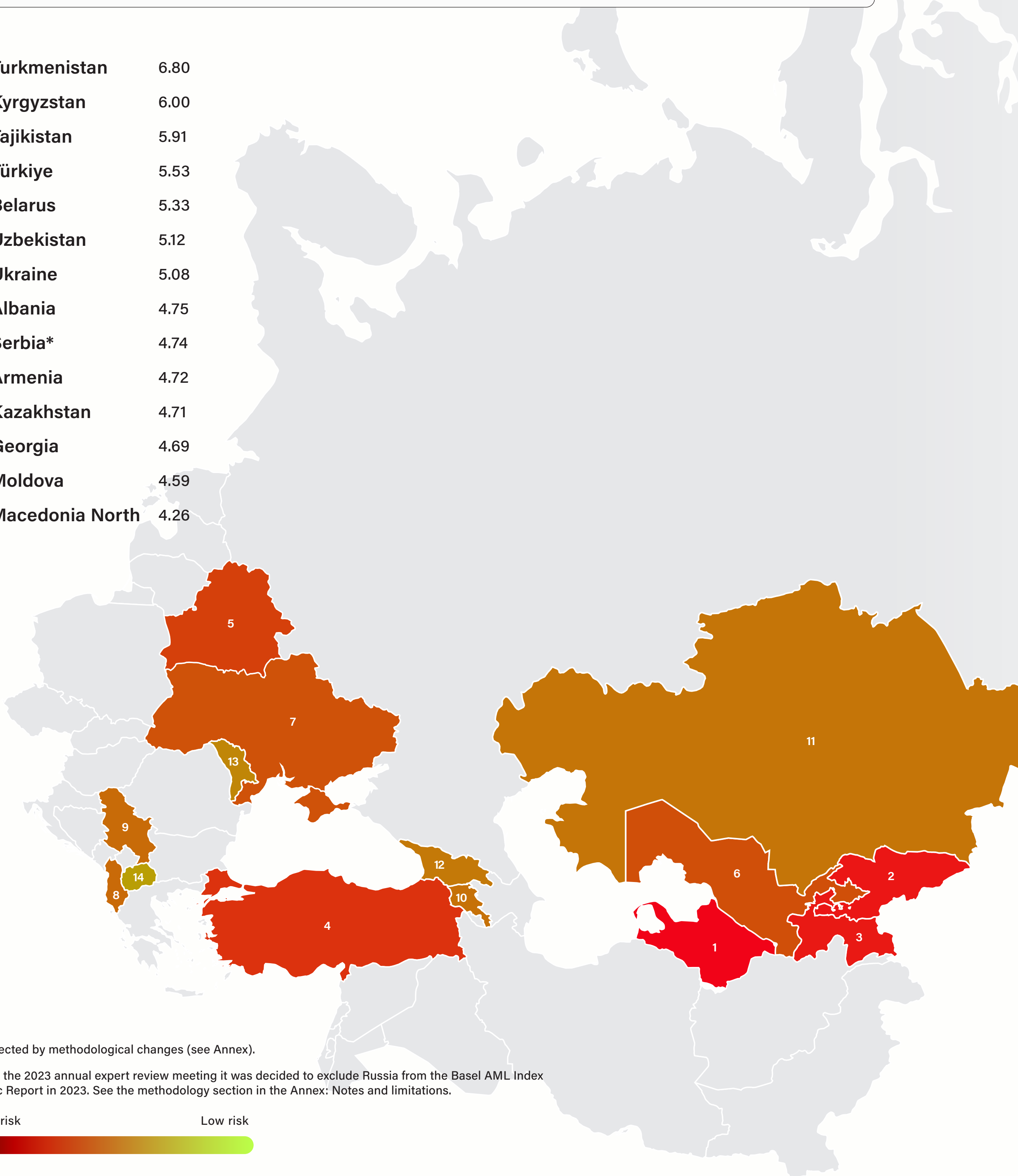
Low performance in critical areas such as new technologies and sanctions related to terrorist financing.

38 percent of jurisdictions score as high risk in the Financial Secrecy Index, reflecting not only risks of financial transparency but also their large share of the global market for financial services.

## 7.2 Eastern Europe and Central Asia

Average scores for the quality of AML/CFT frameworks improved slightly in 2023. However, risks increased in all other domains – corruption and bribery, public and financial transparency, and political and legal risks. The impact is greater on citizens than on global financial security: apart from Türkiye, the region does not have large or international financial centres.**

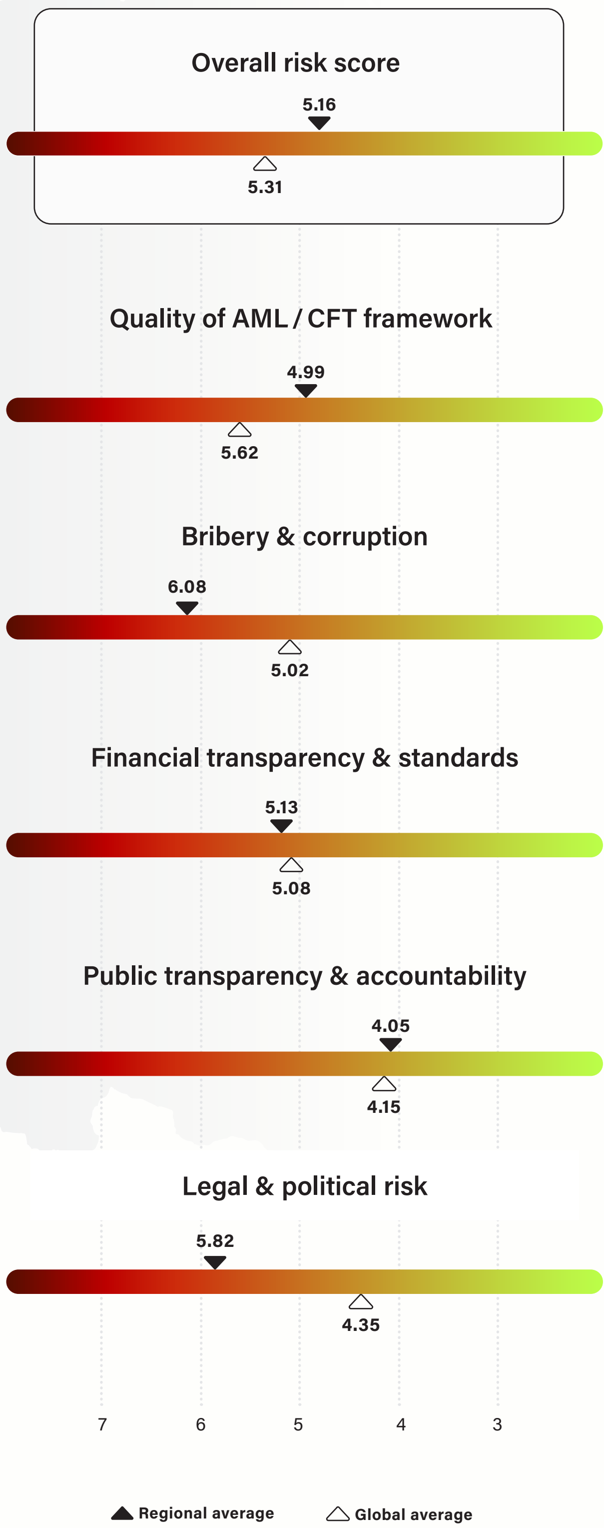
| | | |
|---|---|---|
| 1 | **Turkmenistan** | 6.80 |
| 2 | **Kyrgyzstan** | 6.00 |
| 3 | **Tajikistan** | 5.91 |
| 4 | **Türkiye** | 5.53 |
| 5 | **Belarus** | 5.33 |
| 6 | **Uzbekistan** | 5.12 |
| 7 | **Ukraine** | 5.08 |
| 8 | **Albania** | 4.75 |
| 9 | **Serbia*** | 4.74 |
| 10 | **Armenia** | 4.72 |
| 11 | **Kazakhstan** | 4.71 |
| 12 | **Georgia** | 4.69 |
| 13 | **Moldova** | 4.59 |
| 14 | **Macedonia North** | 4.26 |



* Affected by methodological changes (see Annex).

** At the 2023 annual expert review meeting it was decided to exclude Russia from the Basel AML Index Public Report in 2023. See the methodology section in the Annex: Notes and limitations.

High risk Low risk




WEAKEST AREA

Corruption and bribery.

