

Key Financial Secrecy Indicators

3: FATF-Ratings

What is measured?

This indicator shows if the anti-money laundering regime of a jurisdiction is considered appropriate by the Financial Action Task Force (FATF), the international organisation at the forefront of attempts to counter money laundering.

In 2003, the FATF established its [49 recommendations](#) concerning the laws, the institutional structures, and the policies that it thought should address money laundering and terrorist financing.

Since then the FATF has assessed the implementation of these recommendations in peer-review studies that are carried out in five-year cycles. The results have generally been published online unless the review was carried out by the IMF.

The assessment methodology rates the compliance with every recommendation on a four-tiered scale, from “compliant” to “largely compliant” to “partially compliant” to “non-compliant”. For our indicator at least 90% of the 49 recommendations of a jurisdiction’s anti-money laundering regime must be rated either “compliant” or “largely compliant” and no recommendation must be rated “non-compliant”.

Why is it important?

Many of FATF’s anti-money laundering (AML) recommendations touch upon minimal financial transparency safeguards within the legal and institutional fabric of a jurisdiction. With low compliance ratios with AML recommendations, a jurisdiction wittingly invites domestic money launderers and those from around the world to deposit and launder the proceeds of crime (e.g. drug trafficking or massive tax evasion) in their own financial system.

For instance, recommendation five sets out minimal standards for the identification of customers of financial institutions (such as banks and foreign exchange dealers). If this recommendation is rated “partially compliant”, as is the case for instance with the Cayman Islands, then it is a clear signal that money laundering is easier in this jurisdiction than elsewhere.

In the particular case of the Cayman Islands it is because there is “No legislative requirement to verify that persons purporting to act on the behalf of a customer is so authorised and identify and verify the identity of that person.” ([see Cayman Islands-assessment here](#); page 146). Put into plain language, this means that a bank employee does not need to ask questions of, or seek to prove the identity of, a person who routinely runs a bank account although the bank account is effectively in the name of somebody else. The person the bank routinely deals with is only a nominee. By doing so financial service providers and their

affiliates may act as nominee bank account holders so that the ultimate and effective bank account holder will not flag up anywhere.

Another example of the issues the FATF assesses is recommendation eighteen on shell banks. In the case of Ireland, a “partially compliant” location reveals that “There is no prohibition on financial institutions from entering into, or continuing correspondent banking relationships with shell banks.” (FATF 2006, V2: 157).

The FATF defines a shell bank as “a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group.” ([FATF website](#)).

Many secrecy jurisdictions still allow shell banks to operate. Often these are little more than money laundering schemes. Therefore, the absence of targeted measures at shell banks allows banks in an apparently respectable jurisdiction (such as Ireland) to enter into business relationships with a shell bank and so to become the connecting interface between a highly dubious shell bank jurisdiction and the regulated banking world. Individual tax evaders and banks willing to help facilitate this process can take advantage of this absence of scrutiny.

We consider the swift and thorough implementation of all FATF recommendations by all jurisdictions to be of high importance to global financial transparency, to stop the undermining of democracies by organized and financial crime, and to curb harmful tax and capital flight from developing countries. That is why we set the bar high for getting a credit in this section.

In that context it is disappointing to note that many countries seem to have a long way to go before being appropriately equipped to tackle money laundering to FATF standards. This is reflected in the fact that out of the 60 jurisdictions monitored none has achieved a satisfactory rating by our criteria set out above. For this reason we show below the detailed rates of compliance for each jurisdiction ranked both alphabetically and numerically.

We also offer a word of caution: these weak assessments are not exclusive to secrecy jurisdictions. Similar weaknesses have been found in many other countries, few of which are examples to follow in this respect.

What are the crimes that might hide behind weak AML-regulations?

Any or all of tax evasion, hiding of the proceeds of corruption, organised crime (especially drug trafficking), illegal arms trading, trafficking in human beings, money laundering, the covering of illicit intelligence activity, infringement of competition rules, non-payment of alimonies, bankruptcy fraud, and more besides might hide behind weak anti-money laundering regulations.

Results Overview

None of the secrecy jurisdictions has received an appropriate rating on its AML-regime.

Results Detail

Note: “Unknown” can mean three different things. First, a jurisdiction may not yet have been assessed at all since the FATF exists. This may be because it was not deemed a priority or because it refused to be assessed. Second, a jurisdiction may have been assessed according to an older methodology and set of recommendations and therefore does not yield comparable numerical ratings. Third, if a jurisdiction has been assessed by the IMF, it may have opted not to publish the ratings and/or the detailed reports, but only a short summary of the assessment.

