

# Basel AML Index 2022: 11<sup>th</sup> Public Edition

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





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# Acronyms and abbreviations

<b>AML</b>	Anti-Money Laundering
<b>CFT</b>	Counter Financing of Terrorism
<b>DNFBP</b>	Designated Non-Financial Businesses and Professionals
<b>DR Congo</b>	Democratic Republic of the Congo
<b>EU</b>	European Union
<b>FATF</b>	Financial Action Task Force
<b>FI</b>	Financial Institution
<b>INCSR</b>	International Narcotics Control Strategy Report
<b>IO</b>	Immediate Outcome (FATF effectiveness measure)
<b>MER</b>	Mutual Evaluation Report (FATF assessment)
<b>ML/TF</b>	Money Laundering and Terrorist Financing
<b>R</b>	Recommendation (FATF standard)
<b>SAR</b>	Special Administrative Region
<b>UAE</b>	United Arab Emirates
<b>US</b>	United States
<b>WEF</b>	World Economic Forum

# Executive summary

- **When it comes to tackling dirty money, most countries are taking one step forward and four steps back** – and remaining too many steps behind criminals seeking to launder illicit funds.
- **Eleven years since the first publication of the Basel AML Index** – a leading independent ranking of money laundering and terrorist financing (ML/TF) risks in countries around the world – **progress in anti-money laundering and counter terrorism financing (AML/CFT) remains paralysed.**
- **The average global money laundering risk according to this year’s Index is stuck at 5.25 out of 10**, where 10 is the maximum risk level. A tiny decrease in risks relating to the quality of AML/CFT frameworks has been offset by increased risks in the other four areas measured by the Basel AML Index: corruption, financial transparency, public transparency, and political/legal risks.
- **The good news is that governments**, as well as financial institutions and other reporting entities, are generally getting better at **assessing their risks of money laundering and applying a risk-based approach** to address them.
- **But in areas where criminals are moving fast and innovating, authorities are dragging their feet.** The crypto sphere is one: average levels of compliance with international standards on risks from virtual assets are dropping dramatically as more countries are assessed.
- **Authorities are also progressing too slowly in areas that have long been a weak spot** for ML/TF, such as beneficial ownership transparency and international cooperation.
- **Even where technical compliance with standards improves, effectiveness indicators often drop.** In key weak spots such as beneficial ownership transparency and the quality of financial supervision, the gap is growing between technical compliance with the Recommendations of the Financial Action Task Force (FATF) and assessments of the effectiveness of measures in practice.
- **Progress matters because ML/TF weaknesses** provide an easy way for criminals and corrupt networks to launder money stolen from citizens – from massive fraud schemes to corrupt procurement deals that hinder a country’s sustainable development. And for individual countries, poor performance in ML/TF can seriously impact business and investment opportunities.
- **And it matters because AML/CFT is about more than just fighting financial crime. It’s about protecting people and the environment**, as the inclusion of an indicator of environmental crime in this year’s Index demonstrates.
- **The fight against money laundering is too important and too complex to tackle for governments alone.** Using the full [Expert Edition](#) of the Basel AML Index, all stakeholders can gain a more in-depth understanding of their country’s main risks and weaknesses, thereby guiding efforts to effectively address them. Subscription is reasonably priced for private-sector entities and free of charge for public authorities, multilateral institutions and non-profit organisations, as well as the media, academia and civil society.



# 1

## Introduction

This report accompanies the 11th Public Edition of the Basel AML Index, released in October 2022. The Basel AML Index measures the risk of money laundering and terrorist financing (ML / TF) in jurisdictions around the world. Risk, as measured by the Basel AML Index, is defined as a jurisdiction's vulnerability to ML / TF and its capacities to counter it; it is not intended as a measure of the actual amount of ML / TF activity in a given jurisdiction.

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

### 1.1 Calculating and interpreting risk scores

Risk scores are based on data from publicly available sources such as the Financial Action Task Force (FATF), Transparency International, the World Bank and the World Economic Forum. They cover 18 indicators in five domains relevant to assessing ML / TF risk at the jurisdiction level:

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

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

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

## 1.2 Methodology and expert review

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

The method employed by the Basel AML Index to calculate the risk scores is reviewed every year by an independent panel of experts to ensure that the method continues to meet best practice standards, and that the ranking is accurate, plausible and continues to capture the latest developments in ML / TF risks.<sup>1</sup>

View the Basel AML Index interactive  
map and ranking at  
[index.baselgovernance.org](https://index.baselgovernance.org)



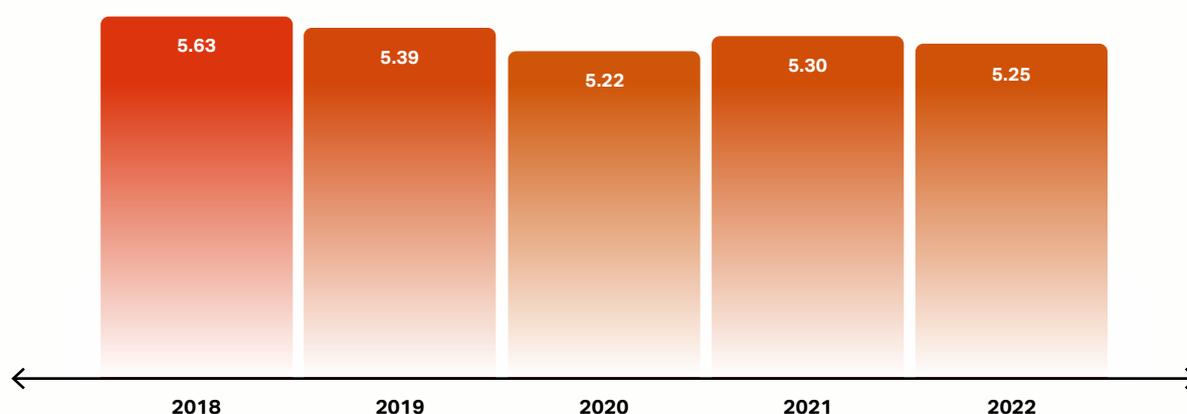
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<sup>1</sup> The Basel Institute warmly thanks all participants in the Basel AML Index annual review meeting 2022: Amal Ahmed Al-Kuwari (Administrative Control and Transparency Authority, Qatar); Ruta Bajarunaite (Independent AML expert); Pauline Blu (The Wolfsberg Group); John Cusack (Global Coalition to Fight Financial Crime); Nico di Gabriele (European Central Bank); Pedro Enrique Inca Guzman (Peru Supervisory Authority); Alan Ketley (The Wolfsberg Group); Roberto Kukutschka (Transparency International); Tinatin Ninua (Open Government Partnership); Manolis Oikonomakis (UBS); Joseph Pozsgai-Alvarez (Osaka University); Tanya Primiani (World Justice Project); Asem Raimbekova (Financial Intelligence Unit, Kazakhstan); Farida Saraid Paredes Falconi (Peru Supervisory Authority); Alex Skrzyński (International Finance Corporation, World Bank Group); Donald Thomson (Metro Bank); Malcolm Wright (InnoFi Advisory); Simon Zaugg (Finance against Slavery and Trafficking (FAST) initiative at the United Nations University - Centre for Policy Research).

## 2

# Assessing AML risks and trends in a changing world

Over the last 11 years since the Basel AML Index was first published, the average global risk of money laundering has changed depressingly little. This year is no exception, with the average risk level decreasing by a negligible 0.05% to 5.25 out of 10, where 10 is the maximum risk level. Changes in methodology and country coverage make an exact year-by-year comparison challenging, but the big picture is clear: we are not seeing significant progress in tackling money laundering at the global level.



A very slight improvement in performance relating to the quality of AML/CFT frameworks has been offset by increased risks in the other four domains measured by the Basel AML Index: bribery and corruption, financial transparency and standards, public transparency and accountability, and political and legal risks.

		2021	2022	
<b>Overall</b>		5.30	<b>5.25</b>	↗ Improved
<b>Quality of AML/CFT framework</b>	Domain 1	5.76	<b>5.64</b>	↗ Improved
<b>Bribery &amp; corruption</b>	Domain 2	4.52	<b>4.62</b>	↘ Deteriorated
<b>Financial transparency &amp; accountability</b>	Domain 3	4.72	<b>4.88</b>	↘ Deteriorated
<b>Public transparency &amp; accountability</b>	Domain 4	3.86	<b>4.05</b>	↘ Deteriorated
<b>Legal and political risks</b>	Domain 5	4.15	<b>4.22</b>	↘ Deteriorated

We continue to carefully monitor developments in global AML/CFT risks in order to ensure that the Basel AML Index provides an accurate picture of current risks and crime trends. As a result, this year

we have added a new indicator on environmental crime in the category “Quality of AML/CFT framework”, with an overall weighting of 5%.<sup>2</sup>

In addition, small variations from year to year relate to the availability of data. This year, for example, we were able to include a total of 128 jurisdictions – 18 more than last year<sup>3</sup> – as more countries were assessed under the latest FATF mutual evaluation methodology. This impacts on the comparability of averages.

For the purpose of tracking progress and changes over time, we recommend supplementing the Basel AML Index by looking carefully at the mutual evaluation reports of the FATF and its regional bodies.<sup>4</sup> Within the limits of the methodology used by these bodies, these scores also take into account the FATF Follow-up Reports (see below), which provide updates on performance in terms of technical compliance in between the main assessments. For ease of analysis, the [Basel AML Index Expert Edition Plus](#) subscription provides these results in numerical format as an Excel download, alongside a written analysis of the latest and overall results.

## 2.1 Progress in meeting international standards – at least in technical compliance

An analysis of data from FATF Follow-up Reports from December 2017 to August 2022 revealed that at least in terms of technical compliance with the relevant Recommendation (R), countries are generally getting better at assessing their specific ML/TF risks and applying a risk-based approach to tackling them.

### Progress in FATF Recommendations



<sup>2</sup> The methodology is described at: <https://index.baselgovernance.org/methodology>. For more details on changes to the Basel AML Index methodology this year, see <https://index.baselgovernance.org/news/environmental-crime-data-added-to-money-laundering-risk-indicators-in-basel-aml-index-2259>.

<sup>3</sup> 22 jurisdictions were added and four (Bermuda, Cayman Islands, Cook Islands, Turks and Caicos Islands) were removed from this year's ranking due to insufficient data.

<sup>4</sup> The FATF and its regional bodies have developed and oversee the implementation of 40 Recommendations on addressing ML/TF risks plus, since 2013, an accompanying 11 effectiveness indicators known as Immediate Outcomes. Find out more on the FATF website: <https://www.fatf-gafi.org>.

Three out of the five Recommendations with the highest progress were achieved with the involvement of the private sector. They reflect the increased compliance measures taken to assess and mitigate risks related to high-risk countries, politically exposed persons and wire transfers, including enhanced due diligence for risks evaluated as being high. The improvement in R 1 is a positive development for both public and private actors, since a risk-based approach is an essential foundation of an effective AML/CFT system.<sup>5</sup>

### How the risk-based approach applies to governments, the private sector and civil society

GOVERNMENTS	FINANCIAL INSTITUTIONS & DNFBPs	CIVIL SOCIETY
<p>The FATF's R 1 requires that governments conduct a national risk assessment in order to identify and mitigate relevant risks and allocate resources efficiently and commensurate with the specified risk levels.</p> <p>There is no point pouring public funds into tackling gambling-related money laundering, for example, if gambling is not a significant factor in the country. These resources should instead be channeled into addressing the country's specific high risks.<sup>6</sup></p>	<p>Banks, other financial institutions and designated non-financial businesses and professions (DNFBPs) should apply a risk-based approach to their due diligence and know-your-customer procedures.</p> <p>Customers and transactions with a high risk profile should receive enhanced due diligence. Although there may be some "bad apples" among those with a low risk profile, catching every single instance of illicit activity is not realistic. Instead, the system should catch and act on the majority and on the most serious instances.</p>	<p>Citizens and civil society organisations may also adopt a risk-based approach when it comes to advocating for stronger AML/CFT measures.</p> <p>The Basel AML Index Expert Edition enables users to identify weak spots in a country's AML/CFT profile. They can then dive deeper by contacting specialist organisations and advocating for change in the areas that matter most. See the feature on page 18 for more.</p>

Least progress was made in areas traditionally covered by public authorities, such as international cooperation, mutual legal assistance and responsibilities of law enforcement authorities. The slow progress might partially be explained by the fact that most countries already perform better in four out of these five Recommendations than their average performance across all Recommendations. Notwithstanding, governments should strive to make more progress in these areas, in particular in relation to R 40 on "other forms of international cooperation",<sup>7</sup> where performance remains average.

Another concerning trend is the decreasing level of compliance with R 15, which assesses countries'

<sup>5</sup> FATF R 1, <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>.

<sup>6</sup> For more detail, see Boguslavskaya, Kateryna. 2022. National money laundering and terrorist financing risk assessment. Quick Guide 26, Basel Institute on Governance, <https://baselgovernance.org/publications/quick-guide-26-national-money-laundering-and-terrorist-financing-risk-assessments>.

<sup>7</sup> See R 40 and its interpretative note at: <https://cfatf-gafic.org/index.php/documents/fatf-40r/406fatf-recommendation-40-other-forms-of-international-cooperation>.

readiness to address the fast-evolving risks related to cryptocurrencies and other virtual assets. Recent trends show that organised criminals are increasingly using virtual assets and virtual asset service providers such as cryptocurrency exchanges to commit new forms of crime and launder stolen money.<sup>8</sup>

In the six “core” FATF Recommendations – on ML/TF offences, sanctions, customer due diligence, record keeping and Suspicious Transaction Reports (SARs) – countries generally demonstrate medium progress. The same goes for transparency of beneficial ownership, long recognised as an area in which governments should do more (see page 13).

Credit should be given to countries that perform well in Follow-up Reports. During the period from December 2017 to August 2022, based on the Follow-up Reports five countries made significant progress in improving their technical compliance: Botswana, Mauritania, Mauritius, Pakistan and Vanuatu. Botswana, Mauritius and Pakistan made the progress as a part of their obligations under the FATF grey-listing process.<sup>9</sup>

It should be noted, however, that most Follow-up Reports only look at technical compliance. Only Follow-Up Reports on Effectiveness capture whether these improved systems are actually in use. As of September 2022, only Spain and Norway have undergone such an effectiveness-focused follow-up exercise.