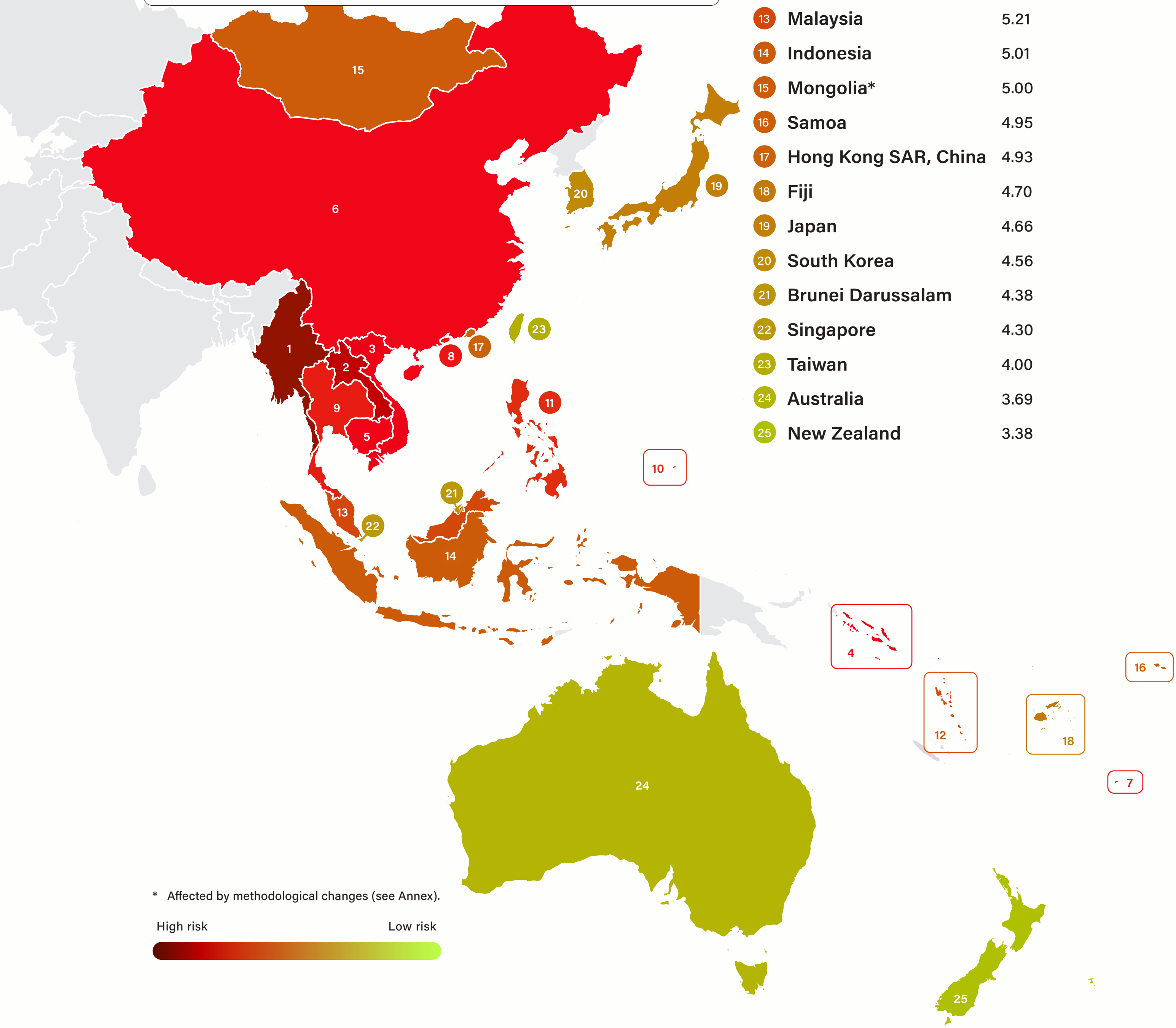
Effective prosecution of money laundering remains a key concern.

Ten countries are “major money laundering jurisdictions” according to the US International Narcotics Control Strategy Report.

## 7.3 East Asia and Pacific

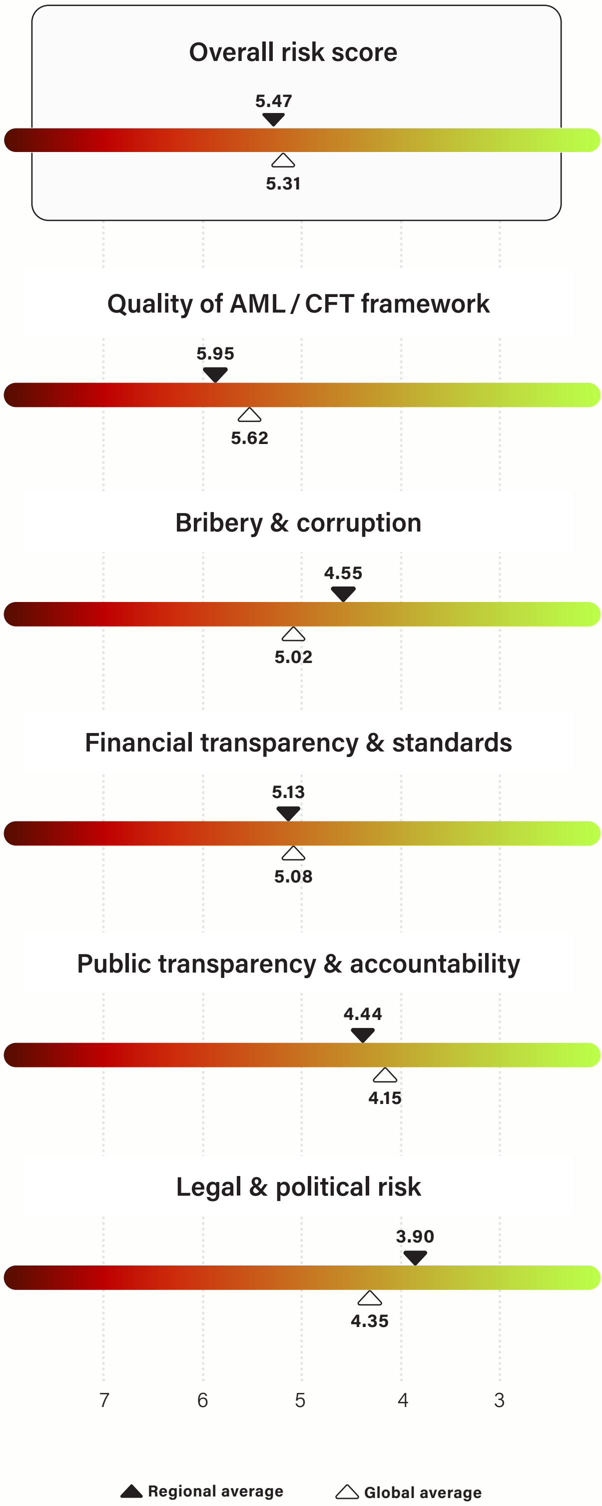
This region is marked by particularly significant variation in risks relating to corruption and bribery, human trafficking, environmental crime, public and financial transparency, and the political/legal system. Nearly a third score as high-risk jurisdictions. Similar to Latin America, profits from drug trafficking are a particular concern: 40 percent of countries are named by the US International Narcotics Control Strategy Report as major money laundering jurisdictions in this regard. AML/CFT measures to prevent the proliferation of weapons of mass destruction are generally ineffective, as are measures on prevention and beneficial ownership transparency.

| | | |
|---|---|---|
| 1 | Myanmar | 8.13 |
| 2 | Laos | 7.44 |
| 3 | Vietnam | 6.96 |
| 4 | Solomon Islands | 6.86 |
| 5 | Cambodia* | 6.78 |
| 6 | China | 6.77 |
| 7 | Tonga | 6.43 |
| 8 | Macao SAR, China | 6.05 |
| 9 | Thailand | 5.82 |
| 10 | Palau | 5.68 |
| 11 | Philippines | 5.64 |
| 12 | Vanuatu | 5.45 |
| 13 | Malaysia | 5.21 |
| 14 | Indonesia | 5.01 |
| 15 | Mongolia* | 5.00 |
| 16 | Samoa | 4.95 |
| 17 | Hong Kong SAR, China | 4.93 |
| 18 | Fiji | 4.70 |
| 19 | Japan | 4.66 |
| 20 | South Korea | 4.56 |
| 21 | Brunei Darussalam | 4.38 |
| 22 | Singapore | 4.30 |
| 23 | Taiwan | 4.00 |
| 24 | Australia | 3.69 |
| 25 | New Zealand | 3.38 |



* Affected by methodological changes (see Annex).