FATF-ratings (alphabetical)							
Jurisdiction		Share of "compliant" and "largely compliant" of all ratings (%)	Number of "Non-Compliant"	Jurisdiction		Share of "compliant" and "largely compliant" of all ratings (%)	Number of "Non-Compliant"
1	Andorra	36,17	11	31	Liechtenstein	42,86	2
2	Anguilla	Unknown	unknown	32	Luxembourg	unknown	unknown
3	Antigua & Barbuda	Unknown	unknown	33	Macau	53,06	1
4	Aruba	Unknown	unknown	34	Malaysia (Labuan)	67,35	1
5	Austria	Unknown	unknown	35	Maldives	unknown	unknown
6	Bahamas	44,90	3	36	Malta	75,51	4
7	Bahrain	47,92	3	37	Marshall Islands	unknown	unknown
8	Barbados	Unknown	unknown	38	Mauritius	unknown	unknown
9	Belgium	85,42	1	39	Monaco	40,82	4
10	Belize	Unknown	unknown	40	Montserrat	unknown	unknown
11	Bermuda	38,78	14	41	Nauru	unknown	unknown
12	British Virgin Islands	Unknown	unknown	42	Netherlands	unknown	unknown
13	Brunei	38,78	14	43	Netherlands Antilles	unknown	unknown
14	Cayman Islands	77,55	1	44	Panama	79,59	1
15	Cook Islands	Unknown	unknown	45	Philippines	unknown	unknown
16	Costa Rica	22,92	19	46	Portugal (Madeira)	75,00	2
17	Cyprus	79,59	0	47	Samoa	10,20	14
18	Dominica	Unknown	unknown	48	Seychelles	unknown	unknown
19	Gibraltar	65,31	1	49	Singapore	87,76	2
20	Grenada	Unknown	unknown	50	St Kitts & Nevis	unknown	unknown
21	Guernsey	Unknown	unknown	51	St Lucia	unknown	unknown
22	Hong Kong	61,22	4	52	St Vincent & Grenadines	unknown	unknown
23	Hungary	79,17	1	53	Switzerland	66,67	3
24	Ireland	57,14	5	54	Turks & Caicos Islands	unknown	unknown
25	Isle of Man	Unknown	unknown	55	United Arab Emirates (Dubai)	40,82	11
26	Israel	Unknown	unknown	56	United Kingdom	73,47	3
27	Jersey	Unknown	unknown	57	Uruguay	34,69	19
28	Latvia	55,32	5	58	US Virgin Islands	unknown	unknown
29	Lebanon	Unknown	unknown	59	USA (Delaware)	87,76	4
30	Liberia	Unknown	unknown	60	Vanuatu	22,45	13

FATF-rankings			
	Jurisdiction	Share of "compliant" and "largely compliant" of all ratings (%)	Number of "Non-Compliant"
1	Singapore	87,76	2
2	USA (Delaware)	87,76	4
3	Belgium	85,42	1
4	Cyprus	79,59	0
5	Panama	79,59	1
6	Hungary	79,17	1
7	Cayman Islands	77,55	1
8	Malta	75,51	4
9	Portugal (Madeira)	75,00	2
10	United Kingdom	73,47	3
11	Malaysia (Labuan)	67,35	1
12	Switzerland	66,67	3
13	Gibraltar	65,31	1
14	Hong Kong	61,22	4
15	Ireland	57,14	5
16	Latvia	55,32	5
17	Macau	53,06	1
18	Bahrain	47,92	3
19	Bahamas	44,90	3
20	Liechtenstein	42,86	2
21	Monaco	40,82	4
22	United Arab Emirates (Dubai)	40,82	11
23	Bermuda	38,78	14
24	Brunei	38,78	14
25	Andorra	36,17	11
26	Uruguay	34,69	19
27	Costa Rica	22,92	19
28	Vanuatu	22,45	13
29	Samoa	10,20	14
30	Anguilla	unknown	unknown
31	Antigua & Barbuda	unknown	unknown
32	Aruba	unknown	unknown
33	Austria	unknown	unknown
34	Barbados	unknown	unknown
35	Belize	unknown	unknown
36	British Virgin Islands	unknown	unknown
37	Cook Islands	unknown	unknown
38	Dominica	unknown	unknown
39	Grenada	unknown	unknown
40	Guernsey	unknown	unknown
41	Isle of Man	unknown	unknown
42	Israel	unknown	unknown
43	Jersey	unknown	unknown
44	Lebanon	unknown	unknown
45	Liberia	unknown	unknown
46	Luxembourg	unknown	unknown

FATF-rankings			
Jurisdiction		Share of "compliant" and "largely compliant" of all ratings (%)	Number of "Non-Compliant"
47	Maldives	unknown	unknown
48	Marshall Islands	unknown	unknown
49	Mauritius	unknown	unknown
50	Montserrat	unknown	unknown
51	Nauru	unknown	unknown
52	Netherlands	unknown	unknown
53	Netherlands Antilles	unknown	unknown
54	Philippines	unknown	unknown
55	Seychelles	unknown	unknown
56	St Kitts & Nevis	unknown	unknown
57	St Lucia	unknown	unknown
58	St Vincent & Grenadines	unknown	unknown
59	Turks & Caicos Islands	unknown	unknown
60	US Virgin Islands	unknown	unknown