## 2.2 How effective are AML/CFT systems in practice?

The need to improve the effectiveness of AML/CFT systems in practice (not only their technical compliance with the FATF standards) is a constant theme. The Basel AML Index flags the issue year after year,<sup>10</sup> reinforcing calls by FATF, the Wolfsberg Group<sup>11</sup> and other policy making, regulatory and civil society bodies. In brief, it is common for jurisdictions to have laws and institutions in place that are largely compliant with FATF Recommendations yet ineffective in practice.

Data on the effectiveness of AML/CFT systems is drawn from the FATF reports. The FATF’s methodology uses 11 “Immediate Outcomes” (IOs) to assess the effectiveness of AML/CFT systems according to its 40 Recommendations.<sup>12</sup>

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8 See for example the joint press release of the Basel Institute on Governance and Europol following the 6th Global Conference on Criminal Finances and Cryptocurrencies: “Cryptocurrencies key to tackling organised crime – Europol and Basel Institute on Governance”, 2 September 2022, <https://baselgovernance.org/news/cryptocurrencies-key-tackling-organised-crime-europol-and-basel-institute-governance>.

9 As part of the FATF assessment process, a jurisdiction may be placed on a “grey list” (subject to increased monitoring) or “black list” (a high-risk jurisdiction subject to a call for action). This follows identified failings in how the jurisdiction addresses its ML/TF risks. Being placed on the FATF’s grey or black lists has a negative impact on a jurisdiction’s investment climate, trade and capital flows. The Basel AML Index has started to publish special briefings on jurisdictions delisted from the grey or black lists, covering the main issues that led to the listing, the action plan developed to address them, and publicly available data on how it was implemented. The reports will be available at: <https://index.baselgovernance.org/download>.

10 See for example the extract from the 2021 report: <https://index.baselgovernance.org/news/how-effective-are-jurisdictions-at-preventing-money-laundering-insights-from-the-10th-basel-aml-index-2021>.

11 E.g. the Wolfsberg Group’s June 2021 paper on Demonstrating Effectiveness, at: <https://www.wolfsberg-principles.com/articles/publication-wolfsberg-group-statement-demonstrating-effectiveness>.

12 The 11 IOs and the assessment methodology are detailed on the FATF website at: <https://www.fatf-gafi.org/publications/mutualevaluations/documents/effectiveness.html>.

Unfortunately, there is little sign of improvement in effectiveness figures for 2022. In fact, the gap between effectiveness and technical compliance is growing. The effectiveness of AML/CFT measures across all countries fell further in 2022, from its already low level of 30% last year to 29%. That is less than half the average score for technical compliance with the FATF Recommendations, which stands at 66% in 2022 (up slightly from 64%).

Interestingly, the analysis shows that effectiveness drops particularly in those areas that are already the weakest areas globally.

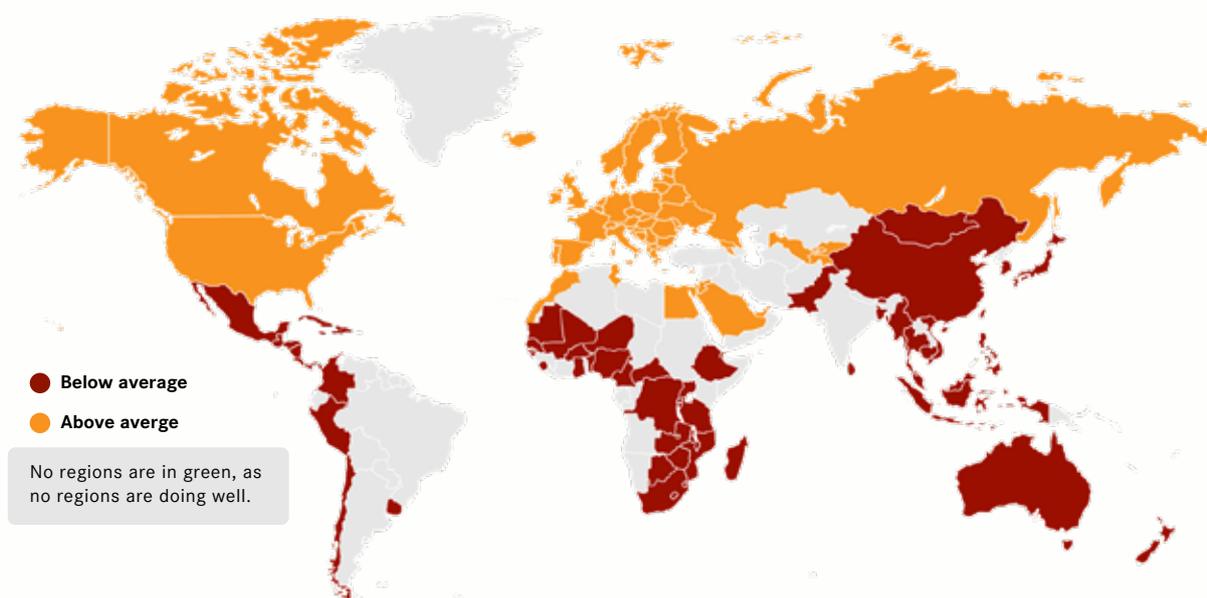
#### Changes in average effectiveness scores in the five weakest areas globally, based on FATF data

10	WHAT IT MEASURES	AVERAGE EFFECTIVENESS Across all assessed jurisdictions
7	Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.	21% → (no change from 2021)
5	Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.	21% ↘ (down from 22% in 2021)
11	Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.	23% ↘ (down from 25% in 2021)
4	Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks and report suspicious transactions.	24% → (no change from 2021)
3	Supervisors appropriately supervise, monitor and regulate financial institutions, DNFBPs and VASPs for compliance with AML/CFT requirements commensurate with their risks.	25% ↘ (down from 26% in 2021)

Further, it seems that certain gaps in AML/CFT regimes are the same all over the world, while others are specific to different regions. The effectiveness results across regions are distributed unevenly, ranging from the lowest level of 6 percent in the Sub-Saharan Africa region to the highest in North America (56 percent).

- Regions which are at or below the global average in effectiveness: East Asia and Pacific (29%), Latin America (27%), South Asia (12%) and Sub-Saharan Africa (6%).
- Regions which are above the global average in effectiveness: EU and Western Europe (43%), Eastern Europe and Central Asia (39%), Middle East and North Africa (37%) and North America (56%).

### Average effectiveness of AML/CFT systems at the regional level



## 2.3 Beneficial ownership transparency: the gap between technical compliance and effectiveness is growing

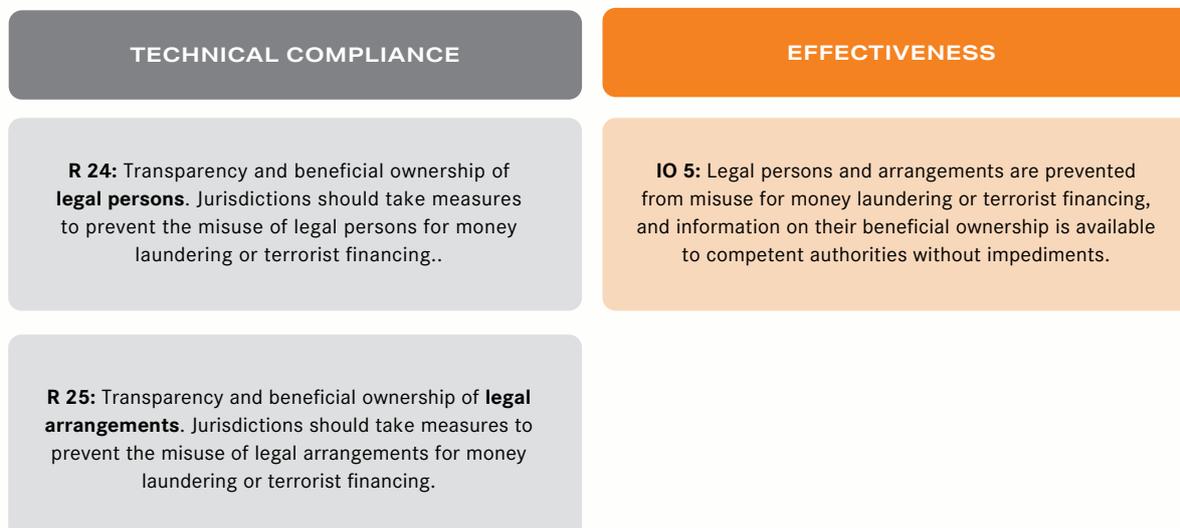
Beneficial ownership transparency is crucial to a jurisdiction's resilience against ML/TF threats, as it directly relates to the effectiveness of a jurisdiction in preventing, detecting, prosecuting and sanctioning financial crimes.<sup>13</sup>

A lack of beneficial ownership transparency also undermines the ability to effectively implement financial sanctions. If assets held by sanctioned individuals or companies are hidden behind anonymous and complex corporate structures, public authorities will find it difficult and resource-intensive – if not impossible – to trace and freeze them. Private financial institutions and firms will similarly be unable to gather the beneficial ownership information they need to conduct proper due diligence on customers and transactions in order to avoid violating sanctions.

The relevant FATF Recommendations are R 24 and R 25, while the effectiveness indicator is IO 5:

<sup>13</sup> The 2021 Basel AML Index Public Report covered the reasons in depth. See the relevant excerpt at: <https://index.baselgovernance.org/news/beneficial-ownership-transparency-is-a-pillar-of-anti-money-laundering-systems-so-it-needs-to-stand-up-insights-from-the-basel-aml-index-2021-2095>.

### FATF Recommendations (R) and effectiveness measures (IO) on beneficial ownership



The analysis covers the 135 jurisdictions assessed under the FATF's fourth-round methodology until August 2022. It continues to reveal poor performance across the board:

- Technical compliance on beneficial ownership remains stagnant. In the last year, average performance decreased in R 24 (legal persons) from 47% to 46% but increased in R 25 (legal arrangements) from 48% to 49%.
- The average level of effectiveness of measures for beneficial ownership transparency has decreased from 22% to 21% since September 2021. This may seem like a small decrease, but it should be going in the other direction.
- Effectiveness in beneficial ownership is the biggest weak spot for North America. It is also a serious problem in East Asia and the Pacific (14%) and Sub-Saharan Africa (1%).
- Since the start of the FATF fourth-round assessments in December 2017, countries have generally improved faster in R 25 than R 24. However, progress in beneficial ownership transparency is moving at an average pace compared to other Recommendations. Given the policy attention on this matter, countries should be progressing faster.

## FATF AMENDMENTS TO RS 24 AND 25 ON BENEFICIAL OWNERSHIP – WHAT TO EXPECT

The FATF acknowledges the issues related to the generally low compliance with global standards of transparency of beneficial ownership. Since June 2021, it has been conducting public consultations on the revision of both R 24 and R 25. In March 2022, FATF adopted amendments to R 24 and its Interpretive Note.<sup>14</sup> The revised standards for R 25 have not yet been published at the time of writing.

The revisions “explicitly require a multi-pronged approach” and set up requirements for countries to, among other things:

1. **Broaden the risk-based approach to legal persons** to cover not only legal persons based domestically, but also foreign-created entities with significant links with the country.
2. **Fulfil specified requirements for beneficial ownership information**, namely that adequate, accurate (based on verification) and up-to-date beneficial ownership information should be available to competent authorities and held by a public body in a form of a registry or similar mechanism.
3. **Ensure that public authorities have access to beneficial ownership information** of legal persons in the course of public procurement and that this information fulfills the criteria of being accurate and adequate.
4. **Prohibit new issuance of bearer shares:** In a major change from the old rules, the revised Recommendation prohibits any new issuance of bearer shares (a certificate of ownership not registered under its owner's name) and bearer share warrants. It mandates a conversion of existing bearer shares into registered shares, or immobilising them within a “reasonable” timeframe.

The new FATF standard in R 24 will not be implemented immediately but as part of a phased approach during the next (fifth) round of mutual evaluations.

The new amendments require more resources to be available for beneficial ownership registers to cover their increased responsibilities to check the information provided for adequacy, accuracy and updates. Additional cooperation will be needed between supervisors, law enforcement authorities and private actors to improve the quality of information on beneficial ownership.

There may be issues related to implementation. We expect that after being assessed under the strengthened criteria for R 24 and R 25, countries will show even lower compliance than currently. We observed a similar trend with R 15 on virtual assets.<sup>15</sup> However, it is still unclear when the FATF and regional bodies will start applying the revised recommendation in their assessment exercises.

The issues of poor transparency of beneficial ownership will likely remain at the top of the political agenda for a while.

14 FATF Public Statement on revisions to R 24, 4 March 2022, <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/r24-statement-march-2022.html>.

15 See: “What this year's Basel AML Index says about money laundering threats from cryptocurrencies”, 15 September 2021, <https://index.baselgovernance.org/news/what-this-year039s-basel-aml-index-says-about-money-laundering-threats-from-cryptocurrencies-2093>.

## 2.4 Quality of supervision remains poor

In 2020, the Basel AML Index 9th Public Edition analysed the quality of AML/CFT supervision based on FATF data, lamenting the consistently poor performance of many countries in both technical compliance and effectiveness.<sup>16,17</sup>

Has there been any progress in 2022? The story is the same as for beneficial ownership: technical compliance with the standards is growing slightly, but performance in terms of effective application of the standards is decreasing.

- **In terms of technical compliance**, the average score for standards of regulation and supervision of financial institutions (R 26) has improved by 3% since 2022 – 60% compared to 57% in 2020. For DNFBS (R 28), it has increased by 4% compared to 2020 and now lies at 46%. This is an important development, taking into account the exposure of these sectors to the risk of money laundering. It reflects the legal changes to the status and obligations of DNFBS that have been made in certain countries.
- **The average effectiveness** of these measures and their implementation (IO 3), however, has decreased from 26% to 25%. A full 45 countries (or 33.8% of the total) score zero in this category. Not a single country gets full marks.<sup>18</sup>

Effectiveness in supervision is the greatest weak spot for the EU and Western Europe region. Although the region performs better than the global average (32% compared to 25% globally), this gives us cause for concern. Denmark, Finland, Iceland and Malta<sup>19</sup> have demonstrated zero effectiveness in this category, and only two countries are showing a substantial level of effectiveness (Ireland and Spain).