High risk Low risk




WEAKEST AREA

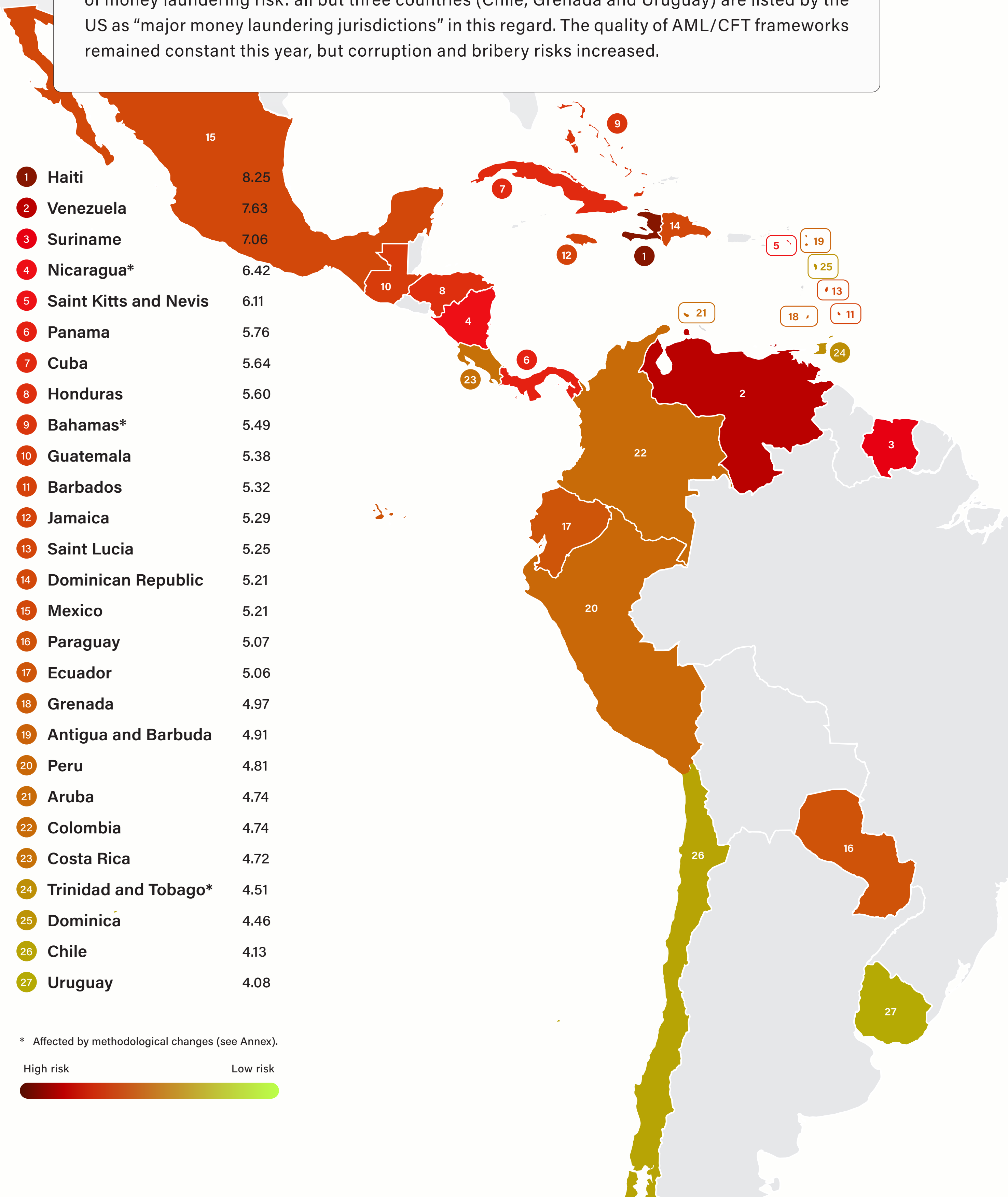
Quality of AML/CFT framework.

Increased risks in bribery and corruption, public transparency, and political/legal issues.

Generally low effectiveness in both prevention and enforcement of AML/CFT laws, as well as beneficial ownership transparency.

## 7.4 Latin America and Caribbean

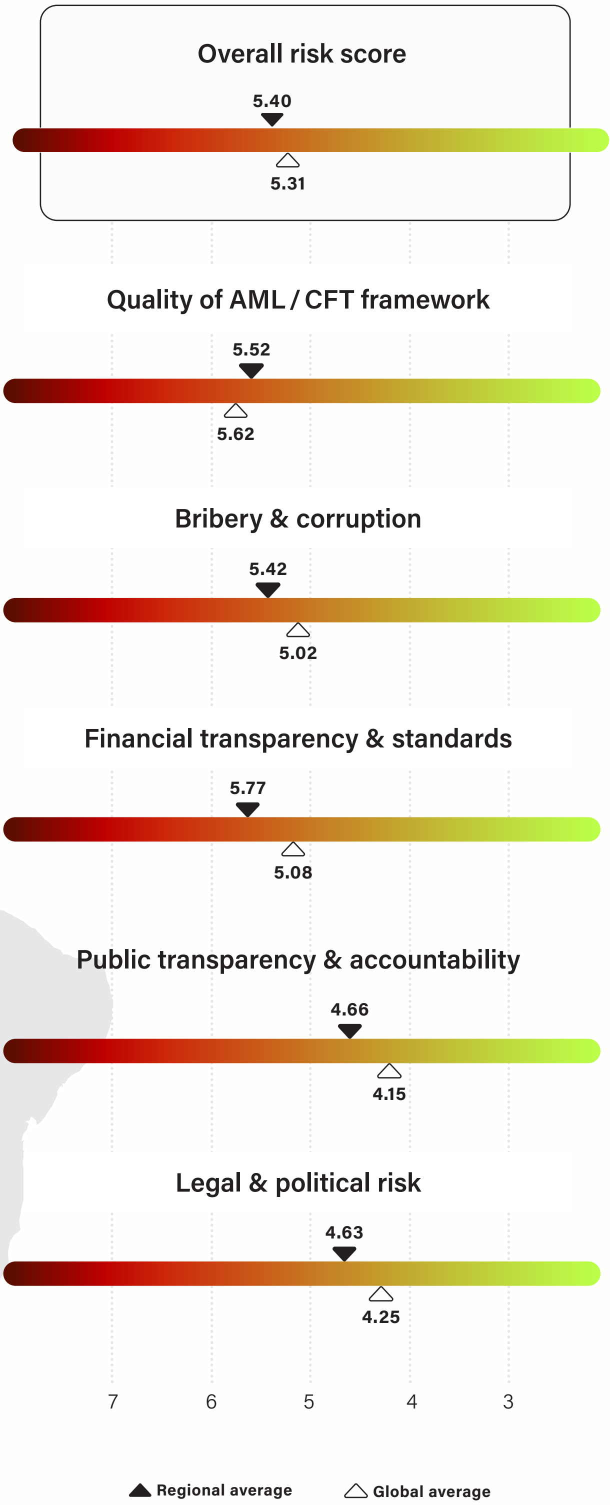
Most countries in Latin America present medium risks of ML/TF, though Haiti, Venezuela and Suriname significantly pull down the regional average. Drug trafficking remains a major source of money laundering risk: all but three countries (Chile, Grenada and Uruguay) are listed by the US as "major money laundering jurisdictions" in this regard. The quality of AML/CFT frameworks remained constant this year, but corruption and bribery risks increased.



| | | |
|---|---|---|
| 1 | Haiti | 8.25 |
| 2 | Venezuela | 7.63 |
| 3 | Suriname | 7.06 |
| 4 | Nicaragua* | 6.42 |
| 5 | Saint Kitts and Nevis | 6.11 |
| 6 | Panama | 5.76 |
| 7 | Cuba | 5.64 |
| 8 | Honduras | 5.60 |
| 9 | Bahamas* | 5.49 |
| 10 | Guatemala | 5.38 |
| 11 | Barbados | 5.32 |
| 12 | Jamaica | 5.29 |
| 13 | Saint Lucia | 5.25 |
| 14 | Dominican Republic | 5.21 |
| 15 | Mexico | 5.21 |
| 16 | Paraguay | 5.07 |
| 17 | Ecuador | 5.06 |
| 18 | Grenada | 4.97 |
| 19 | Antigua and Barbuda | 4.91 |
| 20 | Peru | 4.81 |
| 21 | Aruba | 4.74 |
| 22 | Colombia | 4.74 |
| 23 | Costa Rica | 4.72 |
| 24 | Trinidad and Tobago* | 4.51 |
| 25 | Dominica | 4.46 |
| 26 | Chile | 4.13 |
| 27 | Uruguay | 4.08 |

* Affected by methodological changes (see Annex).

