Understanding the Basel Anti-Money Laundering Index

This week the Basel AML Index for 2022 was published.

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.

It assesses money laundering risks in various jurisdictions and provides the results in two forms:

1. on a map
2. on a ranking list

The risk scores, cover five country domains:

☞ Quality of ML/TF Framework (65%)
☞ Bribery and Corruption (10%)
☞ Financial Transparency and Standards (10%)
☞ Public Transparency and Accountability (5%)
☞Legal and Political Risks (10%)

METHODOLOGY

What's behind the Basel AML Index?

The Basel AML Index measures the risk of money laundering and terrorist financing (ML / TF) in jurisdictions around the world. It is based on a composite methodology, with 18 indicators categorised into five domains in line with the five key factors considered to contribute to a high risk of ML/TF.

Shortfalls in the AML/CFT framework	Corruption and bribery	Poor financial transparency and standards	Poor public transparency and accountability	Weak political rights and rule of law

🏦 How can I use the Basel AML index?

By Law, companies are required to conduct a country risk assessment to identify the countries that have high ML/TF risks.

The country risk assessment must classify as high risk:

🌍 Countries that exist in the FATF "call for action" and "jurisdictions under increased monitoring" lists.

🌍 For European Union regulated entities, countries that are in the European Commission high-risk third country list.

🌍 Other countries posing ML/TF risks to a regulated entity (a country risk assessment is required)

The Basel AML Index may be useful for a regulated entity when identifying countries that pose ML/TF risks to the specific entity - other than those imposed by the FATF or European Commission (when applicable).

Then, a regulated entity must treat all customers that have links to these countries as high-risk and conduct Enhanced Due Diligence (EDD) measures.

The scores are published in a 1-10 system where

0 = Low risk
10 = high-risk

The score, however, does not indicate the level of ML/TF activity in a country.

Zimbabwe slightly improved from the 2021 ranking of 12 with a score of 6.79 to a score of 6.7 with a ranking of 20.

With the help of the Basel AML Index, 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.