Areas that need the most improvement across the region include:

- Resources and skilled, experienced personal
- Sufficient powers of supervision bodies
- Regular targeted inspections of financial institutions and DNFBS
- A good assessment of the jurisdiction's risk profile and a risk-based approach to supervision
- Sanctions in line with the risk profile

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16 See: "AML supervision and financial scandals – what the Basel AML Index and FATF data reveal", 27 July 2020, <https://index.basel-governance.org/news/aml-supervision-and-financial-scandals-what-the-basel-aml-index-and-fatf-data-reveal-1823>.

17 Since then, country coverage by FATF 4th-round mutual evaluations, which assess both technical compliance and effectiveness, has increased from 100 to 135 jurisdictions.

18 The effectiveness criteria used by the FATF do not allow us to see the performance of financial institutions and DNFBS separately, so it is not possible to analyse the reasons behind the decrease in effectiveness.

19 For Iceland and Malta, the effectiveness score does not yet reflect the progress they made in the process of delisting from the FATF grey list.

In this context, it is worth noting that a central element of debate about AML/CFT effectiveness at the EU level is a lack of central AML /CFT supervision.<sup>20</sup> Currently, the AML supervisors are mainly the authorities of the member states and there is often more than one supervisory authority in each country. It remains to be seen whether the proposed new EU-level AML supervisory authority will address these complex issues and might positively influence the performance of member states' supervisory systems.<sup>21</sup>

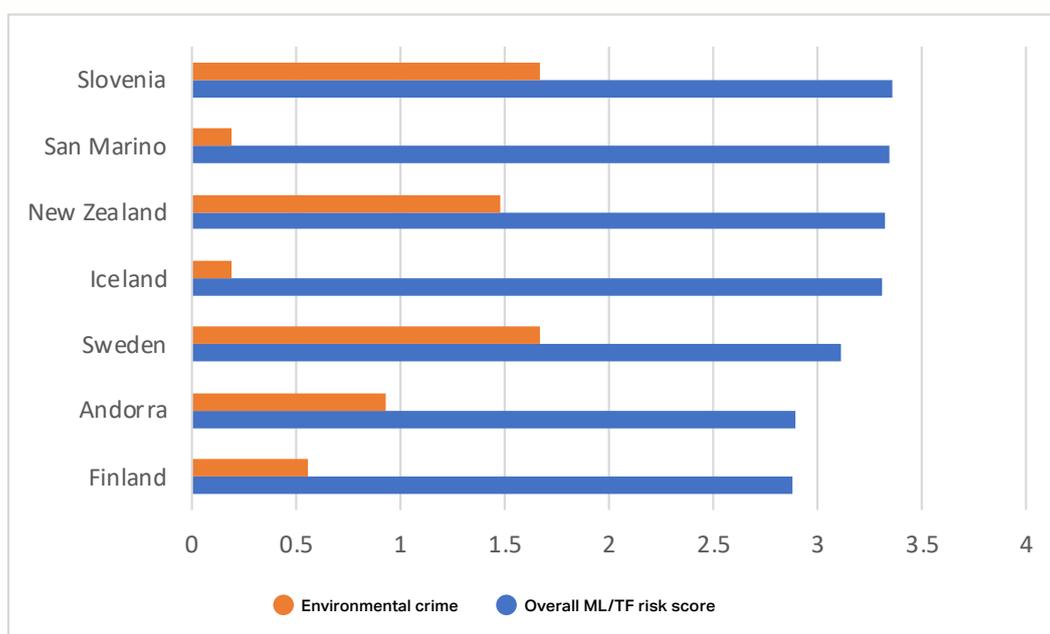
## 2.5 Environmental crime and money laundering

### AML/CFT: about people and the environment

AML/CFT is about more than just fighting financial crime – it's about protecting people and the environment. Hence the decision at our annual review meeting to include an indicator of environmental crime in the Basel AML Index methodology, alongside existing indicators relating to narcotics and human trafficking.

An initial analysis shows a nearly 100% correlation between low-risk countries for ML/TF and low-risk countries for environmental crime. The opposite is true for countries with high risks of ML/TF, which also display a significant risk of environmental crime (although with a lower correlation of 38%). The regions of Sub-Saharan Africa and East Asia and the Pacific demonstrate the highest and second highest risk scores for environmental crime, according to the current data.

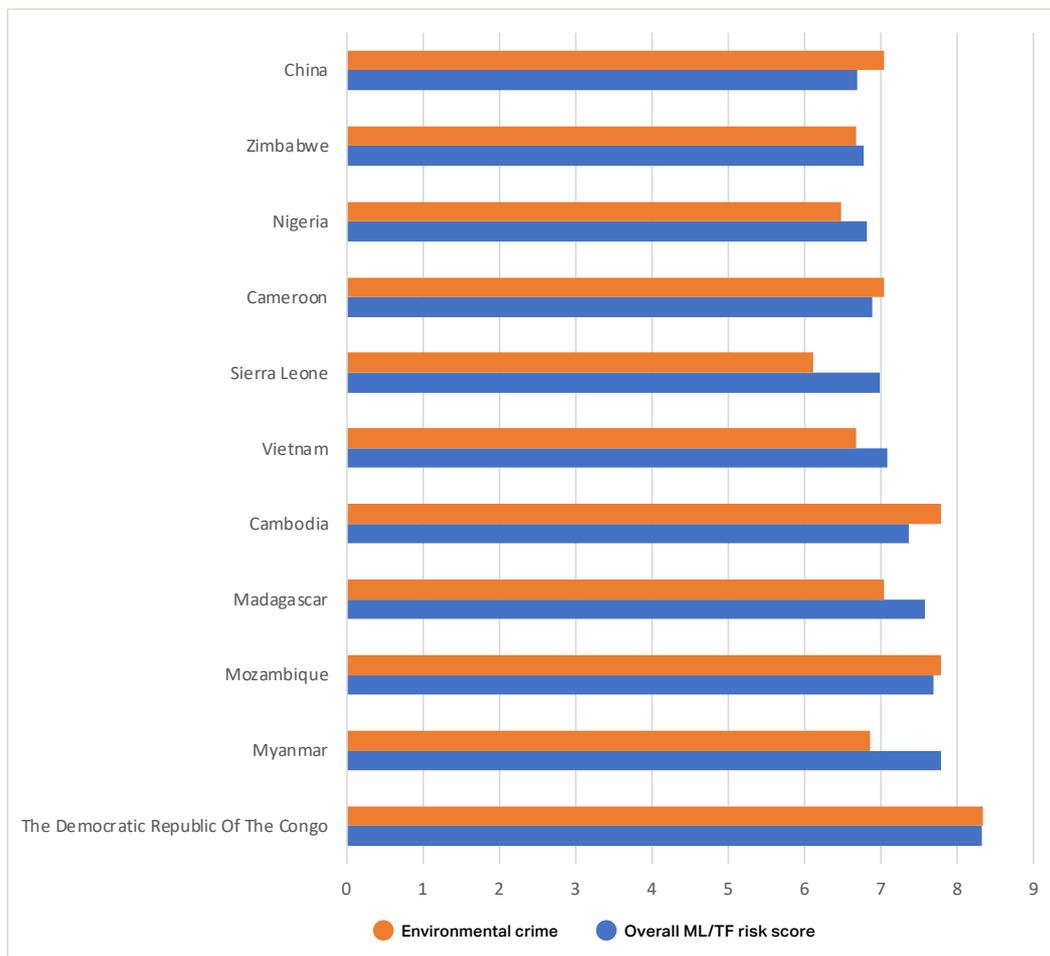
#### A low risk of ML/TF correlates almost perfectly with a low risk of environmental crime



<sup>20</sup> European Court of Auditors, Special Report 13/2021, “EU efforts to fight money laundering in the banking sector are fragmented and implementation is insufficient”, <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=58815>.

<sup>21</sup> Council of the EU, “New EU Authority for Anti-money laundering: Council agrees its partial position”, 29 June 2022, <https://www.consilium.europa.eu/en/press/press-releases/2022/06/29/new-eu-authority-for-anti-money-laundering-council-agrees-its-partial-position/>.

**Countries with high risks of ML/TF often suffer from high risks of environmental crime**



Tackling financial crime needs to go hand in hand with efforts to tackle the sources of illicit funds – which all too often come from crimes that directly and severely impact ordinary people and our fragile planet.

# 3

## What matters most in your country?

**How to use the Basel AML Index Expert Edition to check how your country is doing in tackling dirty money (and find out which aspects really matter).**

### Why it is important to understand ML/TF risks

If your country is assessed as being at high risk of money laundering and terrorist financing (ML/TF), this is not just a technical matter. It has an impact on your country's overall economic and social development, and you may even suffer from the consequences at the individual level. For example:

- Financial institutions and investors may shy away from high-risk countries, seeking to avoid exposure to reputational and operational risks as well as the high cost of compliance.
- Exports can suffer as a result, as the high compliance costs negatively influence trade financing.
- To decrease the risks and high costs of compliance, some companies may decide not to enter local markets or partner with local companies in joint ventures.
- Small businesses from high-risk jurisdictions may have trouble gaining contracts to supply overseas firms.
- Aid organisations and other charities or non-profit organisations may have trouble receiving donations, if donors fear their money may end up in the hands of terrorists for example.
- Citizens from high-risk countries may even have trouble opening a bank account or obtaining a loan in a foreign country.

Very high-risk countries may also suffer de-risking – when financial institutions, service providers or other firms decide to terminate their operations in high-risk countries in order to avoid the increased risks and compliance costs. In practical terms from the point of view of citizens and businesses in that country, de-risking results in limited or even no access to financial products. It also negatively influences the concerned countries' financial stability as capital exits the country. Further, it is common that the black market grows as a result of the de-risking, with an unintended consequence potentially being a further increase in risks of money laundering.

All these points together will invariably and very negatively affect your country's economic growth. And ultimately, it is the people that suffer the consequences most severely.

## Who decides what is a high-risk country, and why?

Let's start with the why. Identifying high, medium and low-risk jurisdictions for ML/TF is an essential part of a risk-based approach. The logic is simple: the higher the risk, the more resources should be invested to mitigate it. This approach therefore enables governments, financial institutions and other firms to allocate resources effectively.

Several international bodies publish their own lists of high-risk countries. For example, the FATF has two well-known lists – “grey” lists for “jurisdictions under increased monitoring” and the “black” list for “high-risk jurisdictions subject to a call for action.” The European Union publishes a list of high-risk third countries and a separate list of non-cooperative jurisdictions for tax purposes. Additionally, individual countries may also issue their own lists of high-risk countries, such as the UK, Australia and Germany.

The Basel AML Index uses a more nuanced approach. It covers not only direct risks relating to the quality of a country's AML/CFT framework and its implementation, but also the broader context. These important contextual factors include risks of human trafficking, environmental crime, corruption and bribery (all predicate offences of money laundering), as well as transparency of the public and financial sectors and political and legal risks. The methodology is based on 18 indicators carefully chosen for their solid data and methodology, regular updates and sufficient country coverage.

This means users can not only see a country's overall score for ML/TF, but also identify the reasons behind the country's performance and key gaps.

## Too big and complex to be tackled only by governments

The issues of ML/TF are too big and too complex to tackle for governments alone. Financial institutions must play an important role as “gatekeepers” of their countries' financial security, including through public-private partnerships, industry-led standard setting (such as the Wolfsberg Group), or by working together with governments in Collective Action initiatives. The same goes for DNFBPs (designated non-financial businesses and professions) such as accountants, estate agents, gambling companies and lawyers.

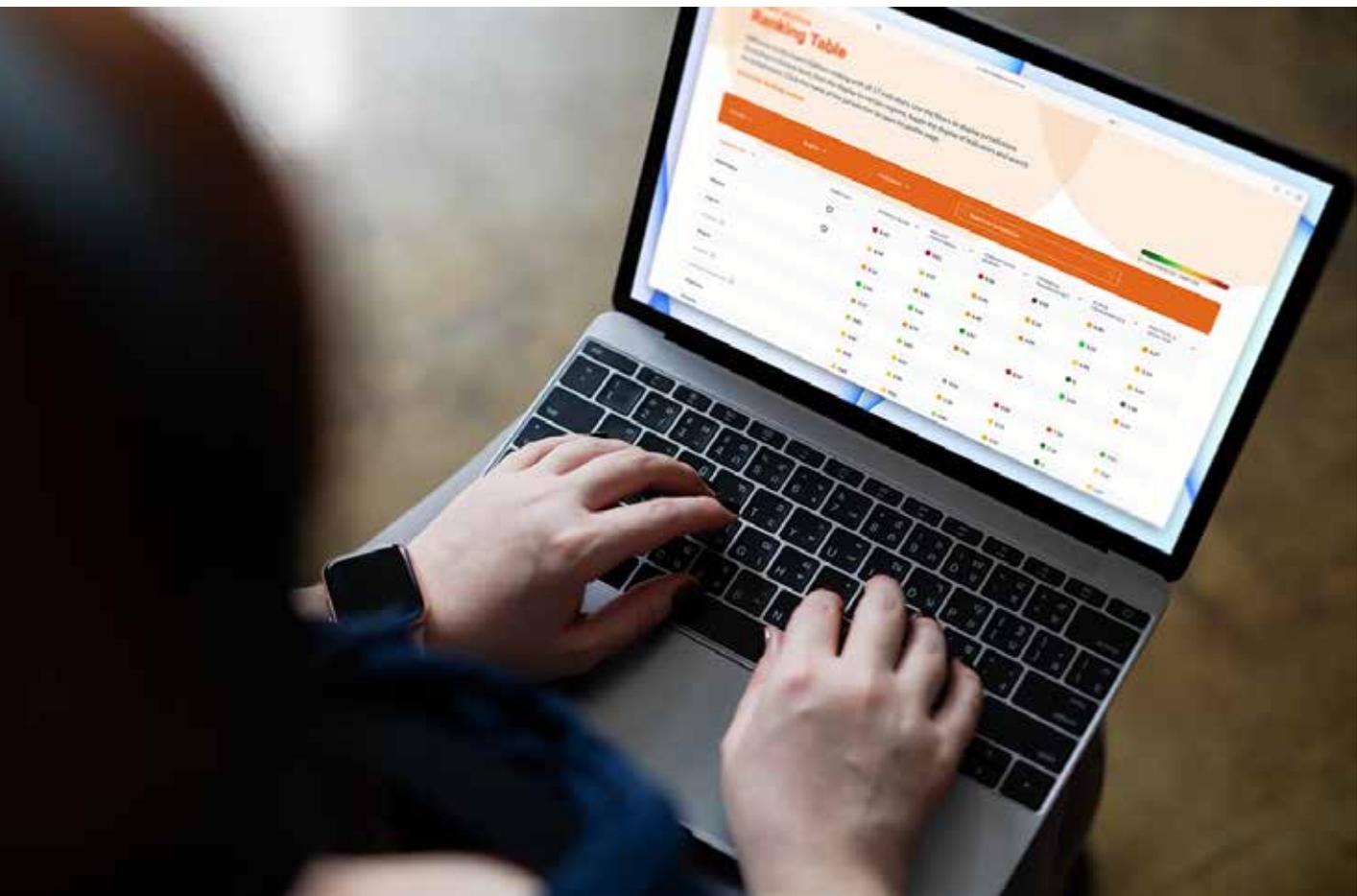
Civil society and journalists are vital to make sure governments and the private sector don't drop the ball and continue to strive for better defences. They can have a significant impact through investigative work, by collaborating in multi-stakeholder initiatives or through advocacy and awareness raising about ML/TF and the costs of financial crime.