High risk — Low risk




WEAKEST AREA

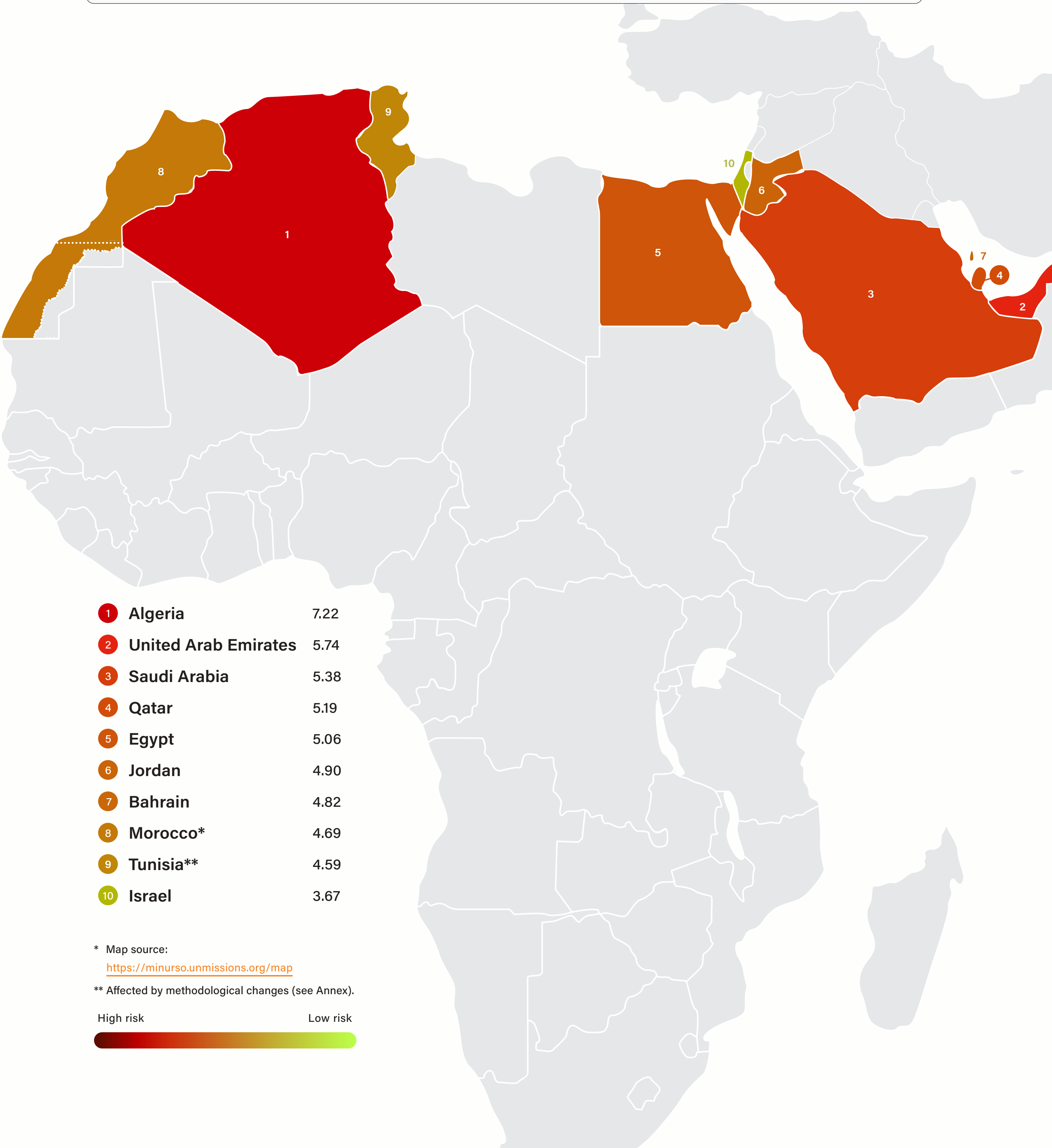
Financial transparency and accountability.

General low effectiveness in the investigation and prosecution of money laundering offences and the proliferation of weapons of mass destruction.

Independence of the judiciary is a concern for nearly a third of the countries.

## 7.5 Middle East and North Africa

This region saw a worsening risk score this year. There was a slight improvement in the area of AML/CFT frameworks, which was the region's weakest area last year. Within this domain, environmental crime risks remain low or medium. However, other indicators – corruption and bribery, public and financial transparency, and political and legal risks – all deteriorated.

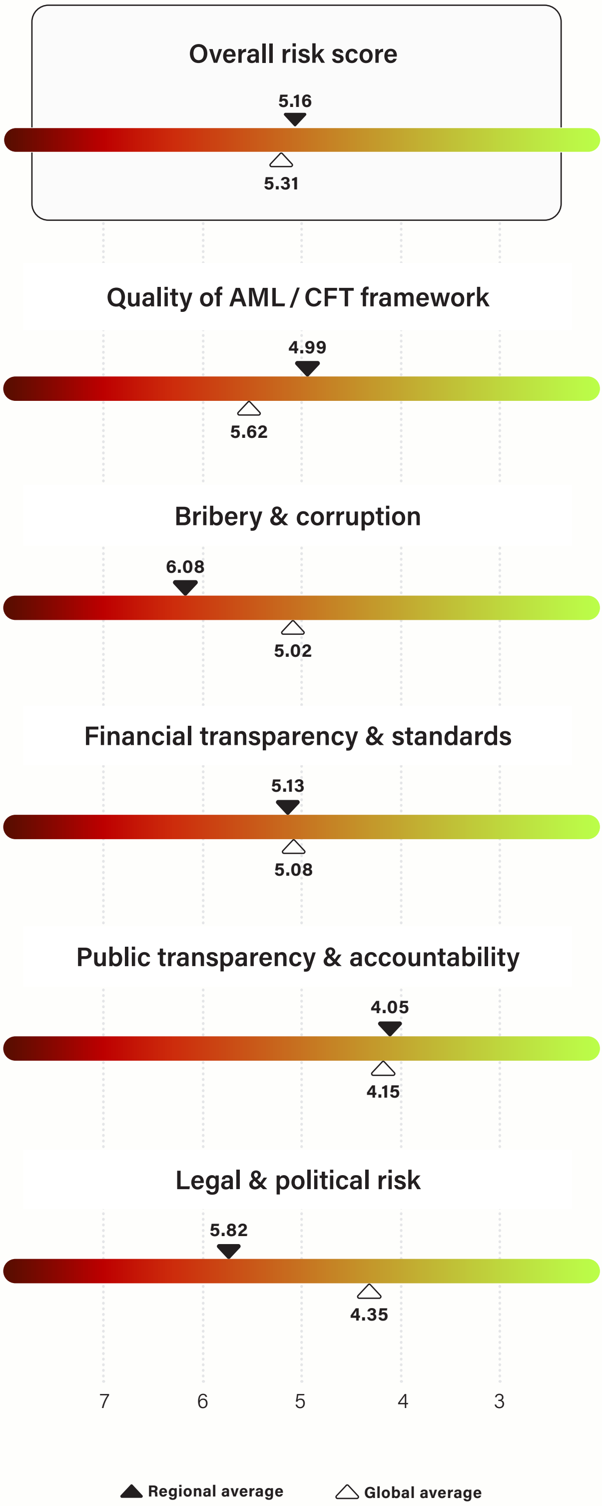



| | | |
|---|---|---|
| 1 | Algeria | 7.22 |
| 2 | United Arab Emirates | 5.74 |
| 3 | Saudi Arabia | 5.38 |
| 4 | Qatar | 5.19 |
| 5 | Egypt | 5.06 |
| 6 | Jordan | 4.90 |
| 7 | Bahrain | 4.82 |
| 8 | Morocco* | 4.69 |
| 9 | Tunisia** | 4.59 |
| 10 | Israel | 3.67 |

