About the visualisations of FATF AML/CFT ratings

Fixed reference link to all charts: https://bit.ly/2RUJbqn
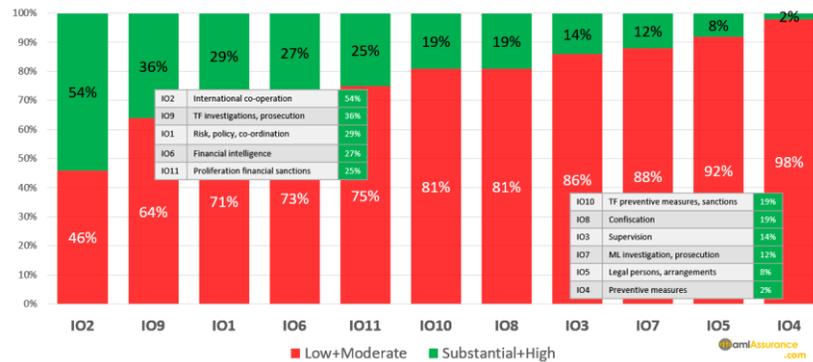
Ronald F Pol, PhD

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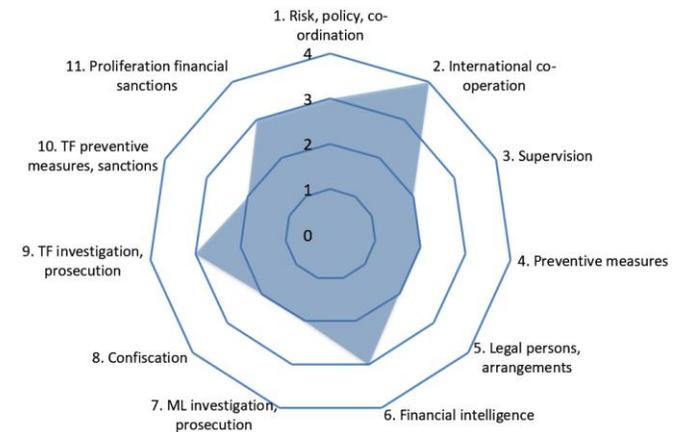
Why visualise the ratings?

- The FATF ratings system is transparently opaque.

  - **Transparent**. Ratings awarded to each country are publicly available ([here](#)) but
  - **Opaque**. It is almost impossible to compare countries' ratings or to compare between ratings themselves

- FATF added a consolidated ratings table ([here](#)), but as the number of evaluations and re-ratings grew, it became too cumbersome for ready comparison. But, later editions remedied that flaw; it is again now both comprehensive and useful. It does not, however, address other issues.

- AML Assurance released the first comprehensive visualisations of FATF ratings. It was previously difficult to compare ratings or countries, or even to visualise a country's perceived 'good' and bad' areas as assessed by evaluators, until now. (NB: Comparisons should always be treated cautiously; every country's circumstances and context differ)

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Overview: Only raw data

- ## Most charts use raw data alone

  - The dataset contains the ratings awarded to each jurisdiction evaluated and report published, for each of 51 measures assessed, ie R40 & IO11
    (FATF's 40 Recommendations & 11 Immediate Outcome or 'effectiveness' measures)

  - Sourced from MER4 and FUR (mutual evaluation reports and follow up reports): here

  - Each measure received one of four ratings.

    - R40   NC, PC, LC, C (non-, partly-, largely-, compliant)
    - IO11   Low, Moderate, Substantial, High

- ## Some IO11 charts ('outcome/effectiveness') use a simple conversion

  - This enables consolidation of ratings & comparisons between IO ratings measures & countries

  - As detailed in a published paper: summary/link here

  - In essence, it uses a 1 for 'low', 2 for 'moderate', 3 for 'substantial' & 4 for 'high' ratings

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IO11 ratings at a glance

here

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FATF Immediate Outcomes 'effectiveness' country ratings

FATF MER4 IO	IO1	IO2	IO3	IO4	IO5	IO6	IO7	IO8	IO9	IO10	IO11	Count	Avg
Andorra	Sub	Sub	Mod	Mod	Mod	Sub	Mod	Mod	Sub	Mod	Mod	26	2.36
Antigua & Barbuda	Mod	Mod	Low	Mod	Mod	Mod	Low	Mod	Mod	Low	Low	18	1.64
Armenia	Mod	Sub	Mod	Sub	Sub	Mod	Low	Low	Sub	Sub	Sub	26	2.36
Australia	Sub	High	Mod	Mod	Mod	Sub	Mod	Mod	Sub	Mod	Sub	28	2.55
Austria	Mod	Sub	Mod	Mod	Mod	Low	Low	Mod	Sub	Mod	Sub	23	2.09
Bahamas	Low	Mod	Mod	Mod	Mod	Mod	Low	Low	Low	Low	Low	16	1.45
Bahrain	Mod	Sub	Sub	Mod	Mod	Sub	Mod	Mod	Mod	Mod	Mod	25	2.27
Bangladesh	Mod	Sub	Mod	Low	Low	Mod	Low	Low	Sub	Mod	Sub	21	1.91
Barbados	Low	Mod	Mod	Mod	Mod	Low	Low	Low	Low	Low	Low	15	1.36
Belgium	Sub	Sub	Mod	Mod	Mod	Sub	Mod	Mod	Sub	Mod	Mod	26	2.36

- Source: Raw data only (IO11 ratings, from MER & FUR)

- All 'effectiveness' ratings, single page, colour co-ordinated

- Easy to scan and compare all countries' ratings at a glance

- The final columns ('count' and 'avg') also show the data used elsewhere (country rankings). This simply adds up 1's for 'low', 2's for 'moderate' etc for each row a total and divided by 11 (the number of ratings) an average score for each country. Likewise the final rows, enabling comparison between IO measures.

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IO country ratings

here

Fixed reference link to all charts: https://bit.ly/2RUJbqn

Austria

1. Risk, policy, co-ordination
2. International co-operation
3. Supervision
4. Preventive measures
5. Legal persons, arrangements
6. Financial intelligence
7. ML investigation, prosecution
8. Confiscation
9. TF investigation, prosecution
10. TF preventive measures, sanctions
11. Proliferation financial sanctions

1. **Low**
2. **Moderate**
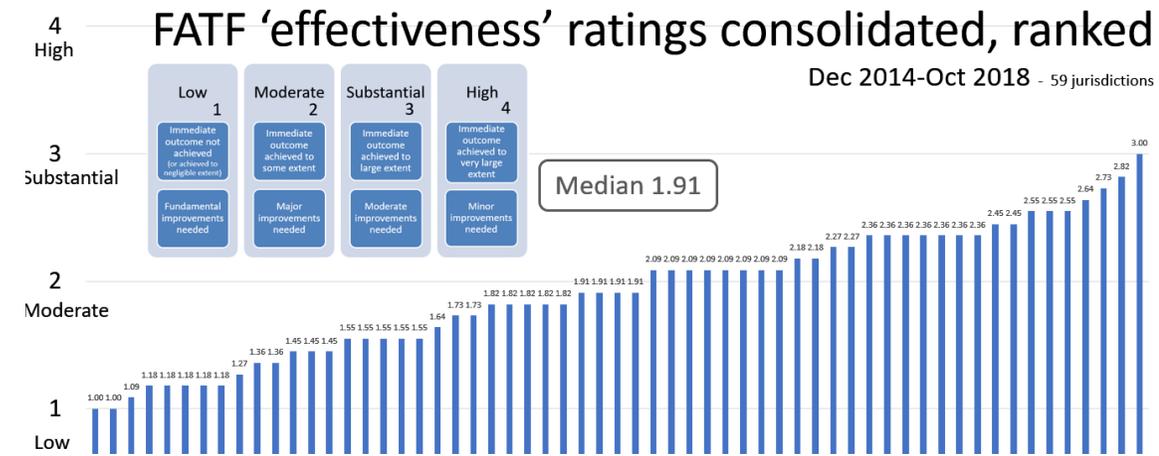3. **Substantial**
4. **High**
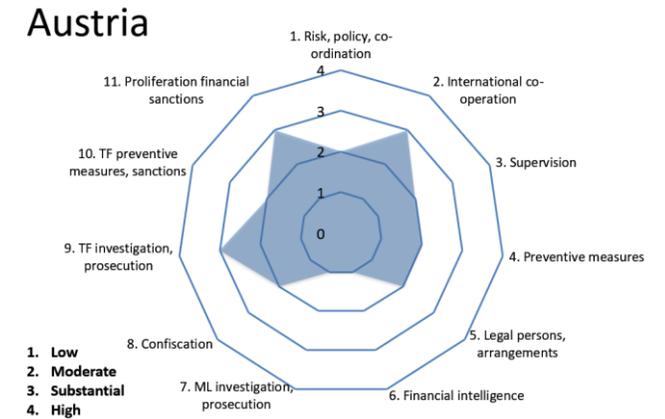
- Source: Raw data only (IO11 ratings, from MER & FUR)

- Ratings are assigned numbers only for visualisation purposes.
  - 1 for 'low' ratings, 2 for 'moderate', 3 for 'substantial', 4 for 'high'

- Thus for Austria, for IO2 (international co-operation') it was awarded a 'substantial' rating. It's other 'substantial' ratings (IO9 & IO11) stand out as peaks in the diagram. Likewise, its poor 'low' ratings (IO6 & IO7) are instantly seen as troughs.

- This method also enables easy side-by-side country comparison, to quickly identify areas assessors regarded more, or less, highly

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IO country rankings

here

Fixed reference link to all charts: https://bit.ly/2RUJbqn

FATF 'effectiveness' ratings consolidated, ranked

Dec 2014-Oct 2018 - 59 jurisdictions

Median 1.91

- Source: Raw data (IO11 ratings, from MER & FUR), supplemented slightly

- Descriptor ratings were assigned numbers.
  - 1 for 'low', 2 for 'moderate', 3 for 'substantial', 4 for 'high' ratings

- Totals were divided by 11 (the number of ratings), resulting in an average score for each country across all is IO11 ratings

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Consolidated IO compliance

here

Fixed reference link to all charts: https://bit.ly/2RUJbqn

- Source: Raw data only (IO11 ratings, from MER & FUR)

- Across all mutual evaluations:
  - Consolidates and visualises all 'immediate outcomes' ratings
  - Shows the numbers and percentages of the four ratings (low, moderate, substantial, high), in various formats and breakdowns
  - Rank ordered
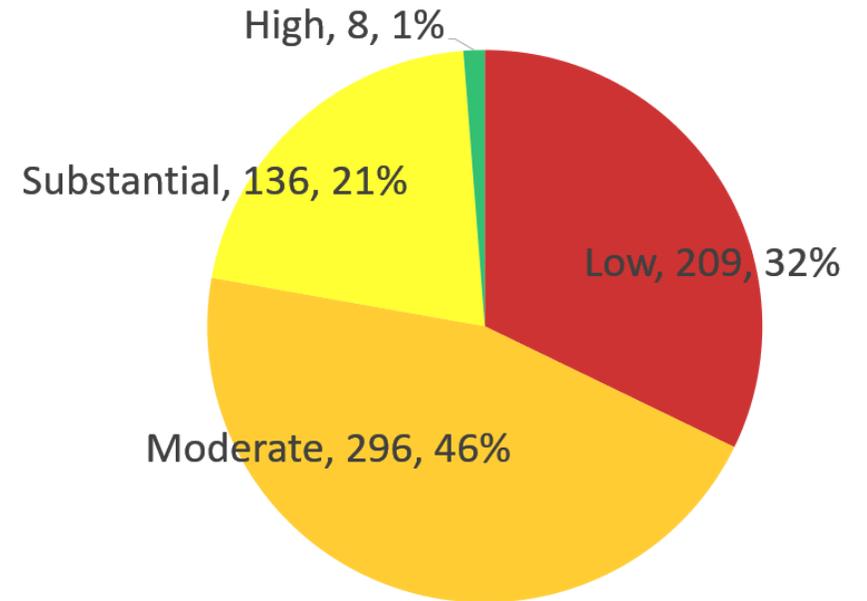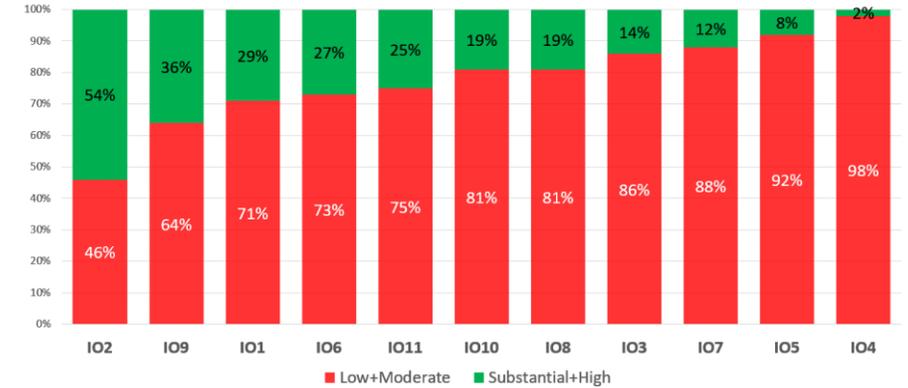
Consolidated R40 compliance

[here](#)

Fixed reference link to all charts: https://bit.ly/2RUJbqn
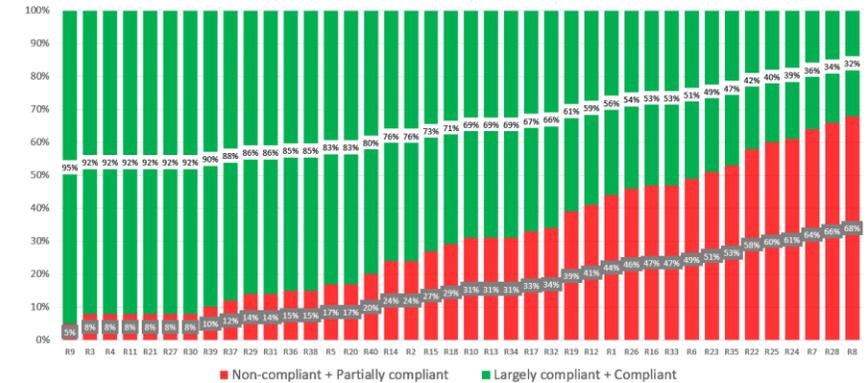
- Source: Raw data (R40 ratings, from MER & FUR)

- Across all mutual evaluations:

  - Consolidates and visualises all '40 recommendations' ratings

  - