

Study rates new anti-money laundering 'effectiveness' ratings a flop

Calls into question the evaluations of more than 50 countries' AML/CFT regimes, and more than 100 other countries scheduled for evaluation by international body.

New research finds global assessment criteria unable properly to evaluate the effectiveness of anti-money laundering regimes.

New criteria seek to assess effectiveness

The Paris-based Financial Action Task Force introduced a new 'effectiveness' methodology in 2013 because compliance with FATF's "40 recommendations" (previously, the sole focus of evaluations since 1990) gave no assurance that the regulations worked.

An extensive and costly process demanding huge resources and several years' preparation, the evaluation process nonetheless continues to assess countries' anti-money laundering regimes based on FATF's 40 recommendations, and a series of 11 new 'outcome' measures. But, do the new measures work? The newly published study is the first independent assessment of the new 'effectiveness' framework based on specified 'outcomes'.

Measuring effort, not outcomes

According to the study's author, Dr Ron Pol, "misapplication of *outcome* labels for what are, in reality, simple *output* and *activity* measures, misses an opportunity to evaluate the real impact of anti-money laundering rules."

He says that FATF's new methodology doesn't evaluate outcomes in the sense generally understood as the effect or impact of regulations. "More meaningful outcome measures, for example, might include the extent to which the system better allows authorities to reduce and prevent crime and the harms caused by serious profit-motivated crimes like drugs-, arms- and human-trafficking, corruption, fraud and tax evasion."

"Some of those measures are difficult to evaluate" concedes Pol, "but assessing countries' anti-money laundering regimes by superficial 'easy-to-measure' metrics suggests that the intensive rating exercise conveys value more as a rhetorical device than any real measure of effectiveness."

"That is because the current measures largely reflect the effort and activity of regulatory and enforcement authorities, not whether those efforts have any meaningful effect or impact on serious crime."

'Tick-box' compliance extended

"Moreover", adds Pol, "assessors often use the same evidence to assess both the new and old criteria. But, compressing the 40 recommendations into an abbreviated yet broadly equivalent list of 11 so-called 'outcomes' adds little new evaluative capability beyond adding another 11 boxes to tick."

Effectiveness gap evidence mounting

Another recent research paper also notes "enormous" industry frustration that, despite nearly 30 years of anti-money laundering obligations, now imposed on millions of firms in nearly 200 countries, the "huge and growing cost of compliance has been accompanied by little observable effect".

Professors Levi, Reuter and Halliday say that the modern anti-money laundering system is "highly cost-inefficient" and has failed "to produce credible evidence of [its] effectiveness."

The new study's detailed analysis makes similar findings. It concludes that FATF's new 'effectiveness' methodology offers few reliable indicators about the effectiveness of money laundering controls.

Positive signs?

But the new study ends optimistically. "FATF's frank acknowledgement that evaluating for effectiveness was missing, and important, is a positive step", says Pol. "Likewise, that outcomes matter. FATF also frequently adjusts its standards and guidance as circumstances change. If it accepts that some principles and practices underpinning its effectiveness framework might be improved, that tradition might reasonably be expected to continue."

Notes for editor

Dr Ron Pol	PhD, LLB (Hons), BCom (Econ)	Contact details
The study's author is a political scientist linking public policy with effectiveness. Not only if rules exist, or meet recognised standards, or countries adopt them, or if firms comply with them, but whether they work. Do they produce intended outcomes? For more, refer 1-page profiles: outcome effectiveness & AML/CFT effectiveness .		Dr Ronald F Pol, Principal AMLassurance.com Tel: +64 (0)4 566 5144 Mobile: +64 (0)27 241 1163 Email: Ronald.Pol@TeamFactors.com, or Ronald.Pol@AMLassurance.com

1. Country-specific media releases for 50 countries assessed since December 2014 [at 28 June 2018]

[Armenia](#), Andorra, [Australia](#), [Austria](#), [Bahamas](#), Bangladesh, [Barbados](#), [Belgium](#), Bhutan, [Botswana](#), Cambodia, [Canada](#), [Costa Rica](#), [Cuba](#), [Denmark](#), Ethiopia, [Fiji](#), Ghana, Guatemala, Honduras, [Hungary](#), Iceland, Ireland, Isle of Man, [Italy](#), [Jamaica](#), Macao, [Malaysia](#), [Mexico](#), Mongolia, Nicaragua, [Norway](#), Panama, [Portugal](#), [Samoa](#), Serbia, [Singapore](#), Slovenia, [Spain](#), [Sri Lanka](#), [Sweden](#), [Switzerland](#), [Thailand](#), [Trinidad & Tobago](#), Tunisia, [Uganda](#), [Ukraine](#), [United States](#), [Vanuatu](#) and [Zimbabwe](#).