* Map source: https://minurso.unmissions.org/map

** Affected by methodological changes (see Annex).

High risk — Low risk




WEAKEST AREA

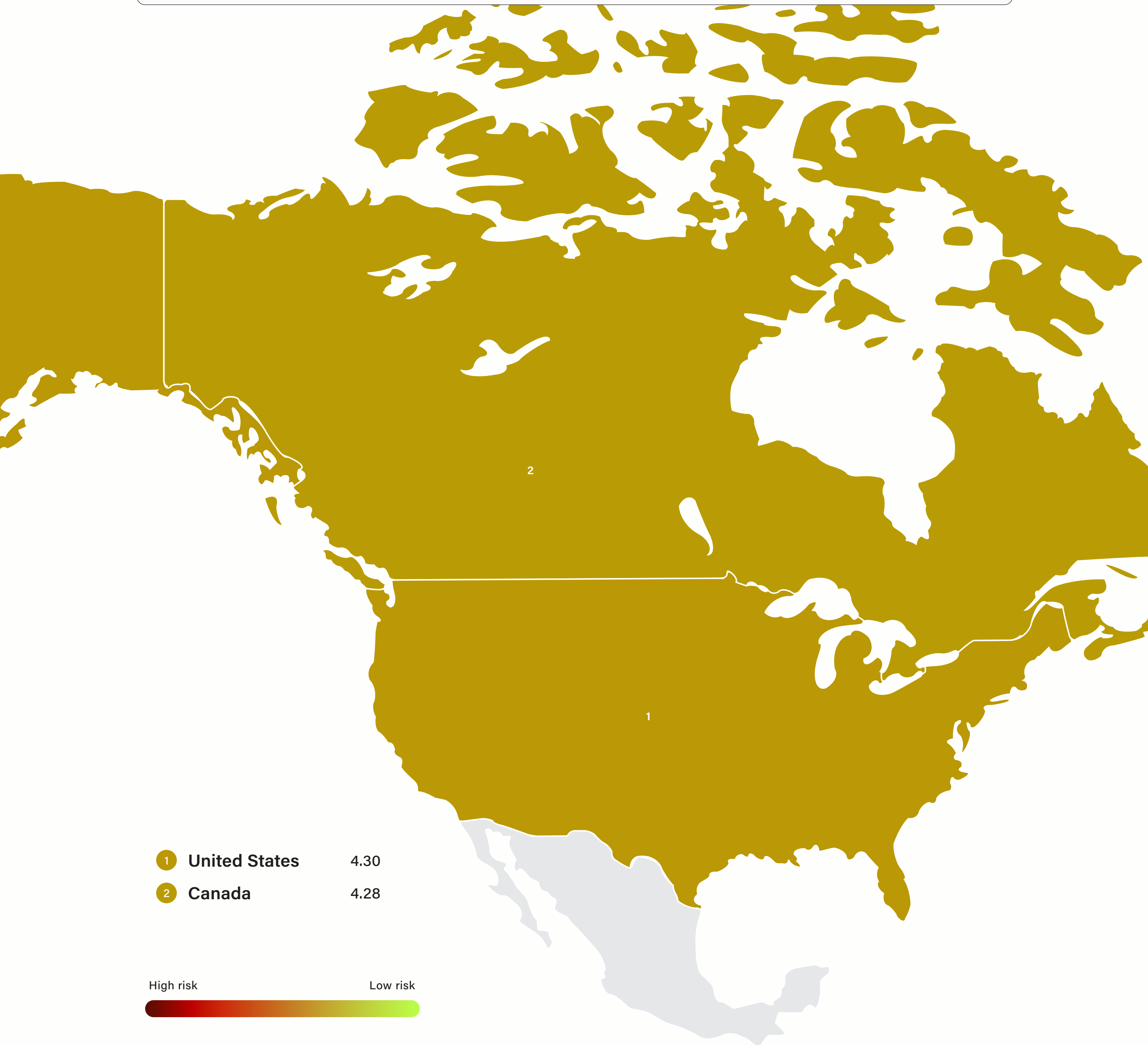
Bribery and corruption.

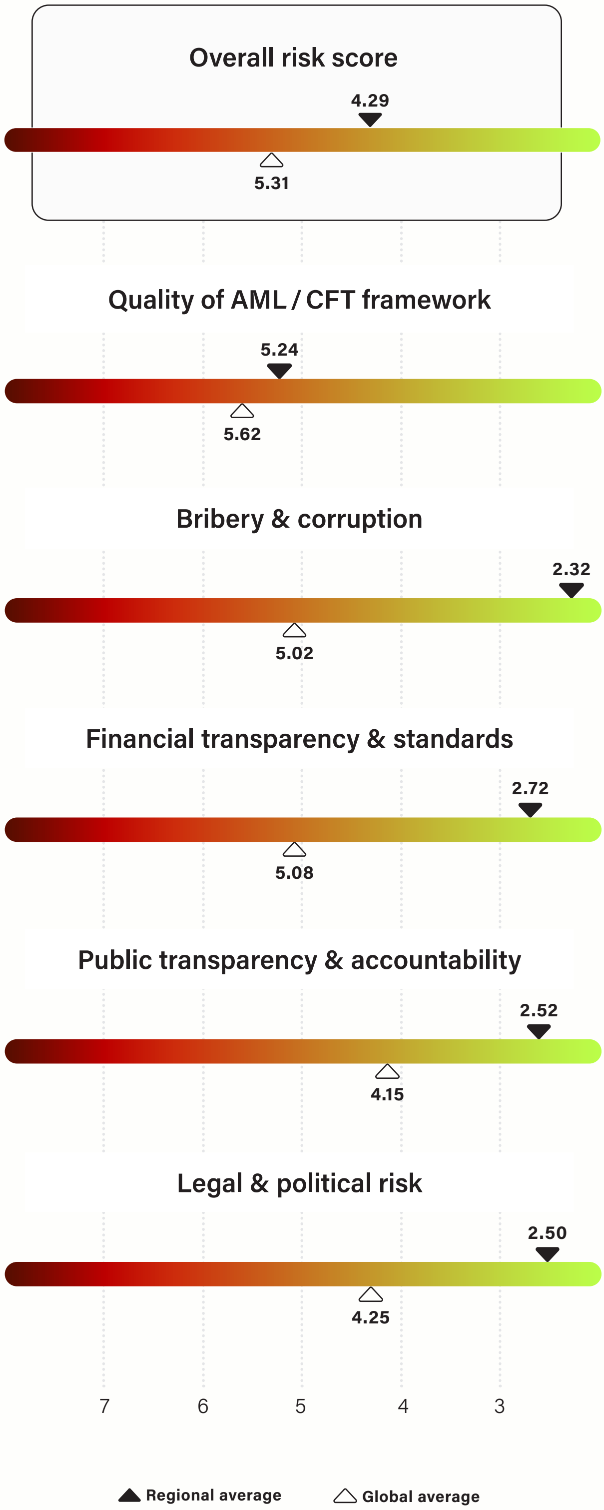
60 percent of countries face high risks in terms of political and civic freedoms.

Proliferation of weapons of mass destruction, beneficial ownership transparency and the investigation of ML/TF offences remain a weak spot in terms of effectiveness.

## 7.6 North America

The situation has not changed significantly for either the US or Canada. Risks in the AML/CFT framework remain twice as high as other risk areas measured by the Basel AML Index. Transparency of beneficial ownership information is still a weak spot for both countries: new legislation will take time to show up in the data and a lot hangs on how effectively beneficial ownership information systems are implemented. Another ongoing concern is the effectiveness of preventive measures applied to financial institutions and designated non-financial businesses and professions – i.e. potential "enablers".






WEAKEST AREA

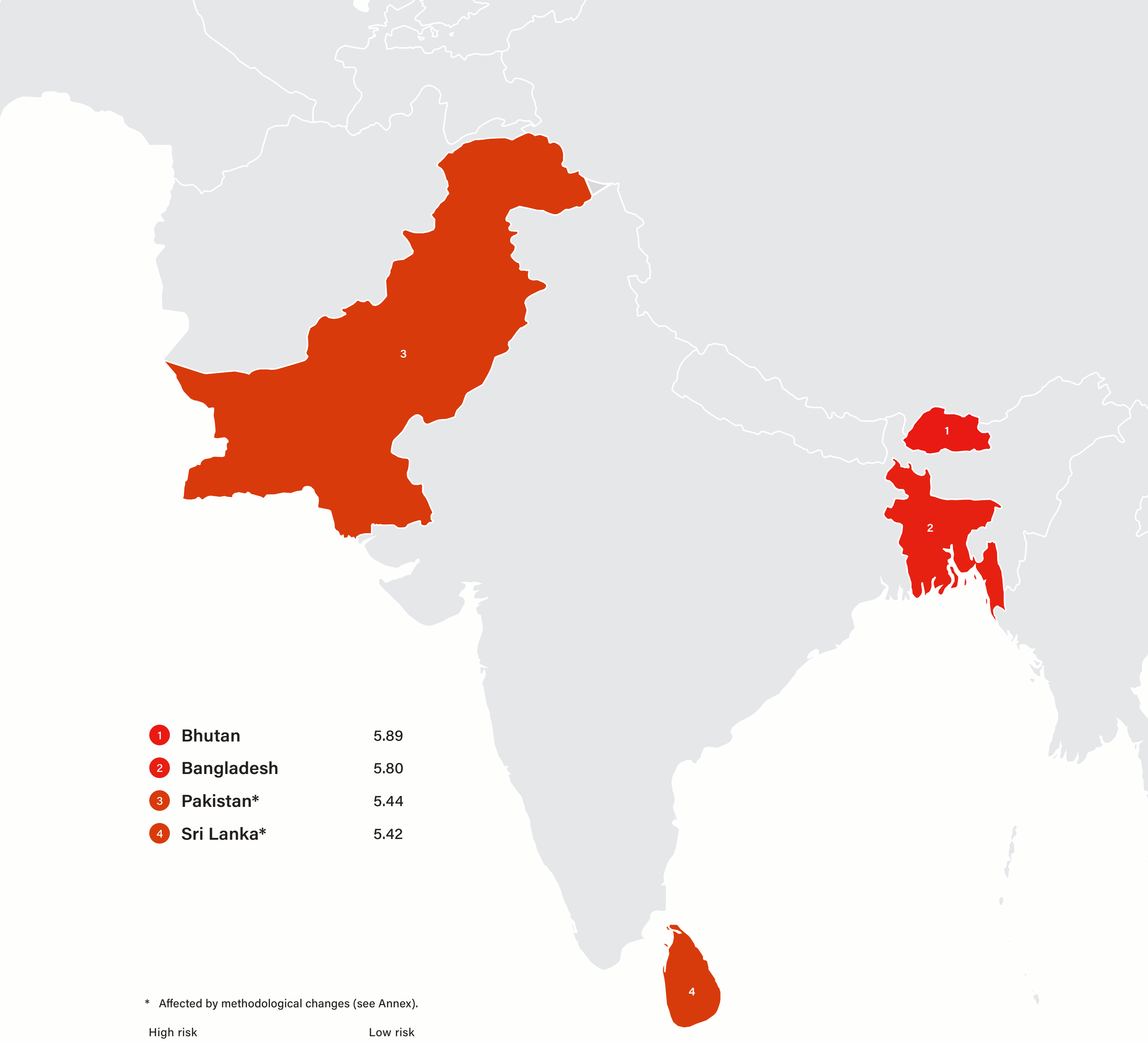
Quality of AML/CFT framework.

