Key Financial Secrecy Indicators
11: Anti-Money Laundering

What is being measured?

This indicator examines the extent to which the anti-money laundering regime of a jurisdiction is considered effective by the Financial Action Task Force (FATF), the international body dedicated to counter money laundering.

In 2003, the FATF established its 49 recommendations concerning the laws, the institutional structures, and the policies deemed necessary to address money laundering and terrorist financing.

Since then the FATF, regional analogous bodies or the IMF have assessed the implementation of these recommendations through peer-review studies carried out in five-year cycles. The comprehensive reports with results have generally been published online unless the review was carried out by the IMF.

The assessment methodology rates compliance with every recommendation on a four-tiered scale, from “compliant” to “largely compliant” to “partially compliant” to “non-compliant”. For our indicator, we have calculated the overall compliance score, where 100% indicate that all recommendations have been rated as “compliant”, whereas 0% would mean that all indicators have been rated as non-compliant.

Why is this 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. Through low compliance ratios with AML recommendations, a jurisdiction wittingly invites domestic money launderers and criminals from around the world to deposit and launder the proceeds of crime (e.g. drug trafficking, 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 with the Cayman Islands, this clearly signals that this jurisdiction is prone to money laundering.

The Cayman Islands assessment arises 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). In 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. This means that financial service providers and their affiliates can act as nominee bank account holders so that the ultimate and effective bank account holder can conceal her/his identity.

Another issue assessed by the FATF relates to shell banks (recommendation 18). In the case of Ireland, a 'partially compliant' assessment reveals: "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 allow or condone 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, other criminals 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.

What criminal activities might hide behind weak AML-regulations?

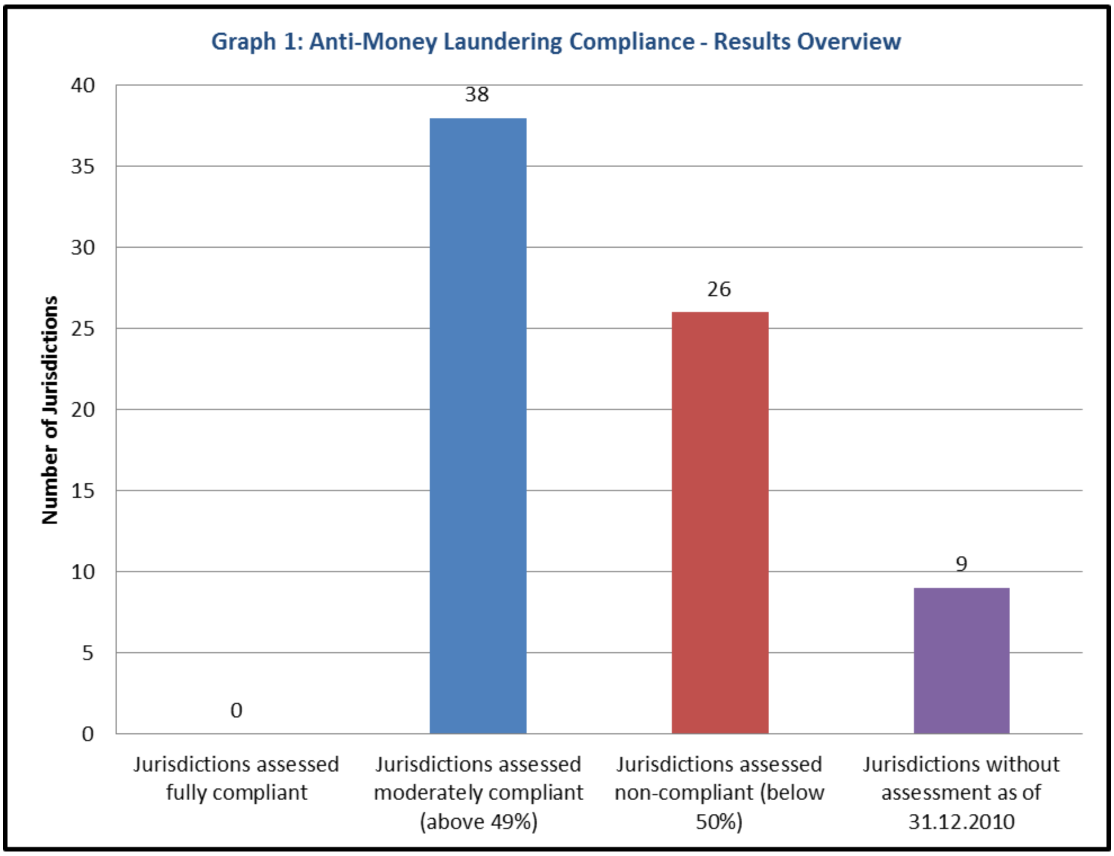
Tax evasion, concealment of the proceeds of corruption, organised crime (especially drug trafficking), illegal arms trading, trafficking in human beings, money laundering, the covering of illicit intelligence activity, infringement of competition rules, non-payment of alimonies, bankruptcy fraud, and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

Results Overview

Note: "Not Applicable" means that the assessment of compliance with current FATF standards has not been published as of 31.12.2010. "Current FATF-standards" include here the appropriate assessment methodology and concern most assessments carried out after 2003.