In all this work, focusing on the biggest risks on the one hand, and arguing for change on the basis of a solid understanding of opportunities for change, are important. We hope that with the Basel AML Index we can contribute to such meaningful and constructive, forward-looking work.

## A free tool to understand your country's main risks

The Basel AML Index Expert Edition is free for almost all organisations outside the private sector, as well as journalists. It covers 18 indicators of money laundering risk from publicly available sources, such as FAFT reports, the Financial Secrecy Index and Corruption Perceptions Index.

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 doing on policy areas vital to address ML/TF risks effectively. 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.



*The ranking table is filterable by jurisdiction, region or income level. It also highlights if a country is subject to sanctions or included on a relevant blacklist.*



*To view your country's profile and compare performance with neighbours in the region or globally, just click on it.*

With the help of the Basel AML Index Expert Edition, you can identify specific vulnerabilities in your country's AML/CFT defences.

- **For civil society and businesses**, this helps you to focus on the most crucial areas for advocacy or Collective Action.
- **For academics and policy actors**, it might support research projects to gather information where data is lacking.
- **For journalists**, it provides easy access to data and statistics to deepen and back up stories and investigative reports on corruption, money laundering, transparency and accountability.

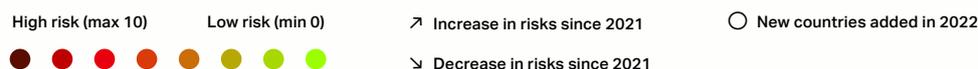
For those seeking a real deep dive into a country's ML/TF risks, the Basel AML Index Expert Edition Plus subscription includes numerical data sets with the results of FATF assessments covering both effectiveness and technical compliance. Quarterly reports offer a concise analysis of current trends in the FATF data and provide a helpful regional perspective. This additional information (also free for most organisations outside the private sector) can provide media and civil society organisations with more evidence on the effectiveness of government and private-sector efforts in identifying and tackling ML/TF risks.

## Learn more

- For more on the Basel AML Index methodology and choice of indicators, including why each one is important in assessing a country's ML/TF risks, see [index.baselgovernance.org/methodology](https://index.baselgovernance.org/methodology).
- To request free access to the Expert Edition and all features, check your eligibility and submit the form at: <https://index.baselgovernance.org/register/free>.

## 4 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.



Ranking	Country	Score			
1	DR Congo	8.30	●	↘	
2	Haiti	8.16	●	↘	
3	Myanmar	7.78	●	↘	
4	Mozambique	7.68	●	↘	
5	Madagascar	7.59	●	↗	
6	Guinea-Bissau	7.53	●	○	
7	Cambodia	7.36	●	↗	
8	Mali	7.28	●	↘	
9	Senegal	7.05	●	↗	
10	Vietnam	7.04	●	○	
11	Sierra Leone	6.97	●	○	
12	Eswatini	6.91	●	○	
13	Mauritania	6.89	●	↘	
14	Cameroon	6.88	●	○	
15	Uganda	6.82	●	↘	
16	Benin	6.80	●	↘	
17	Nigeria	6.77	●	○	
18	Tonga	6.72	●	○	
19	Nicaragua	6.70	●	↘	
20	Zimbabwe	6.70	●	↘	
21	China	6.69	●	↘	
22	Burkina Faso	6.63	●	↘	
23	Ethiopia	6.63	●	↘	
24	Niger	6.60	●	○	
25	Solomon Islands	6.54	●	↘	
26	Tanzania	6.33	●	↗	
27	Pakistan	6.16	●	↗	
28	Bhutan	6.15	●	↘	
29	Cape Verde	6.11	●	↘	
30	Saint Kitts and Nevis	6.06	●	○	
31	Macao SAR, China	6.03	●	↗	
32	Sri Lanka	6.01	●	↘	
33	Zambia	5.99	●	↘	
34	Bahamas	5.93	●	↘	
35	Kyrgyzstan	5.92	●	↘	
36	Mongolia	5.86	●	↘	
37	Tajikistan	5.83	●	↘	
38	Panama	5.81	●	↘	
39	South Africa	5.81	●	○	
40	Thailand	5.80	●	↘	
41	Bangladesh	5.75	●	↘	
42	Palau	5.71	●	↘	
43	Ghana	5.70	●	↗	
44	United Arab Emirates	5.70	●	↘	
45	Philippines	5.68	●	↘	
46	Cuba	5.62	●	↘	
47	Malawi	5.62	●	↘	
48	Honduras	5.54	●	↗	

Ranking	Country	Score							
49	Turkey	5.54	●	↘	82	Malta	4.83	●	↘
50	Seychelles	5.49	●	↗	83	Colombia	4.74	●	↗
51	Saint Lucia	5.42	●	↗	84	Croatia	4.74	●	○
52	Barbados	5.38	●	↘	85	Peru	4.72	●	↗
53	Jamaica	5.37	●	↘	86	Japan	4.70	●	↘
54	Malaysia	5.33	●	↘	87	Moldova	4.70	●	↘
55	Guatemala	5.29	●	↗	88	Fiji	4.65	●	↘
56	Saudi Arabia	5.28	●	↗	89	Armenia	4.64	●	↗
57	Vanuatu	5.26	●	↘	90	Georgia	4.64	●	↘
58	Russia	5.24	●	↘	91	Cyprus	4.61	●	↘
59	Belarus	5.21	●	↗	92	Liechtenstein	4.59	●	○
60	Mexico	5.20	●	↗	93	Costa Rica	4.58	●	↘
61	Uzbekistan	5.20	●	○	94	Italy	4.55	●	↘
62	Indonesia	5.19	●	↗	95	Switzerland	4.55	●	↘
63	Bulgaria	5.16	●	○	96	South Korea	4.51	●	↘
64	Morocco	5.16	●	↘	97	Poland	4.39	●	○
65	Ukraine	5.09	●	↘	98	Slovakia	4.35	●	↘
66	Botswana	5.07	●	↗	99	United States	4.32	●	↘
67	Jordan	5.07	●	↘	100	Singapore	4.28	●	↘
68	Hong Kong SAR, China	5.05	●	↘	101	Canada	4.25	●	↘
69	Dominican Republic	5.03	●	↗	102	Germany	4.21	●	○
70	Mauritius	5.03	●	↘	103	Taiwan	4.08	●	↘
71	Aruba	4.99	●	○	104	Uruguay	4.07	●	↗
72	Antigua and Barbuda	4.98	●	↗	105	Netherlands	4.06	●	○
73	Hungary	4.98	●	↘	106	Chile	4.03	●	○
74	Albania	4.92	●	↘	107	Austria	4.01	●	↘
75	Grenada	4.91	●	○	108	Belgium	4.01	●	↗
76	Samoa	4.89	●	↘	109	Ireland	4.00	●	↘
77	Tunisia	4.89	●	↘	110	Portugal	4.00	●	↗
78	Serbia	4.87	●	↘	111	Latvia	3.96	●	↘
79	Trinidad and Tobago	4.86	●	↗	112	Spain	3.88	●	↗
80	Egypt	4.84	●	↘	113	Czech Republic	3.81	●	↘
81	Bahrain	4.83	●	↗	114	Greece	3.71	●	↗

Ranking	Country	Score			
115	Australia	3.65	●	↘	
116	Israel	3.63	●	↘	
117	United Kingdom	3.63	●	↘	
118	Denmark	3.56	●	↗	
119	France	3.52	●	○	
120	Norway	3.50	●	↗	
121	Lithuania	3.43	●	↘	
122	Slovenia	3.37	●	↗	
123	San Marino	3.34	●	↘	
124	New Zealand	3.32	●	↘	
125	Iceland	3.31	●	↘	
126	Sweden	3.12	●	↘	
127	Andorra	2.89	●	↗	
128	Finland	2.88	●	↘	

## 5 Regional focus

The Basel AML Index follows the World Bank classification of jurisdictions,<sup>22</sup> 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

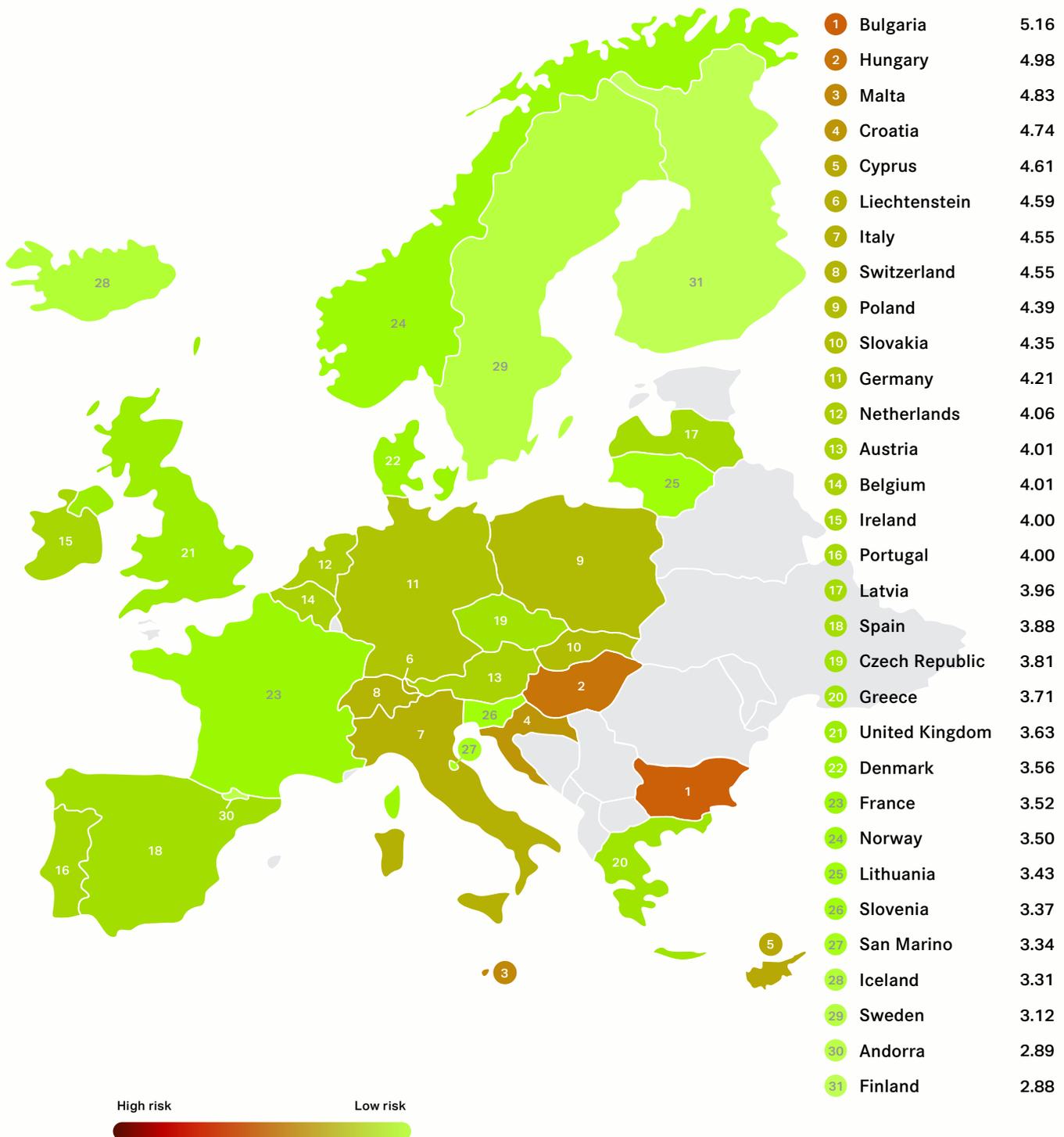
While each jurisdiction has different risks, we do see particular trends and problem zones in each region that help to highlight weak links and areas to address. These are highlighted in the following infographics.