Low risks for bribery/corruption, financial/public transparency and political/legal aspects.

Both countries are listed as “major money laundering jurisdictions” in the US International Narcotics Control Strategy Report.

## 7.7 South Asia

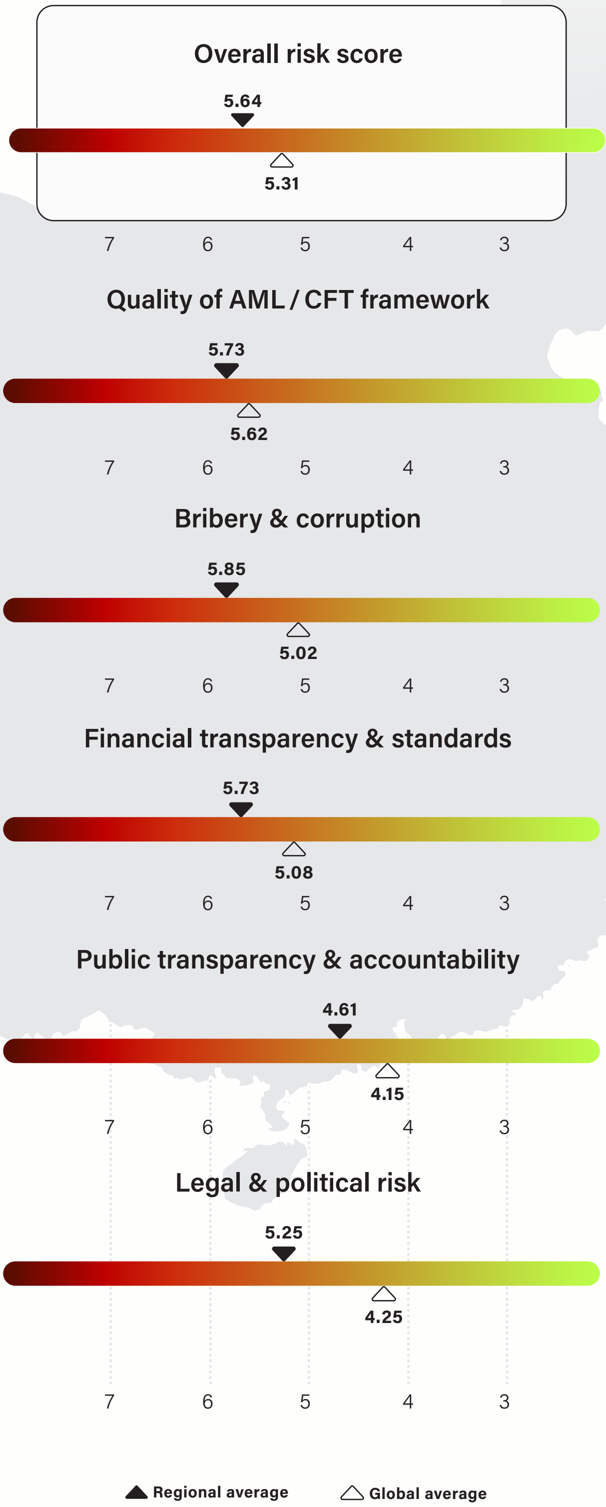
Average performance in the Basel AML Index has improved across South Asia this year. However, much of the uptick is related to Sri Lanka and Pakistan graduating from the FATF grey list. Due to this year's methodological changes, this led to improvements in the region's average score for the quality of AML/CFT frameworks – the weakest area last year. Indicators for financial transparency also improved.



| | | |
|---|---|---|
| 1 | **Bhutan** | 5.89 |
| 2 | **Bangladesh** | 5.80 |
| 3 | **Pakistan*** | 5.44 |
| 4 | **Sri Lanka*** | 5.42 |

* Affected by methodological changes (see Annex).

High risk Low risk




WEAKEST AREA

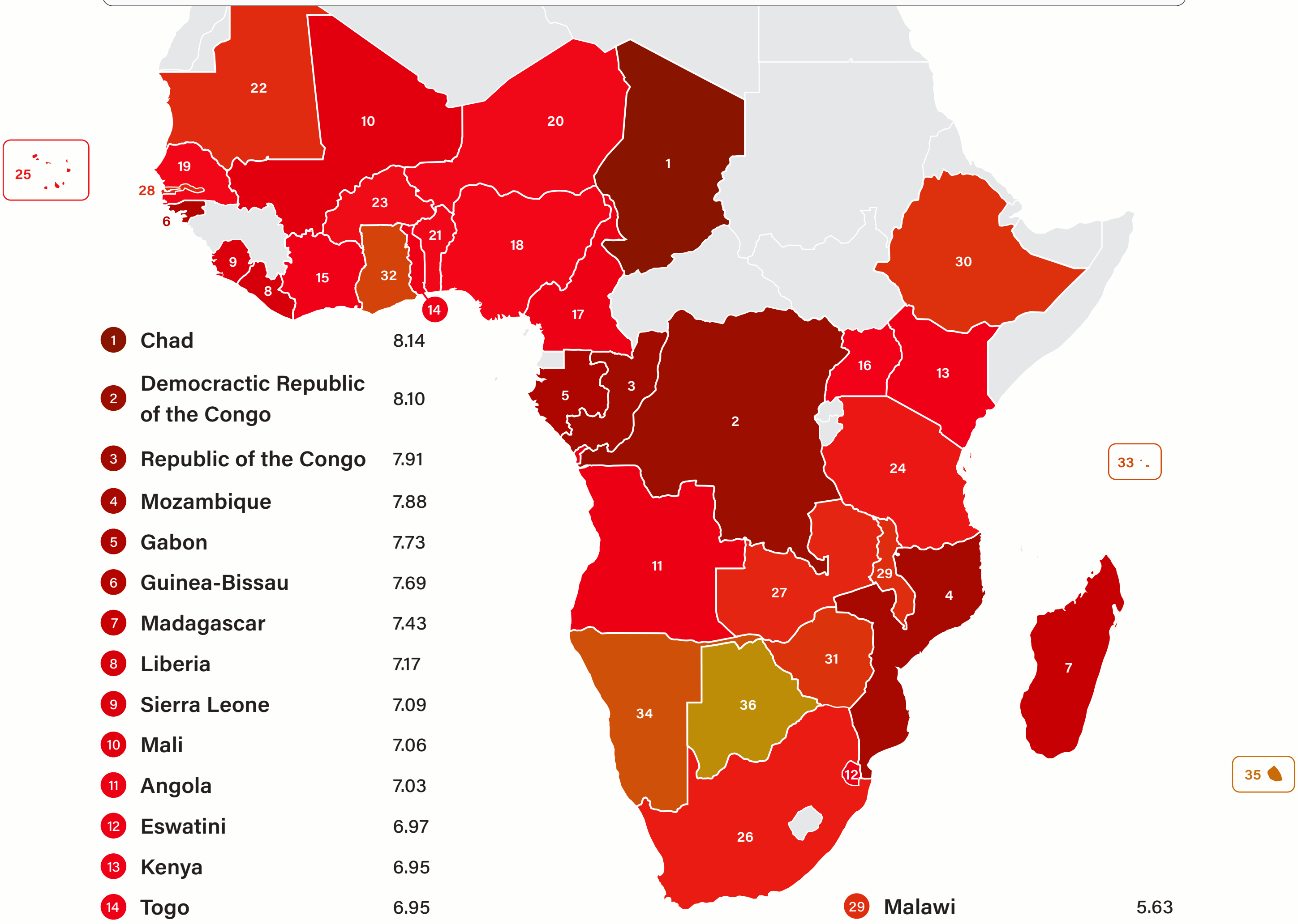
Bribery and corruption.

Increased risks in bribery and corruption, public transparency, and political/legal issues.

Generally low effectiveness in both prevention and enforcement of AML/CFT laws, as well as beneficial ownership transparency.