Table 1: Anti-Money Laundering Non-Compliance - Results Overview

Number of jurisdictions assessed fully compliant:	0
Number of jurisdictions assessed moderately compliant (above 49%):	38
Number of jurisdictions assessed non-compliant (below 50%):	26
Number of jurisdictions without assessment at 31.12.2010:	9



Results Detail

Graph 2: Anti-Money Laundering Compliance - Results Details

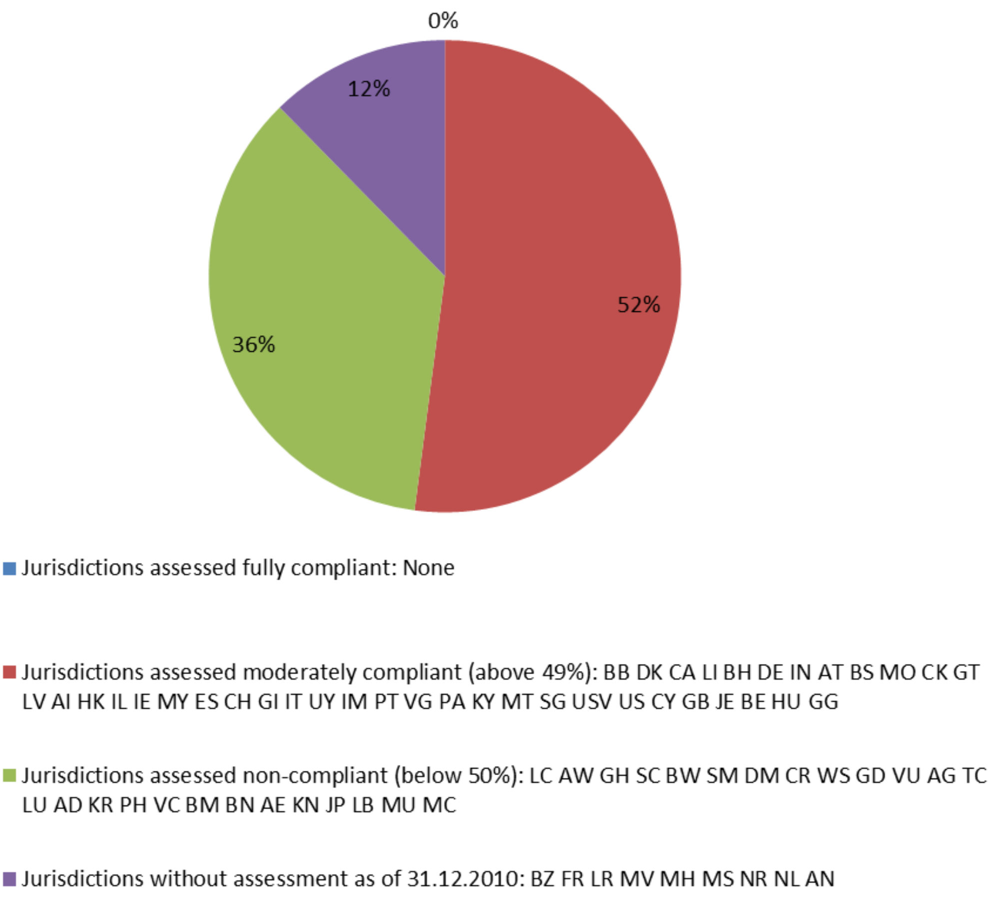


Table 2: Anti-Money Laundering - Details

ID	Jurisdiction	ISO	Compliance	ID	Jurisdiction	ISO	Compliance
1	Andorra	AD	0,39	38	Korea	KR	0,42
2	Anguilla	AI	0,58	39	Latvia	LV	0,56
3	Antigua & Barbuda	AG	0,34	40	Lebanon	LB	0,45
4	Aruba	AW	0,23	41	Liberia	LR	100
5	Austria	AT	0,54	42	Liechtenstein	LI	0,51
6	Bahamas	BS	0,55	43	Luxembourg	LU	0,35
7	Bahrain	BH	0,52	44	Macau	MO	0,55
8	Barbados	BB	0,5	45	Malaysia (Labuan)	MY	0,61
9	Belgium	BE	0,76	46	Maldives	MV	100
10	Belize	BZ	100	47	Malta	MT	0,69
11	Bermuda	BM	0,43	48	Marshall Islands	MH	100
12	Botswana	BW	0,24	49	Mauritius	MU	0,48
13	British Virgin Islands	VG	0,67	50	Monaco	MC	0,48
14	Brunei	BN	0,43	51	Montserrat	MS	100
15	Canada	CA	0,51	52	Nauru	NR	100
16	Cayman Islands	KY	0,68	53	Netherlands	NL	100
17	Cook Islands	CK	0,56	54	Netherlands Antilles	AN	100
18	Costa Rica	CR	0,28	55	Panama	PA	0,67
19	Cyprus	CY	0,71	56	Philippines	PH	0,42
20	Denmark	DK	0,5	57	Portugal (Madeira)	PT	0,66
21	Dominica	DM	0,26	58	Samoa	WS	0,28
22	France	FR	100	59	San Marino	SM	0,24
23	Germany	DE	0,53	60	Seychelles	SC	0,23
24	Ghana	GH	0,23	61	Singapore	SG	0,69
25	Gibraltar	GI	0,63	62	Spain	ES	0,61
26	Grenada	GD	0,29	63	St Kitts and Nevis	KN	0,44
27	Guatemala	GT	0,56	64	St Lucia	LC	0,14
28	Guernsey	GG	0,82	65	St Vincent & Grenadines	VC	0,42
29	Hong Kong	HK	0,58	66	Switzerland	CH	0,61
30	Hungary	HU	0,78	67	Turks & Caicos Islands	TC	0,34
31	India	IN	0,53	68	United Arab Emirates (Dubai)	AE	0,43
32	Ireland	IE	0,6	69	United Kingdom	GB	0,72
33	Isle of Man	IM	0,66	70	Uruguay	UY	0,65
34	Israel	IL	0,58	71	US Virgin Islands	VI	0,7
35	Italy	IT	0,63	72	USA	US	0,7
36	Japan	JP	0,45	73	Vanuatu	VU	0,33
37	Jersey	JE	0,74				