- No link? [Contact us](#)
- 'Effectiveness' ratings charts for countries listed above: [here](#) [PPT format]

2. Not listed above? When is my country's AML/CFT system due for assessment?

The assessment schedule for more than 150 jurisdictions undergoing or awaiting assessment follows these notes.

3. The full study

Pol, R, F., *Anti-money laundering effectiveness: Assessing outcomes or ticking boxes?* Journal of Money Laundering Control (2018), Vol 21 No 2, pp215-230. Links to full article: <https://bit.ly/2KvZljD>, or from the author's [LinkedIn article](#), authorized [summary](#) or official abstract [here](#). About the *Journal of Money Laundering Control*, [here](#).

4. Companion article, and about the publisher

Pol, R. F., *Uncomfortable truths? ML=BS and AML=BS²*, Journal of Financial Crime (2018), Vol 25 No 2. DOI: 10.1108/JFC-08-2017-0071. Links to full article: <https://bit.ly/2tUEKkb> or from [media release](#), the author's [LinkedIn article](#), an authorized [summary](#), or the official [abstract](#). About *the Journal of Financial Crime* [here](#).

About Emerald Publishing, which publishes these and nearly 300 other journals, [here](#).

Emerald's announcements releasing the articles free to download: JFC: [here](#) & [here](#); JMLC: [here](#) & [here](#).

5. Other study referenced

Levi, M., Reuter, P., Halliday, T., *Can the AML system be evaluated without better data?* Crime, Law and Social Change (2017): [here](#)

6. Financial Action Task Force & FATF's effectiveness methodology

- About FATF: [here](#)
- About mutual evaluations: [here](#)
- About FATF 'effectiveness': [here](#)
- FATF's 'effectiveness' methodology: [here](#). NB: p16 (11 'immediate outcomes') & p21 (ratings)

7. Acknowledgements

An earlier version of the analysis which formed this article (in the author's PhD thesis) was reviewed by supervising Professors [Jason Sharman](#) (Cambridge), [AJ Brown](#) and [Duncan McDonnell](#) (Griffith), and examined by Professors [Michael Levi](#) (Cardiff) and [Louis de Koker](#) (La Trobe), before the *Journal of Money Laundering Control's* own peer-review process. Any errors are the author's alone.

FATF draft assessment schedule

Source: [FATF assessment calendar](#) (at 13 May 2018)
Indicative only. Check calendar for amendments & updates.

KEY

Table	Number of jurisdictions	Description
Table 1	120	On-site visits and/or plenary discussions currently scheduled for all 'fourth round' mutual evaluations under the 2013 'effectiveness' methodology.
Table 2	38	Assessment dates not yet scheduled. Likely from 2024.
Nil	6	Not listed in tables 1 or 2.

Jurisdiction	Table	Possible onsite visit	Possible plenary
Afghanistan	1		Jul-22
Albania	1	Mar-17	Jul-18
Algeria	1	Jan-22	Nov-22
Angola	1	Nov-21	Aug-22
Anguilla	1	Jan-22	Nov-22
Antigua and Barbuda	1		May-18
Argentina	1	Jul-21	Feb-22
Aruba (Netherlands)	1	Jan-21	Nov-21
Azerbaijan	2		
Bahrain	1	Nov-17	Jun-18
Belarus	2		
Belize	1	Jan-23	Nov-23
Benin	1	Feb-19	Nov-19
Bermuda	1	Sep-18	May-19
Bolivia	1	Jun-20	Dec-20
Bosnia and Herzegovina	2		
Brazil	1	Jul-21	Feb-22
Brunei Darussalam	1	Nov-20	Jun-21
Bulgaria	2		
Burkina Faso	1	Jul-18	May-19
Burundi	2		
Cabo Verde	1	Nov-17	Nov-18
Cameroon	2		
Cayman Islands	1	Dec-17	Nov-18
Central African Republic	Nil		
Chad	1	Jan-20	Sep-20
Chile	1	Jan-20	Jul-20
China	1	Jul-18	Feb-19
Chinese Taipei	1	Oct-18	Jul-19
Colombia	1	Jun-17	Jul-18
Comoros	1	Sep-22	May-23
Congo, Democratic Republic of the	2		
Congo, Republic of the	1	Mar-16	Mar-16
Cook Islands	2		
Côte d'Ivoire	1	Feb-21	Nov-21
Croatia	1	Dec-19	Apr-20

Curaçao (Netherlands)	1	Dec-21	Aug-22
Cyprus	1	Oct-18	Apr-19
Czech Republic	1	Mar-18	Dec-18
Djibouti	2		
Dominica	1	Jan-20	Nov-20
Dominican Republic	1	Nov-17	Jul-18
Ecuador	1	Jan-21	Jul-21
Egypt	1	Jan-20	Nov-20
El Salvador	1	Apr-22	May-23
Equatorial Guinea	1	Aug-21	Mar-22
Eritrea	2		
Estonia	2		
Finland	1	Jul-18	Feb-19
France	1	Jul-20	Feb-21
Gabon	1	Jan-19	Sep-19
Gambia	1	Feb-21	Nov-21
Georgia	2		
Germany	1	Nov-20	Jun-21
Gibraltar	2		
Greece	1	Nov-18	Jun-19
Grenada	1	Sep-20	May-21
Guernsey	2		
Guinea	1	Jan-22	Nov-22
Guinea Bissau	1	Oct-20	May-21
Guyana	1	Sep-22	May-23
Haiti	1	Apr-18	May-19
Holy See	2		
Hong Kong	1	Nov-18	Jun-19
India	1	Mar-21	Oct-21
Indonesia	1	Oct-17	Jul-18
Iran	2		
Iraq	Nil		
Israel	1	Mar-18	Oct-18
Japan	1	Nov-19	Jun-20
Jersey	2		
Jordan	2		
Kazakhstan	2		
Kenya	1	Nov-20	Jun-21
Kiribati	2		
Korea, Democratic People's Republic of	2		
Korea, Republic of	1	Jul-19	Feb-20
Kosovo	Nil		
Kuwait	1	Nov-21	Jun-22

Kyrgyzstan	1	Apr-17	May-18
Lao People's Democratic Republic	1	Oct-20	Jul-21
Latvia	1	Nov-17	Jul-18
Lebanon	1	Jan-21	Nov-21
Lesotho	Nil		
Liberia	1	Sep-21	May-22
Libya	2		
Liechtenstein	2		
Lithuania	1		Dec-18
Luxembourg	1	Jul-20	Feb-21
Macedonia, the former Yugoslav Republic of	1	Dec-20	Apr-21
Madagascar	1	Feb-17	Apr-18
Malawi	1	Nov-18	Aug-19
Maldives	1	Oct-18	Dec-19
Mali	1	Jan-19	Nov-19
Malta	1	Nov-18	Oct-19
Marshall Islands	1	Oct-20	Jul-21
Mauritania	1	Dec-16	Dec-17
Mauritius	1	Jun-17	Apr-18
Micronesia	2		
Moldova	1	Oct-18	Oct-19
Monaco	2		
Montenegro	1	Dec-21	Apr-22
Montserrat	1	Apr-23	May-24
Morocco	1	Jan-18	Nov-18
Mozambique	1	Dec-19	Aug-20
Myanmar	1	Oct-17	Jul-18
Namibia	1	Nov-20	Aug-21
Nauru	1	Oct-21	Jul-22
Nepal	1	Oct-20	Jul-21
Netherlands	1	Nov-20	Jun-21
New Zealand	1	Mar-20	Oct-20
Niger	1	Jan-20	Nov-20
Nigeria	2		
Niue	1	Oct-21	Jul-22
Oman	1	Mar-21	Oct-21
Pakistan	1	Oct-18	Jul-19
Palau	2		
Palestinian Authority	2		
Papua New Guinea	1	Oct-21	Jul-22
Paraguay	1	Jan-19	Jul-19
Peru	1	Jun-18	Dec-18

Philippines	1	Oct-18	Jul-19
Poland	2		
Qatar	1	Mar-20	Oct-20
Romania	2		
Russian Federation	1	Mar-19	Oct-19
Rwanda	2		
Saint Kitts & Nevis	1	Apr-20	May-21
Saint Lucia	1	Sep-19	May-20
Saint Vincent & the Grenadines	1	Sep-21	May-22
San Marino	1		Apr-19
Sao Tomé & Príncipe	1	Mar-22	Nov-22
Saudi Arabia	1	Nov-17	Jun-18
Senegal	1	Sep-17	Nov-18
Seychelles	1	Dec-17	Sep-18
Sierra Leone	1	Sep-19	May-20
Sint Maarten (Netherlands)	1	Jan-24	Nov-24
Slovak Republic	2		
Solomon Islands	1	Oct-18	Jul-19
Somalia	2		
South Africa	1	Nov-19	Jun-20
South Sudan	Nil		
Sudan	1	Jul-22	May-23
Suriname	1	Apr-21	Apr-22
Swaziland	1	Jun-20	Mar-21
Syria	2		
Tajikistan	2		
Tanzania	1	Jun-19	Mar-20
Timor-Leste	1	Oct-21	Jul-22
Togo	1	Mar-20	Nov-20
Tonga	1	Oct-19	Jul-20
Turkey	1	Mar-19	Oct-19
Turkmenistan	2		
Turks & Caicos	Nil		
Tuvalu	2		
United Arab Emirates	1	Jul-19	Feb-20
United Kingdom	1	Mar-18	Oct-18
Uruguay	1	Mar-19	Jul-19
Uzbekistan	2		
Venezuela	1	Apr-19	May-20
Vietnam	1	Oct-19	Jul-20
Virgin Islands (UK)	1	Jan-19	Nov-19
Yemen	1	Jul-18	May-19
Zambia	1	Jun-18	Mar-19