## 7.8 Sub-Saharan Africa

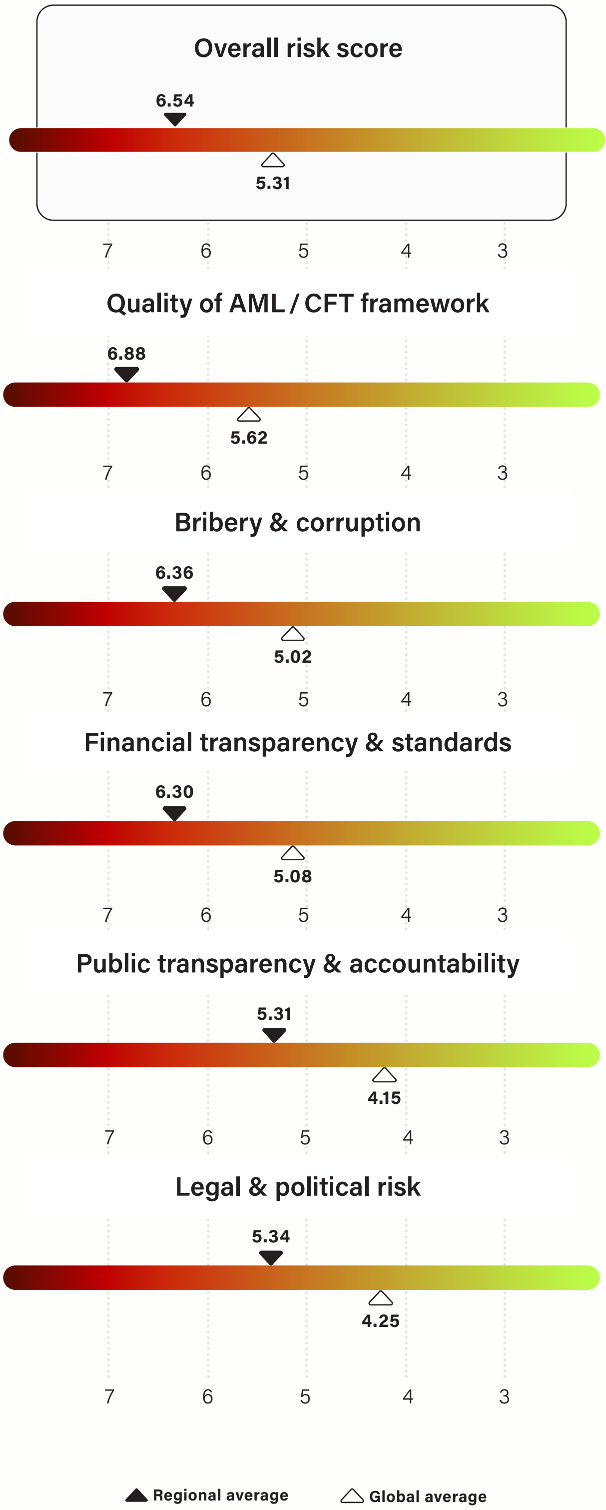
New FATF evaluations for 10 countries led to a huge increase in country coverage this year. Despite this, average ML/TF risks remain higher than the global average. Nearly two thirds of jurisdictions in this region fall into the high-risk category. Nearly a third of jurisdictions in the region score the lowest possible level for the effectiveness of AML/CFT measures. Of particular concern, given the region's security issues, is weak performance when it comes to the effectiveness of measures to prevent the proliferation of weapons of mass destruction and the misuse of non-profit organisations for terrorist financing.



| | | |
|---|---|---|
| 1 | Chad | 8.14 |
| 2 | Democractic Republic of the Congo | 8.10 |
| 3 | Republic of the Congo | 7.91 |
| 4 | Mozambique | 7.88 |
| 5 | Gabon | 7.73 |
| 6 | Guinea-Bissau | 7.69 |
| 7 | Madagascar | 7.43 |
| 8 | Liberia | 7.17 |
| 9 | Sierra Leone | 7.09 |
| 10 | Mali | 7.06 |
| 11 | Angola | 7.03 |
| 12 | Eswatini | 6.97 |
| 13 | Kenya | 6.95 |
| 14 | Togo | 6.95 |
| 15 | Côte d'Ivoire | 6.87 |
| 16 | Uganda | 6.83 |
| 17 | Cameroon | 6.75 |
| 18 | Nigeria | 6.72 |
| 19 | Senegal | 6.67 |
| 20 | Niger | 6.64 |
| 21 | Benin | 6.62 |
| 22 | Mauritania | 6.62 |
| 23 | Burkina Faso | 6.48 |
| 24 | Tanzania | 6.27 |
| 25 | Cape Verde | 6.05 |
| 26 | South Africa | 5.85 |
| 27 | Zambia | 5.70 |
| 28 | Gambia | 5.66 |
| 29 | Malawi | 5.63 |
| 30 | Ethiopia* | 5.54 |
| 31 | Zimbabwe* | 5.52 |
| 32 | Ghana* | 5.29 |
| 33 | Seychelles | 5.23 |
| 34 | Namibia | 5.09 |
| 35 | Mauritius* | 4.74 |
| 36 | Botswana* | 4.53 |

High risk Low risk

* Affected by methodological changes (see Annex).



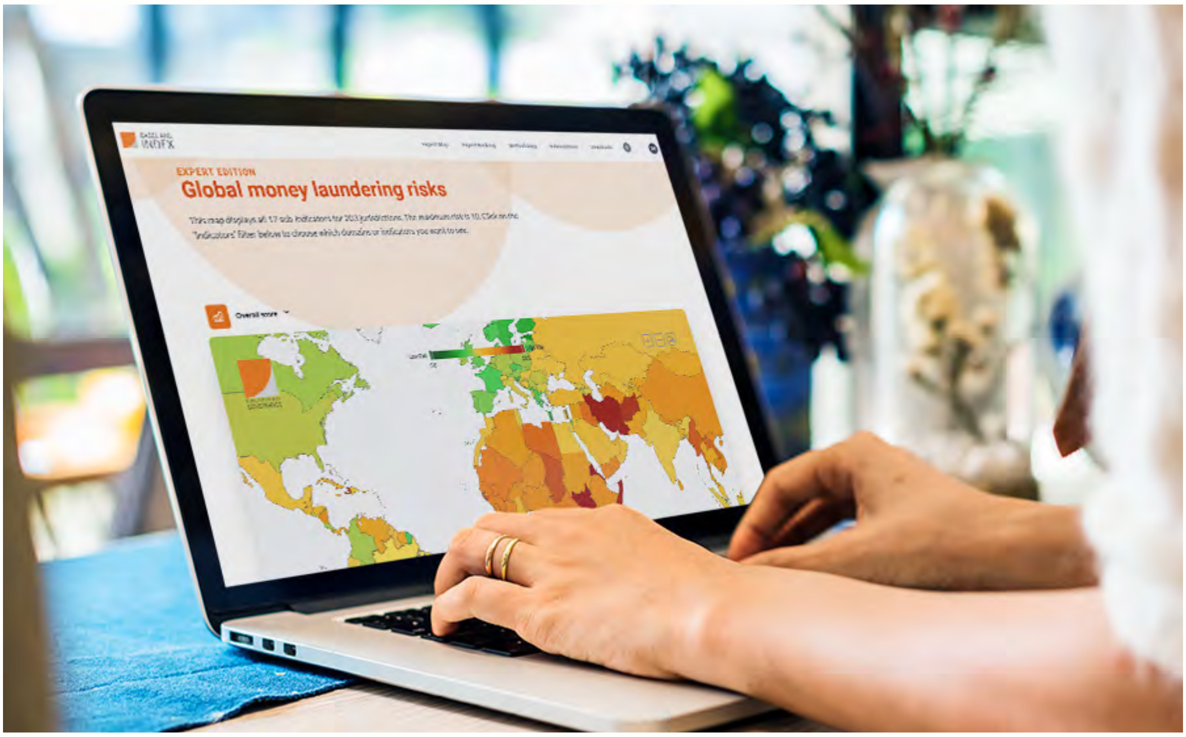

WEAKEST AREA

Quality of AML / CFT framework.

Risk scores for corruption and bribery and public/financial transparency worsened.

Cameroon, DRC, Mozambique, Nigeria, South Africa and Tanzania were placed on the FATF grey list; many others are at risk of following.

# 7
# Expert Editions




This report relates to the **Public Edition** of the Basel AML Index, which this year covers 152 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, policy and journalism, 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. 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 relevant lists, 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, including a written report on the latest developments and the FATF dataset as an Excel or CSV download. 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 Jersey, Guernsey, Isle of Man, Gibraltar and the Cayman Islands. New in 2023: Expert Edition Plus now highlights jurisdictions at risk of being placed on the FATF grey list, helping financial institutions to anticipate grey listing and prepare in advance.

**The Basel AML Index Expert Edition and Expert Edition Plus are free for public, multilateral, non-profit, academic and media organisations.**

## Subscription options

| | Public Edition | Expert Edition | Expert Edition Plus |
|---|---|---|---|
| **Private companies & financial institutions** | Free | CHF 2,000 | CHF 4,000 |
| **Public, multilateral, non-profit, academic and media organisations** | Free | Free | Free |
| **Jurisdictions covered** | 152 | 203 | 203 |
| **Annual updates** | ✓ | – | – |
| **Quarterly updates** | – | ✓ | ✓ |
| **Customisable interface with 18 indicators and sanctions information** | – | ✓ | ✓ |
| **Downloadable data set** | – | ✓ | ✓ |
| **API to integrate Expert Edition data into compliance systems** | – | ✓ | ✓ |
| **Complete FATF data set and analysis** | – | – | ✓ |
| **Special reports on ML/ TF risks in smaller jurisdictions** | – | – | ✓ |
| **Identification of jurisdictions at risk of FATF grey listing** | – | – | ✓ |

index.baselgovernance.org/expert-edition

# 8 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 140 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 email **index@baselgovernance.org**.

Media enquiries: **monica.guy@baselgovernance.org**

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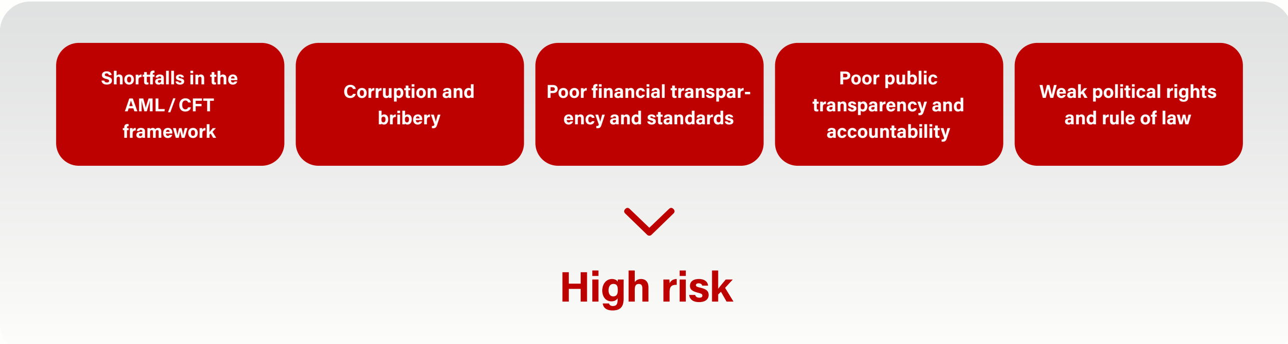
# Annex: Methodology

## Data sources

The Basel AML Index uses a composite methodology based on 18 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 18 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 12th Public Edition released in November 2023 and in the Expert Edition from October 2023 onwards, indicators are:

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

- FATF: Mutual Evaluation Reports and Follow-up Reports (35%)
- Tax Justice Network: Financial Secrecy Index (15%)
- US State Department: International Narcotics Control Strategy Report (Volume II) (5%)
- US State Department: Trafficking in Persons Report (5%)
- GITOC: Flora, fauna, non-renewable resources (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: Judicial independence data (2.5%)
- World Justice Project: Rule of Law Index (2.5%)

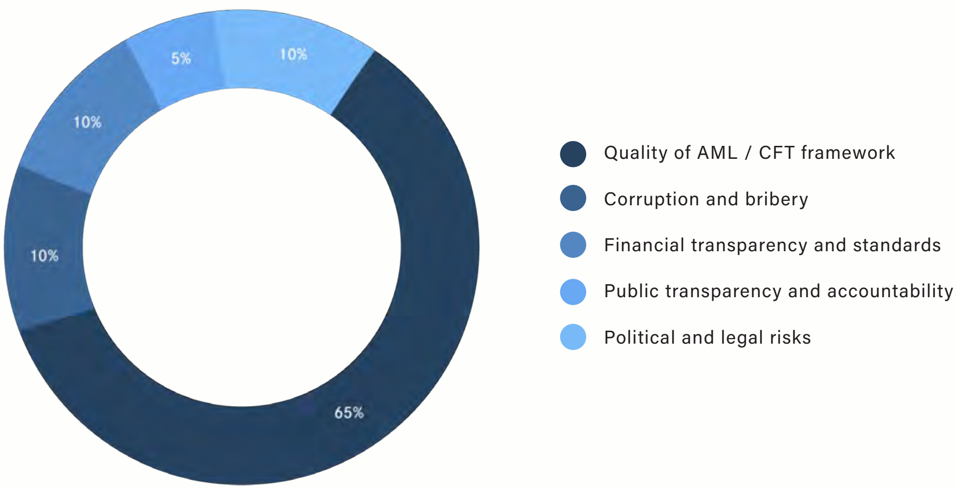
For detailed descriptions of each indicator and why it is important in assessing ML / TF risks, see index.baselgovernance.org/methodology.

## 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.

## Grey listing: methodology change and extra features

Following the 2023 expert annual review meeting, the Basel AML Index made a small methodological change to better reflect the progress of jurisdictions that have graduated from FATF's so-called grey list of jurisdictions subject to increased monitoring. The change is implemented from 3 October 2023 for the Expert Edition and from 8 November 2023 for the Public Edition.

Jurisdictions that graduate from the FATF's grey list have necessarily made efforts to improve their AML/CFT systems in line with an action plan agreed with the FATF. However, the FATF does not reassess the effectiveness of their AML/CFT systems. This makes it likely that the jurisdiction's risk score on paper does not fairly reflect their progress in reality.

To remedy this, the Basel AML Index methodology 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.

For example, before being placed on the grey list, a Caribbean country was assessed as having the lowest score (0) in six of the FATF's 11 effectiveness criteria. After being removed from the grey list, the methodology assumes it has now achieved a moderate level (1) of effectiveness in those six criteria.

See more information on the Basel AML Index website.

**BRIEFINGS ON DELISTED JURISDICTIONS**

Being placed on the FATF grey list does not affect a jurisdiction's score in the Basel AML Index, but it does have important negative impacts on its investment climate, trade and capital flows. We believe jurisdictions that graduate from the grey list should be able to see correspondingly positive impacts. Increasing the amount of publicly available information and analysis may help jurisdictions that have achieved their action plans to regain their economic status and reputation.

Since September 2022, the Basel AML Index has published short briefing reports on jurisdictions that are delisted from the FATF grey list. The briefings are published on index.baselgovernance.org on the Downloads page and country profile pages. They cover the main issues that led to the listing, the action plan developed to address them, and publicly available data on how it was implemented.

**NEW: EARLY WARNING OF GREY LISTING**

As of October 2023, the Basel AML Index provides Expert Edition Plus subscribers with an approach for predicting which jurisdictions are at risk of being placed on the FATF's grey list. The quarterly briefings contains a table of countries assessed as being at risk.

The assessment is based on a review of the country's mutual evaluation report to identify those that fulfil the conditions for grey listing. Among other things, it aims to help financial institutions anticipate grey listing and prepare in advance.

More information at: baselgovernance.org/blog/basel-aml-index-predicting-grey-listing

## Notes and limitations

**Data availability**
Data collection for the 2023 Public Edition of the Basel AML Index was finished on 27 September 2023 and does not reflect developments after that date. The Expert Edition is updated quarterly.

There is not always a complete set of 18 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. In addition, at the 2023 annual expert review meeting it was decided to exclude Russia from the Basel AML Index Public Report in 2023. This is based on the FATF's suspension of Russian membership. The Expert Edition contains a more comprehensive overview of all 203 jurisdictions with their risk scores and details of the available data.

**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.

**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 of 27 September 2023, 161 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. To mitigate this issue, the Public Edition of the Basel AML Index only includes jurisdictions that have gone through a fourth-round evaluation, as well as meeting other minimum data requirements.

**Use of discontinued data sources**

The data sources for three minor indicators used in Basel AML Index have been discontinued and were last updated in 2019–2020:

- Two indicators from the World Economic Forum's now discontinued Global Competitiveness Report: "Strength of Auditing and Reporting Standards" (Domain 3, 5% weighting) and "Institutional Pillar" (Domain 5, 2.5% weighting).

- The World Bank's Extent of Corporate Transparency Index, part of its now discontinued Doing Business Report (Domain 3, 2.5% weighting).

New methodologies are currently under development to replace the previous indicators and are expected to be published in late 2023 and early 2024 respectively.

Since extensive searches did not identify a suitable replacement for these indicators, the decision was made to keep the 2019–2020 data until the new indicators are available.

The World Economic Forum has continued to make available data for the indicator on judicial independence (Domain 5, 2.5% weighting), which was also previously part of the Global Competitiveness Report. This data was obtained by request from the World Economic Forum.

**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.