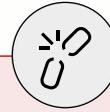
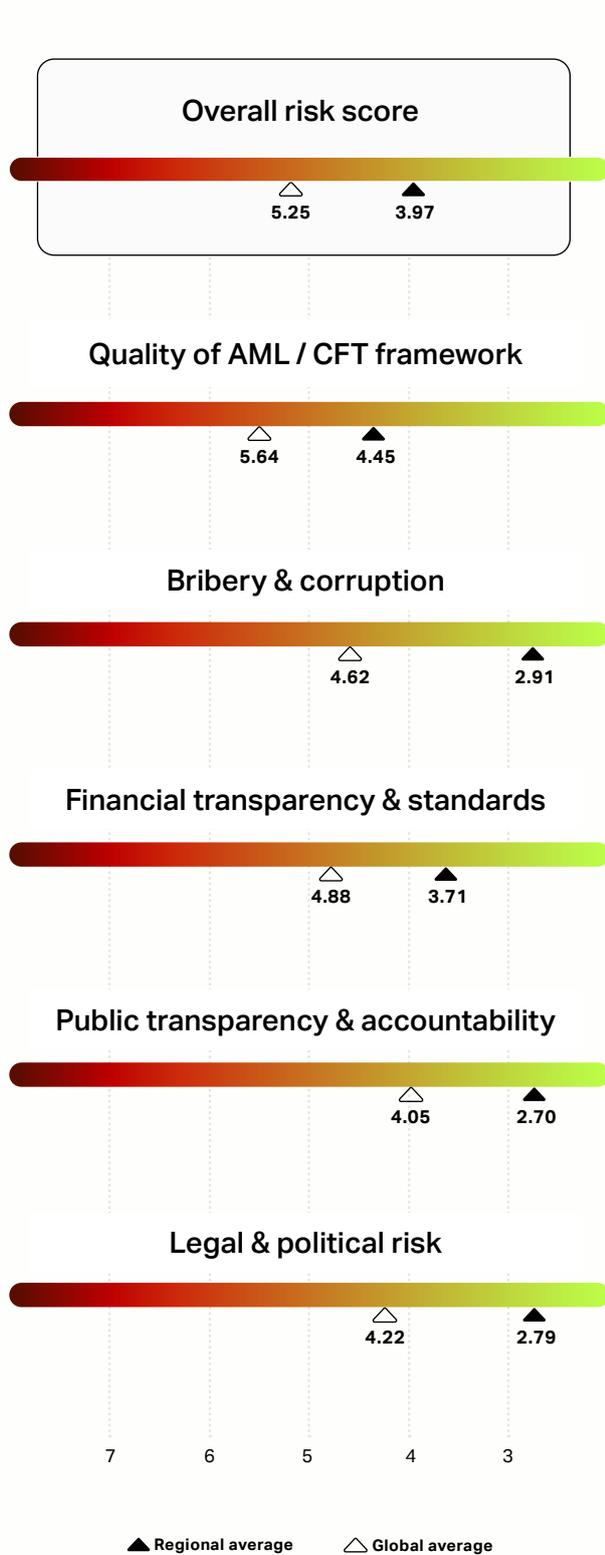
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<sup>22</sup> As explained at: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>.

## 7.1 European Union and Western Europe

As country coverage has increased from 24 to 31 jurisdictions, thanks to new FATF assessments of Bulgaria, Croatia, France, Germany, Liechtenstein, the Netherlands and Poland, we see a slight improvement in average ML/TF risk levels from 4.02 in 2021 to 3.97 this year. However, there is great variation between countries, especially in terms of the effectiveness of AML/CFT measures.





**WEAKEST AREA**  
**Quality of AML / CFT framework – especially effectiveness of supervision.**

Among the lowest-risk regions for environmental crime (2.10/10); only France and Bulgaria are rated as medium risk in this area.

Malta made substantive progress in AML / CFT efforts and was delisted from the FATF grey list.

## 7.2 Eastern Europe and Central Asia

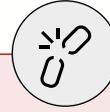
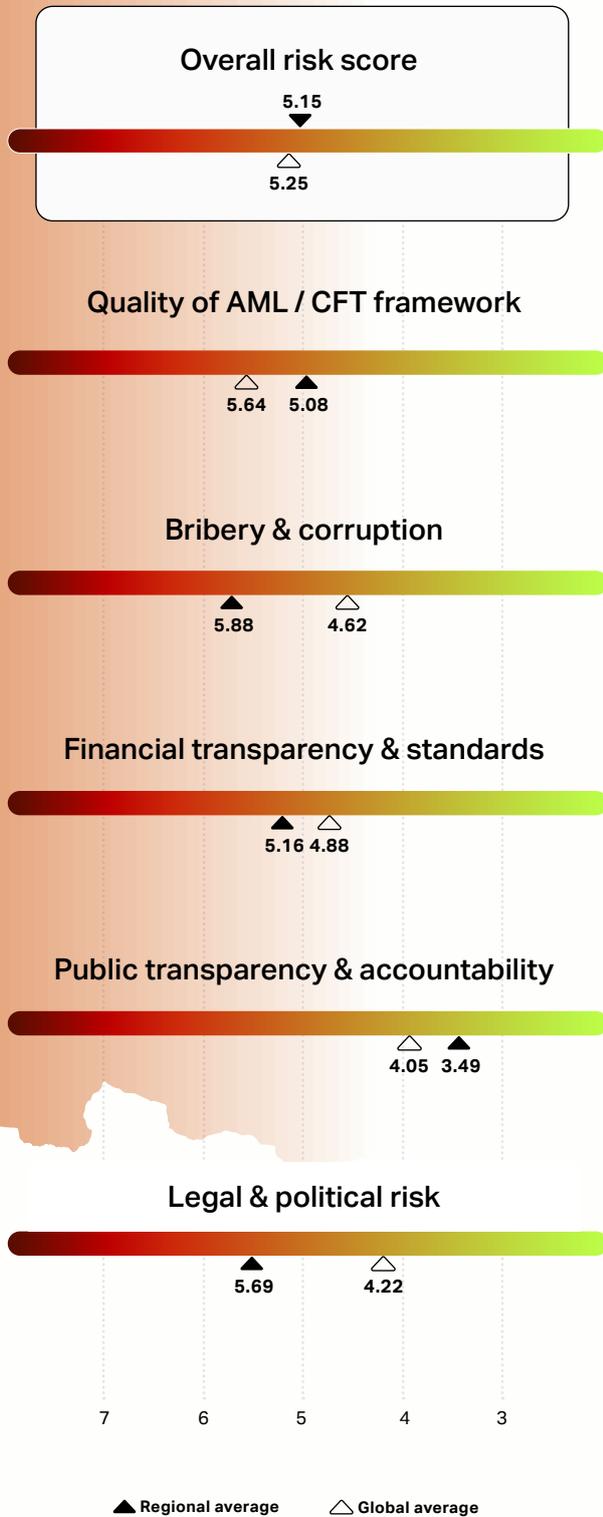
Political and legal risks, as well as corruption and bribery, are the weakest areas for this region. In both areas, risks increased in the last year and are higher than the global average. Belarus, Russia and Uzbekistan in particular suffer from problems with political and legal risks, which cover the rule of law, media freedom, and the strength and independence of judicial and other institutions.

1	Kyrgyzstan	5.92
2	Tajikistan	5.83
3	Turkey	5.54
4	Russia	5.24
5	Belarus	5.21
6	Uzbekistan	5.20
7	Ukraine	5.09
8	Albania	4.92
9	Serbia	4.87
10	Moldova	4.70
11	Armenia	4.64
12	Georgia	4.64

High risk

Low risk





**WEAKEST AREA**

**Prosecution of money laundering offences is the weakest area in terms of the effectiveness of AML/CFT measures.**

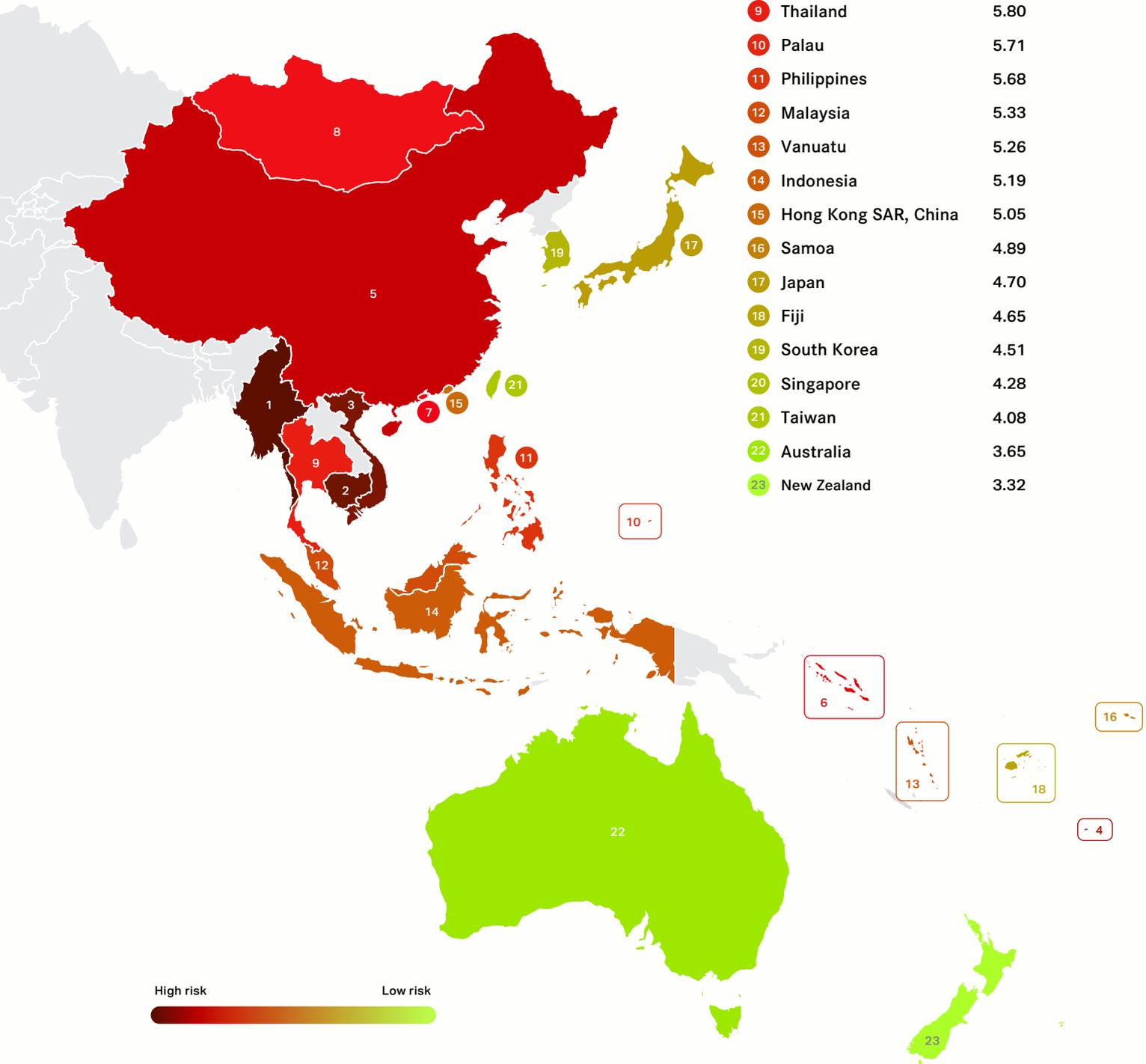
Eight countries are listed in the International Narcotics Control Strategy Report of the US Department of State as major money laundering jurisdictions.

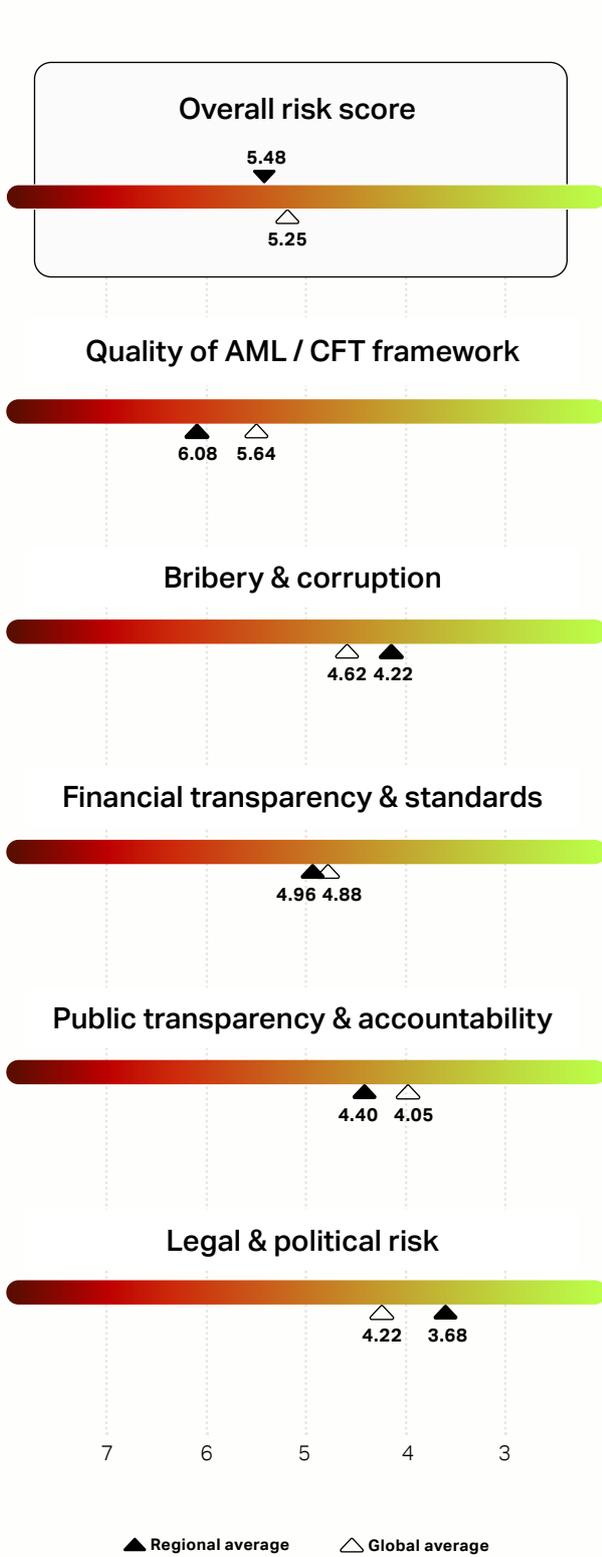
The Russian military aggression in Ukraine is not reflected in the indicators used by the Basel AML Index and therefore has not affected Russia's overall risk score. Its risk level has in fact lowered due to its exclusion from this year's INCSR.

### 7.3 East Asia and Pacific

Tonga and Vietnam are now covered in the Public Edition due to an increase in data, while the Cook Islands have been excluded for lack of data. There is significant variation in overall risk scores, as well as in risks relating to corruption/bribery, human trafficking, environmental crime, public and financial transparency, and political/legal systems. 22% of countries in the region are scored as high-risk jurisdictions.

1	Myanmar	7.78
2	Cambodia	7.36
3	Vietnam	7.04
4	Tonga	6.72
5	China	6.69
6	Solomon Islands	6.54
7	Macao SAR, China	6.03
8	Mongolia	5.86
9	Thailand	5.80
10	Palau	5.71
11	Philippines	5.68
12	Malaysia	5.33
13	Vanuatu	5.26
14	Indonesia	5.19
15	Hong Kong SAR, China	5.05
16	Samoa	4.89
17	Japan	4.70
18	Fiji	4.65
19	South Korea	4.51
20	Singapore	4.28
21	Taiwan	4.08
22	Australia	3.65
23	New Zealand	3.32





**WEAKEST AREA**  
**Quality of AML / CFT framework.**

**Beneficial ownership transparency is a crucial weak spot in terms of effectiveness.**

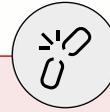
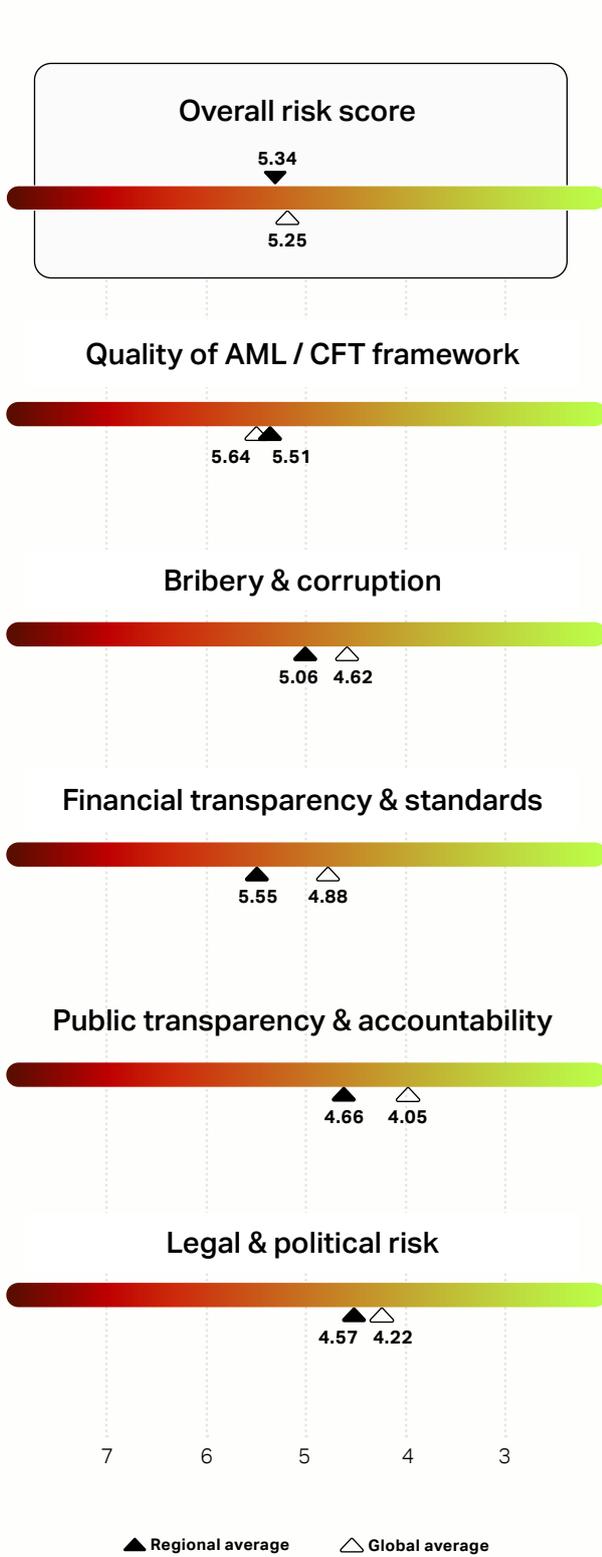
**Cambodia, China, Indonesia, Myanmar and Vietnam demonstrate high risks in relation to both environmental crimes and human trafficking.**

## 7.4 Latin America and Caribbean

The country coverage of the region slightly changed; the Cayman Islands and Turks and Caicos lack sufficient data this year while Aruba, Chile, Grenada and Saint Kitts and Nevis were added. Only two countries (Haiti and Nicaragua) have high risk scores overall. Most of the countries are within the medium-risk category.

1	Haiti	8.16
2	Nicaragua	6.70
3	Saint Kitts and Nevis	6.06
4	Bahamas	5.93
5	Panama	5.81
6	Cuba	5.62
7	Honduras	5.54
8	Saint Lucia	5.42
9	Barbados	5.38
10	Jamaica	5.37
11	Guatemala	5.29
12	Mexico	5.20
13	Dominican Republic	5.03
14	Aruba	4.99
15	Antigua and Barbuda	4.98
16	Grenada	4.91
17	Trinidad and Tobago	4.86
18	Colombia	4.74
19	Peru	4.72
20	Costa Rica	4.58
21	Uruguay	4.07
22	Chile	4.03





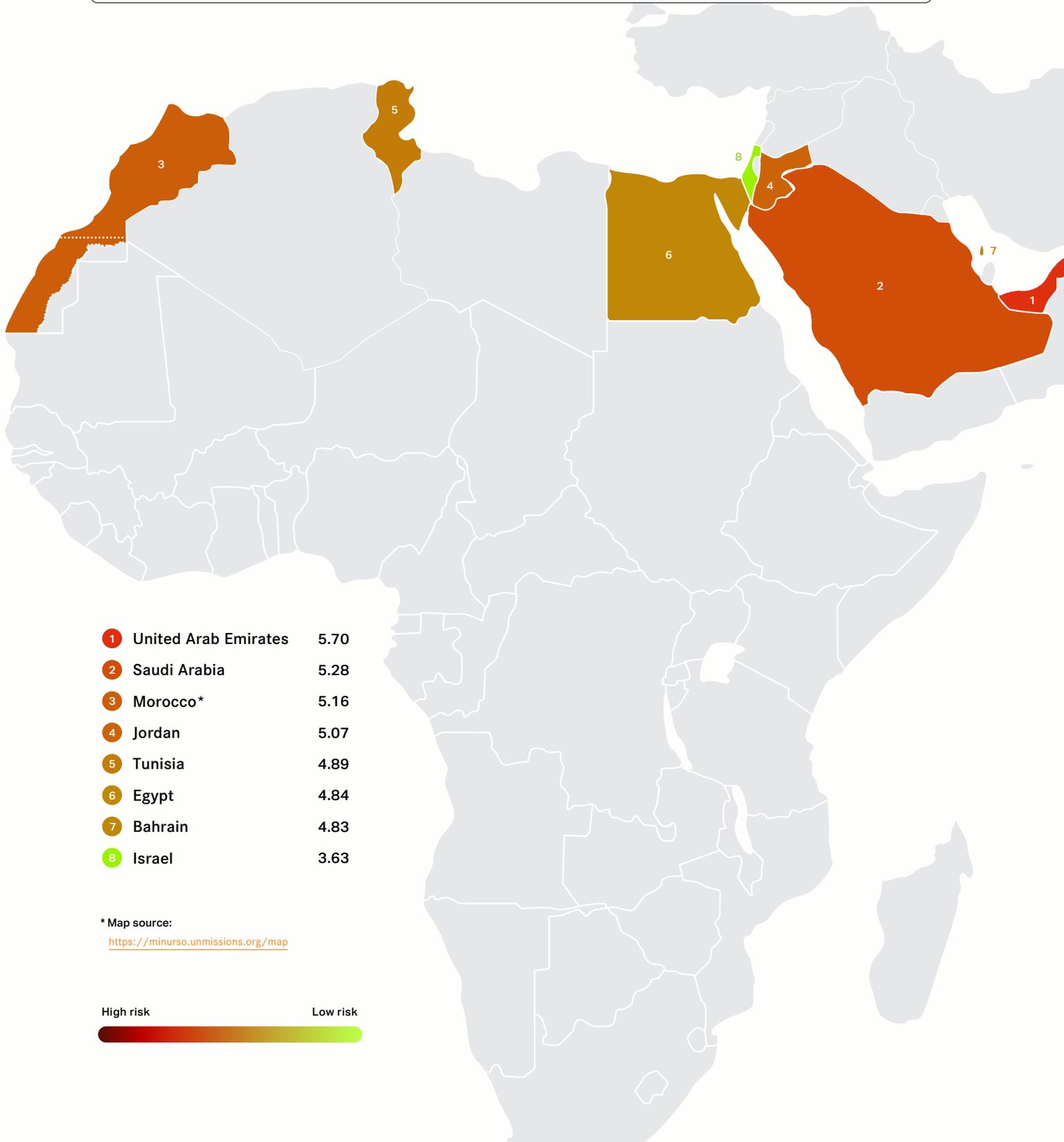
**WEAKEST AREA**  
**Financial transparency and accountability.**

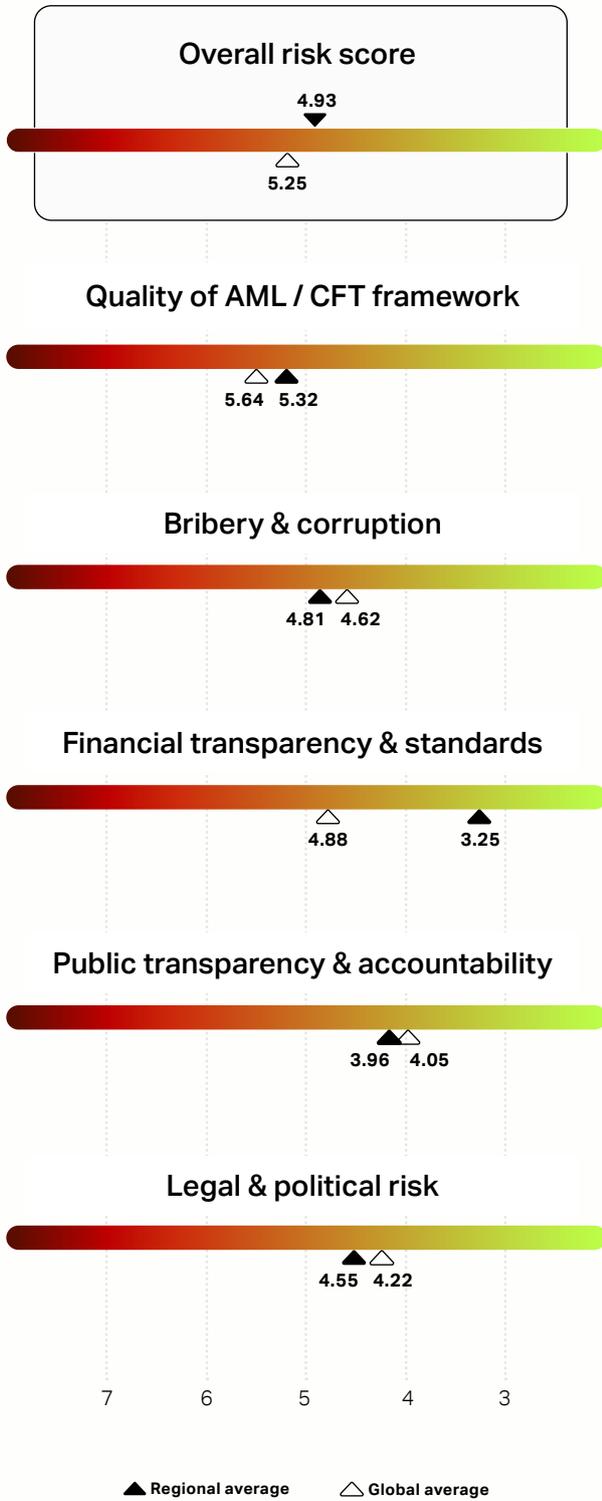
Colombia, Mexico and Peru have high risks of environmental crimes; other countries have low to medium risks.

All except three countries (Chile, Grenada and Uruguay) are included on the list of major money laundering jurisdictions in this year's US State Department INCSR.

## 7.5 Middle East and North Africa

The region's overall average score improved from 5.08 to 4.93 this year. The progress was mainly in the domains of quality of AML/CFT framework and financial transparency and standards. At the same time, risk scores increased in relation to corruption and bribery, public transparency and accountability, and political and legal risks.





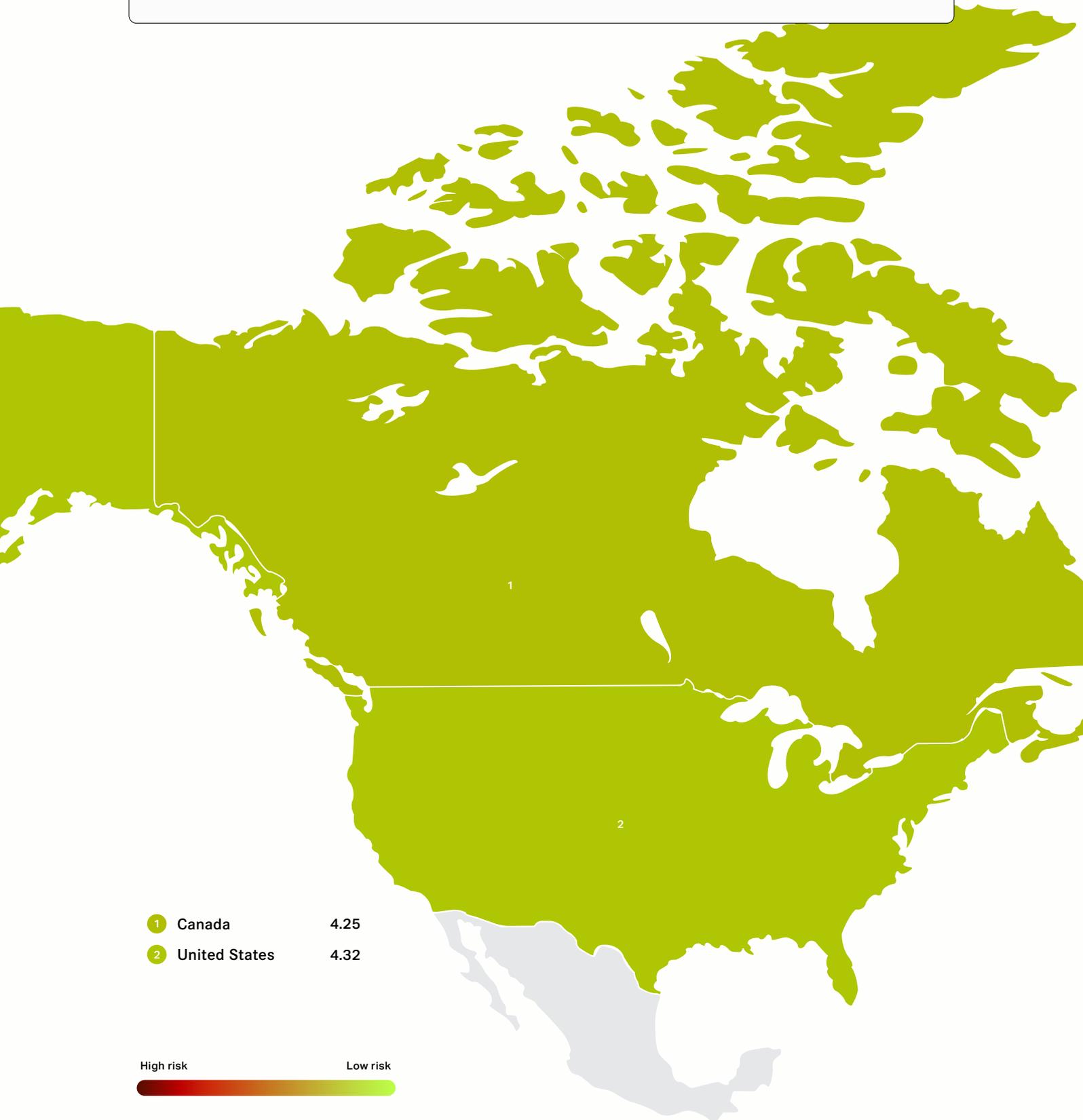
The UAE was added to the FATF grey list based on identified deficiencies in the AML/CFT framework.

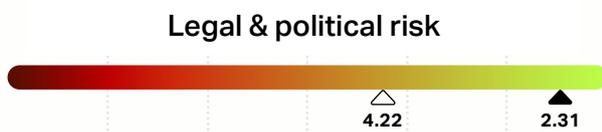
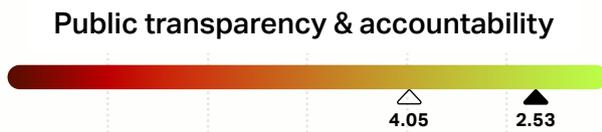
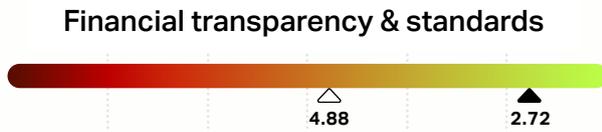
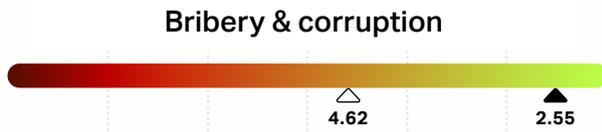
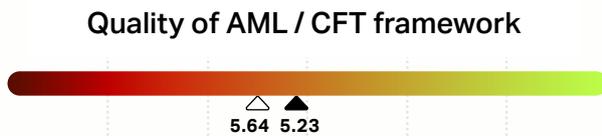
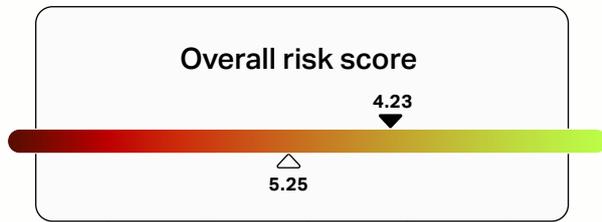
Non-proliferation of weapons of mass destruction is the weakest areas in terms of the effectiveness of AML/CFT measures.

New data on financial secrecy drove up the risk score for Bahrain and Saudi Arabia, while lowering it for Egypt, Jordan, Morocco, Tunisia and the UAE.

## 7.6 North America

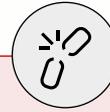
Canada improved its score in the FATF Follow-up Report and Financial Secrecy Index, but its risks in relation to corruption and public transparency went up. The US improved its score for corruption.





7 6 5 4 3

▲ Regional average    △ Global average



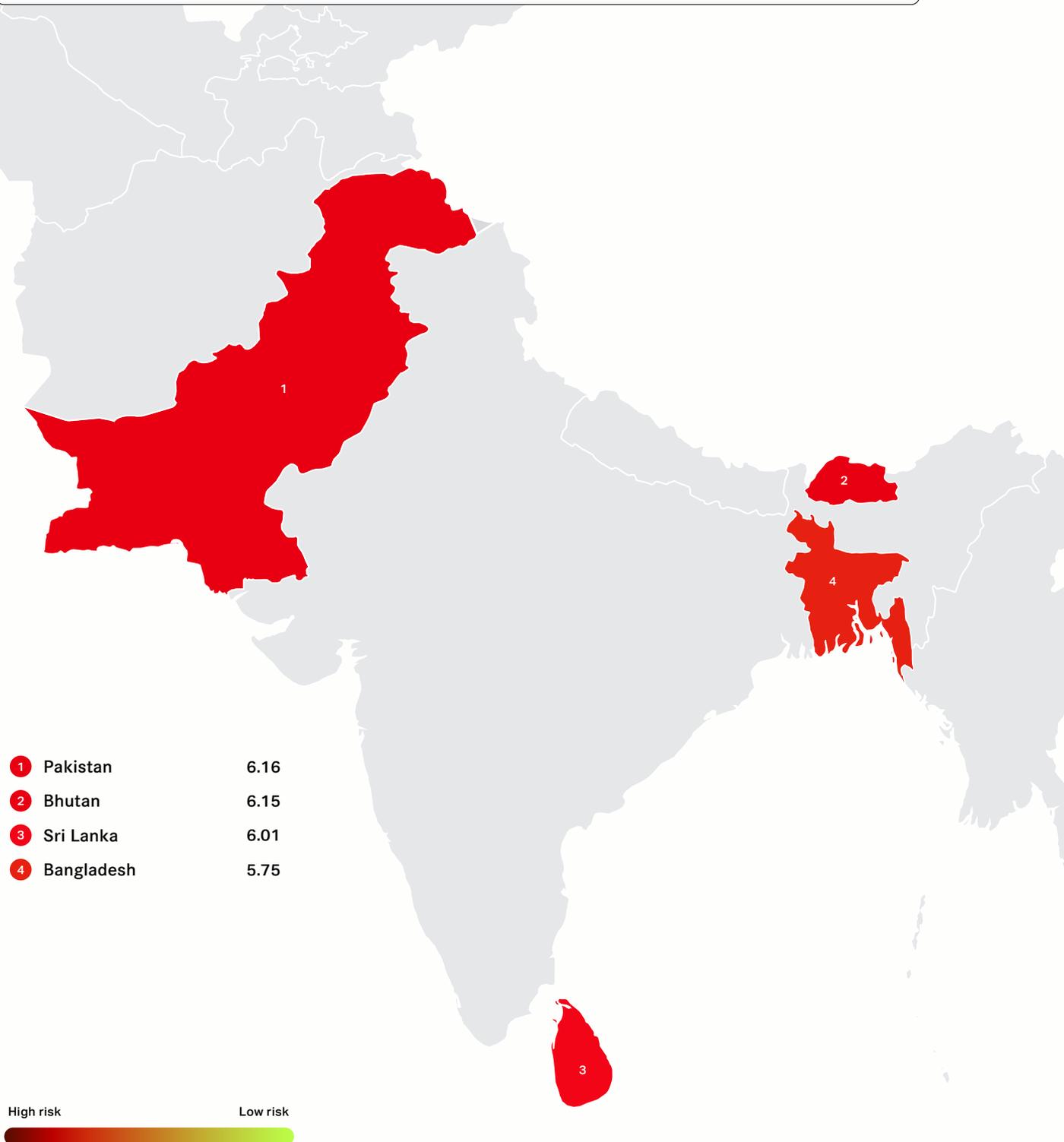
**WEAKEST AREA**  
**Quality of AML / CFT framework.**

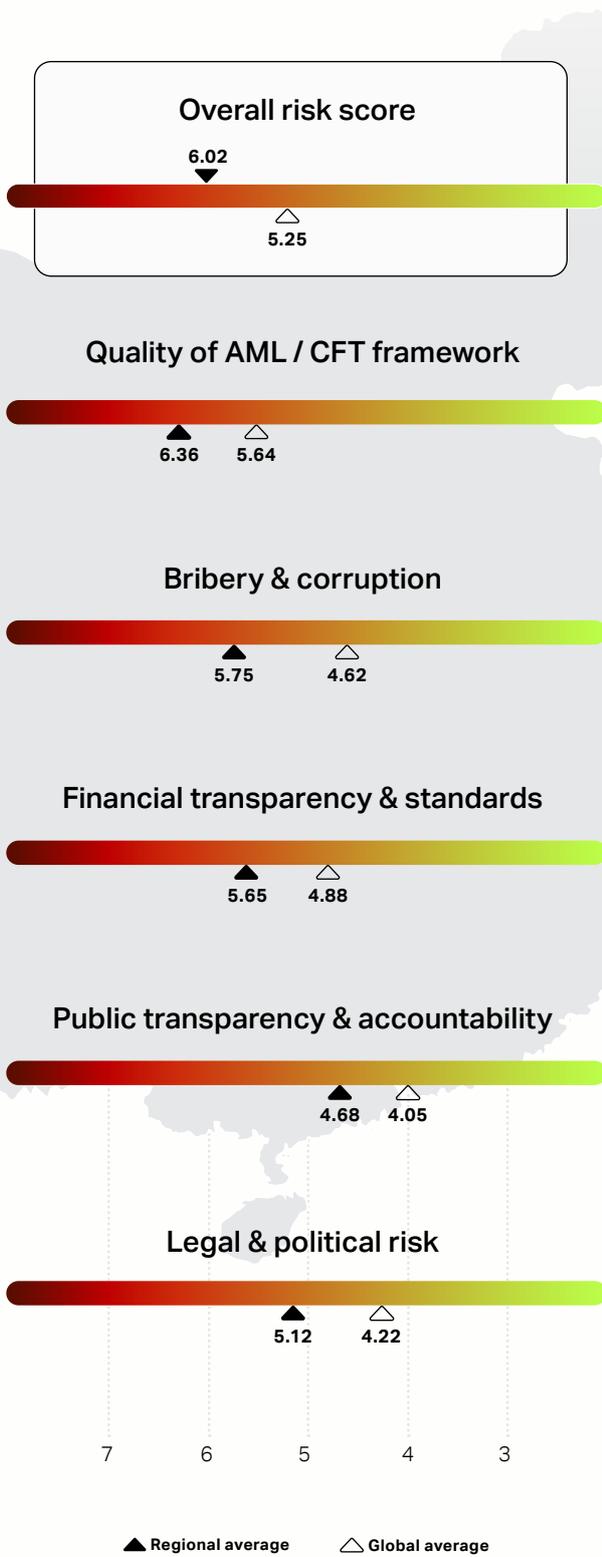
Effectiveness of measures for beneficial ownership transparency remains a critical concern.

The data on environmental crimes reveals a medium risk for the USA (3.52) and low risk for Canada (1.85).

## 7.7 South Asia

The region's average performance on ML/TF has improved in comparison with the previous year, but it still suffers from higher than average global risks across all five domains. The main drivers for changes in the scores were updates to indicators of financial secrecy and human trafficking. Sri Lanka, Bhutan and Bangladesh improved their performance, while Pakistan's risk score slightly went up.





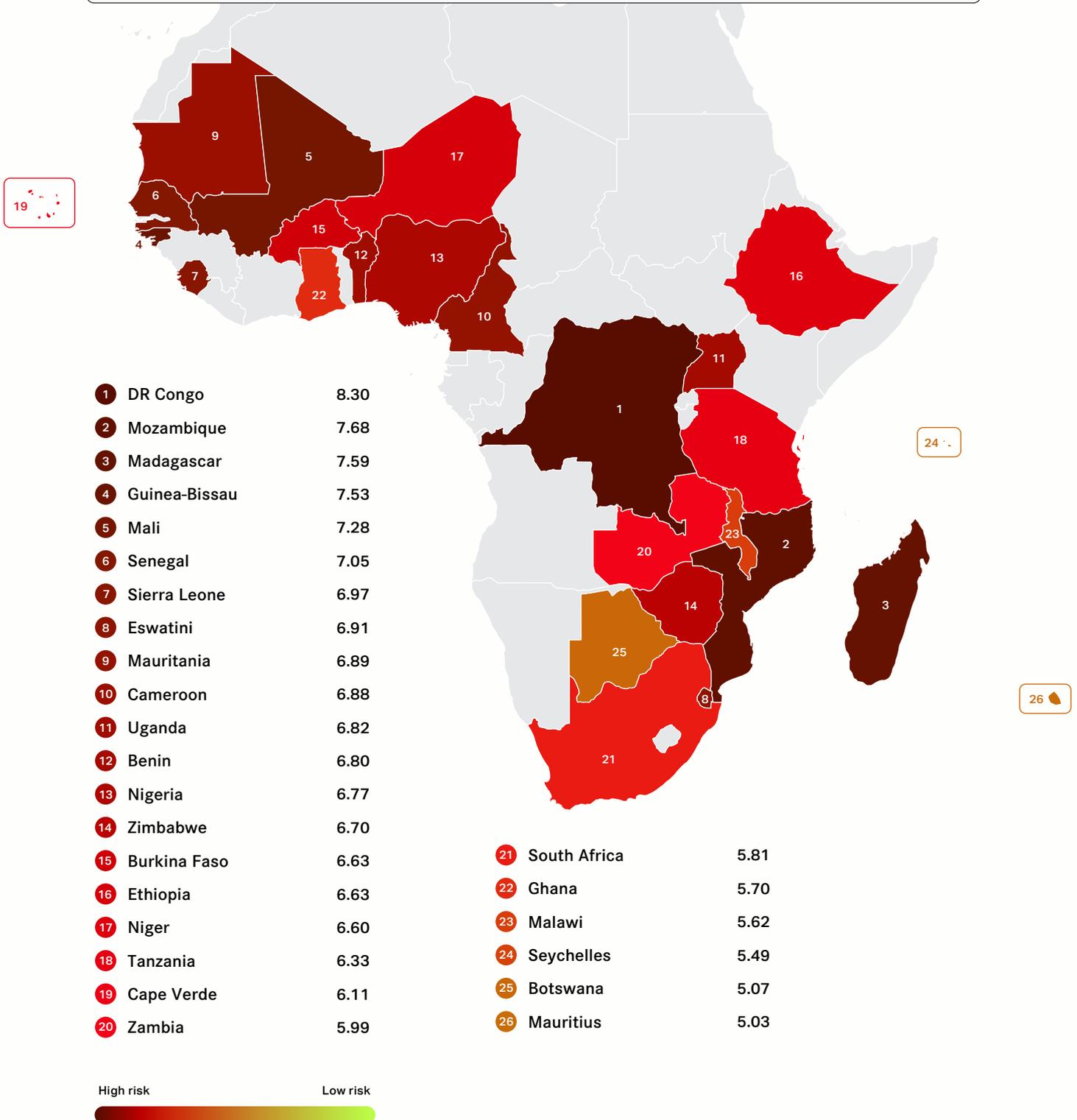
**WEAKEST AREA**  
**Quality of AML / CFT framework.**

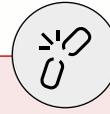
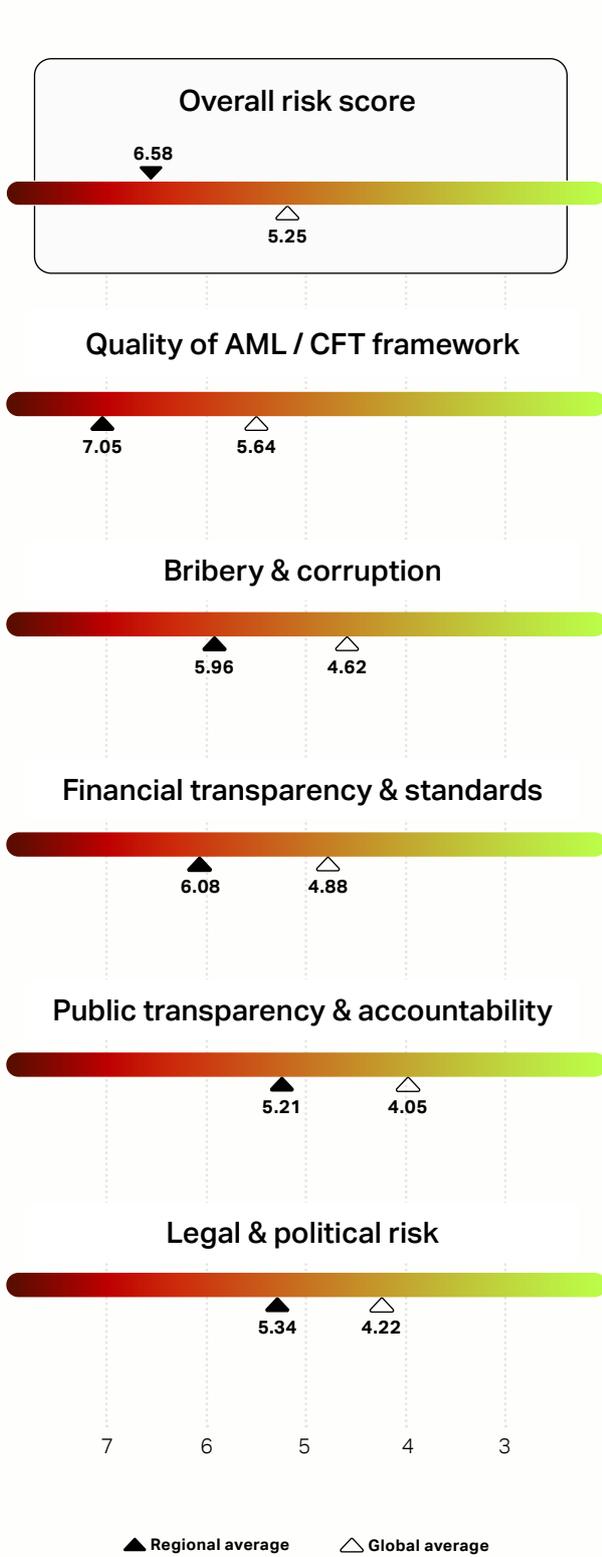
**Beneficial ownership, prevention, prosecutions and confiscation are all weak spots in terms of effectiveness.**

**Pakistan remains on the FATF grey list as it seeks to address strategic deficiencies in its AML/ CFT framework.**

## 7.8 Sub-Saharan Africa

Country coverage of the region significantly improved from 18 to 26 countries, reflecting new data from FATF mutual evaluation reports. Almost 62% of countries in this region are assessed as having a high risk of ML/TF. Scores for the quality of the AML/CFT framework remain mostly unchanged from 2021, but increased in the other four domains.





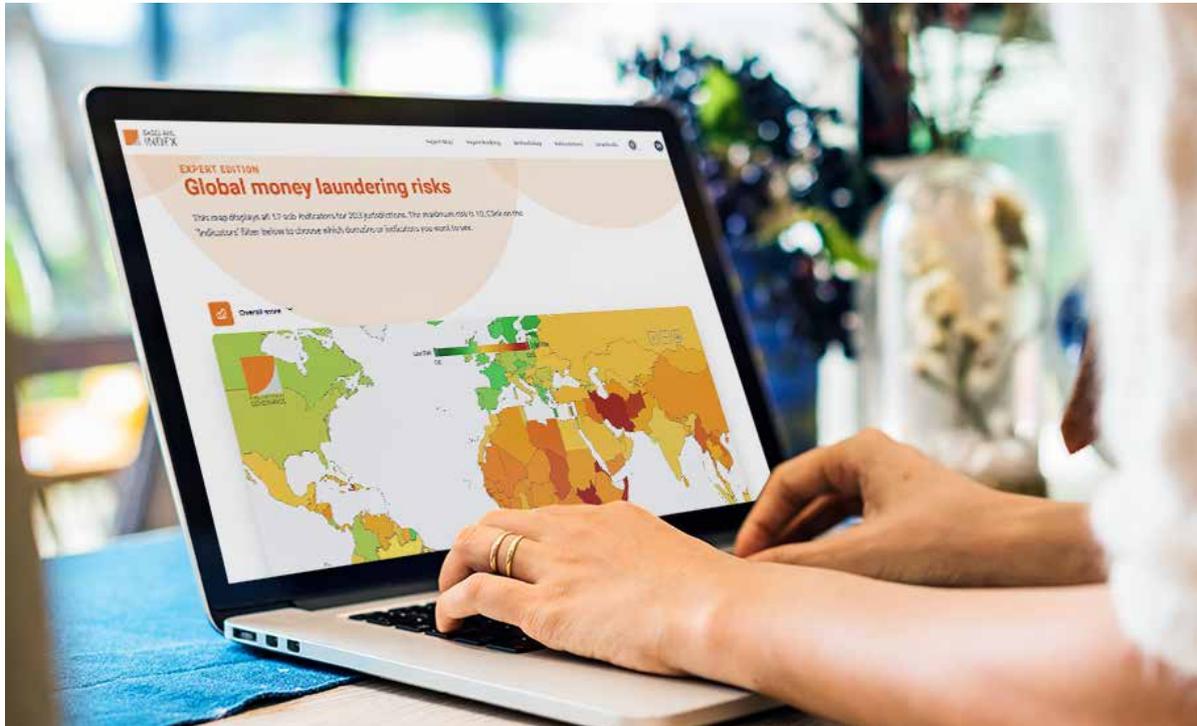
**WEAKEST AREA**  
**Quality of AML / CFT framework.**

For Cameroon, the Democratic Republic of the Congo, Madagascar, Mozambique and Zimbabwe, a high risk score for ML/TF correlates with high scores in relation to environmental crimes.

In terms of the effectiveness of measures, the weakest areas are transparency of beneficial ownership and non-proliferation of weapons of mass destruction.

# 6

## Expert Editions



This report relates to the **Public Edition** of the Basel AML Index, which this year covers 128 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 in the world. Unlike the Public Edition, it allows users to drill down into the reasons behind a jurisdiction's ML / TF risk score and explore where exactly that risk lies. The tool also highlights sanctions and other lists relevant to evaluating a jurisdiction's risk of ML / TF, including those issued by the FATF, UN Security Council, US Office of Foreign Assets Control, the EU, UK and Australia.

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

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

## Subscription options

	Public Edition	Expert Edition	Expert Edition Plus
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# 7 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 120 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](https://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](mailto:index@baselgovernance.org).

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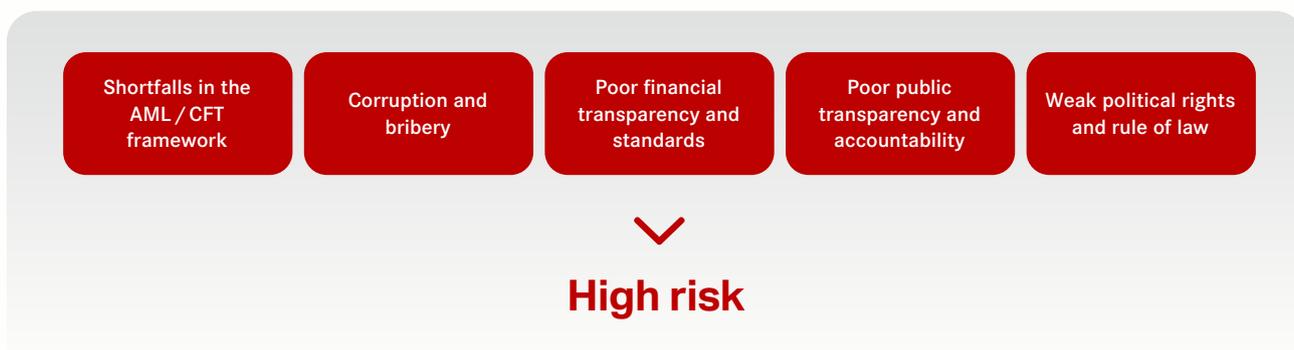
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# 8 Annex: Methodology

## 10.1 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 11th Public Edition released in October 2022 and in the Expert Edition from October 2022 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 (INCSR) (5%)
- US State Department: Trafficking in Persons Report (5%)
- Global Organized Crime Index – 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: Global Competitiveness Report – Judicial independence (2.5%)
- World Justice Project: Rule of Law Index (2.5%)

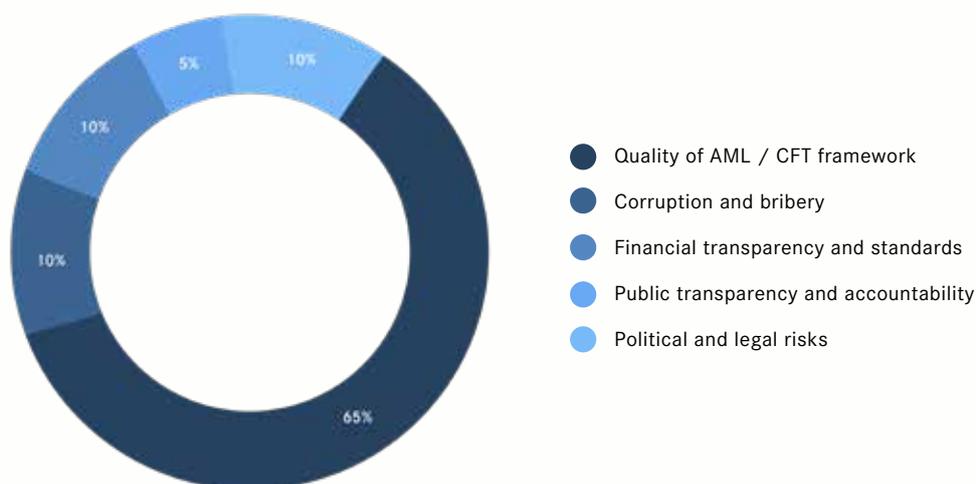
For detailed descriptions of each indicator and why it is important in assessing ML / TF risks, see [index.baselgovernance.org/methodology](https://index.baselgovernance.org/methodology).

## 10.2 Scaling and weighting

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

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

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



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

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

## 10.3 Notes and limitations

### **Data availability**

Data collection for the 2022 Public Edition of the Basel AML Index was finished in August 2022 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. 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 per August 2022, 135 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.

### **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.

### **Review meeting and changes in 2022**

In 2022, the following methodology changes were decided at the annual review meeting:

- **Add an indicator for environmental crime data to Domain 1: Quality of AML/CFT Framework.** The data comes from the Global Organized Crime Index published by the Global Initiative Against Transnational Organized Crime, and includes data on crimes involving flora, fauna and non-renewable resources. The new indicator has a 5% weighting. The weighting of the Financial Secrecy Index indicator in the same domain has reduced from 20% to 15%.
- **Exclude data on Azerbaijan, China, Saudi Arabia and the United Arab Emirates from the World Bank's Extent of Corporate Transparency Index, part of its now-discontinued Doing Business report, due to identified discrepancies.** The indicator will remain in Domain 3 with a 2.5% weighting until the World Bank releases its replacement to the Doing Business report.
- **Publish short briefing reports on jurisdictions delisted from the FATF "grey list" (subject to increased monitoring) or "black list" (a high-risk jurisdiction subject to a call for action).** Being placed on or removed from such a list does not affect a jurisdiction's score in the Basel AML Index, but has important impacts on its investment climate, trade and capital flows. The briefings are published on [index.baselgovernance.org](https://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.