# Basel AML Index 2020: Weak oversight and dormant systems leave countries' doors wide open to money laundering

Released today, the 9th Basel AML Index will disappoint anyone wishing for tangible progress in combating money laundering and terrorist financing (ML/TF) around the world.

The average ML/TF risk score across all 141 countries in the 2020 Public Edition of the Basel AML Index remains unacceptably high at 5.22 out of 10, where 10 equals maximum risk. In fact, only six countries improved their scores by more than one point. 35 countries went backwards.

Too many countries' financial systems remain too exposed to money laundering, terrorist financing and related crimes.

## Weak supervision – does that explain Wirecard?

Digging into the data behind the annual AML ranking might help explain why money laundering scandals keep hitting headlines, even in countries that appear to be low risk. Germany's Wirecard debacle is just the latest in a string of financial scandals that beg the question: How could nobody have noticed earlier – and stopped – what was going on?

In this year's report, you can read how data from the Financial Action Task Force (FATF) reveals serious failings in the quality of AML supervision almost across the board. Of the 100 countries assessed so far with the new FATF assessment methodology, a third score zero for the effectiveness of their supervisory bodies and measures designed to safeguard financial systems from abuse.

## AML systems that exist but don't work

In his final statement as FATF president in 2019-20, Xiangmin Liu said: "The challenge many countries face today is not the absence of comprehensive global standards, but the effective implementation of those standards." Echoing this, the European Parliament has stated that its Members "deplore the incorrect and patchy implementation" of AML/CFT rules in member states.

We are sad to say that the findings of this year's edition of the Basel AML Index underscore the validity of these statements. Weak implementation and effectiveness are problems that the Basel AML Index has noted ever since the FATF started using its fourth-round evaluation methodology to

assess not just the technical compliance of a country's AML/CFT systems but their effectiveness in practice.

The trend is clear: most countries that undergo a fourth-round FATF evaluation rate poorly for effectiveness. This has a major impact on their performance in the Basel AML Index, which weighs countries' results in effectiveness as twice as important as their results in technical compliance. A lot of countries may have strong systems in place, but in practice they are not working. Or, the countries are not making them work.

**How money laundering risks are changing: human trafficking gains in importance**

The Basel AML Index also showcases the changing nature of money laundering risks. This year's Index contains a new indicator for human trafficking, the Trafficking in Persons (TIP) Report of the US Department of State. This change reflects the huge and growing proceeds generated by this transnational crime and laundered through international financial systems.

Human trafficking is said to be the third largest source of income for organised crime groups after drug and arms trafficking, generating an estimated USD 150 billion in profits each year.

**Regional deep dives**

This year, we're zooming into money laundering risks in different regions. Our regional infographics show how countries score in relation to each other – and in too many cases let their neighbours down.

The regional deep dives also highlight each region's weakest points and how the region compares to global averages across five risk categories relevant to evaluating ML/TF risk.

Policymakers should look at the regional deep dives and analyse their respective jurisdictions' risks in detail to make plans for serious reform. No country is doing well. We call on all countries to step up their game.

<div style="background-color:orange;">**Find out more**</div>

For a full overview of results, analysis and interactive country comparison tables, plus the opportunity to demo the Expert Edition, see:

**index.baselgovernance.org**

**About the Basel AML Index**

The Basel AML Index is an independent annual ranking that assesses the risk of money laundering and terrorist financing (ML/TF) around the world.

Published by the Basel Institute on Governance since 2012, it provides risk scores based on data from 16 publicly available sources such as the Financial Action Task Force (FATF), Transparency International, the World Bank and the World Economic Forum. The risk scores cover five domains:

1. Quality of ML/TF 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 2020 covers 141 countries with sufficient data to calculate a reliable ML/TF risk score. A comprehensive list of scores and sub-indicators for 203 countries is available in the Expert Edition, a subscription-based service used by companies and financial institutions as an ML/TF country risk-rating tool for compliance and risk assessment purposes. Expert Edition Plus subscribers benefit from an in-depth quantitative and written analysis of FATF data.

Subscription to the Expert and Expert Plus editions is free for public, supervisory, non-profit and academic organisations – so could be a good first step for supervisory bodies seeking to improve the effectiveness of their activities.

**About 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 and Africa. Some 80+ staff members work with public, private and academic partners worldwide on cross-cutting issues in the areas of asset recovery, public governance, public financial management, anti-corruption Collective Action and compliance.

The Basel AML Index is published by the Basel Institute's International Centre for Asset Recovery (ICAR). ICAR is dedicated to strengthening and supporting the capacities of developing and

transition countries to recover stolen public assets. In addition to the Basel AML Index, ICAR has developed:

- A series of free eLearning courses on financial analysis, intelligence gathering and asset tracing;
- Basel Open Intelligence, an open-source search tool that helps compliance officers and investigators identify potential links between individuals, companies and criminal activities.

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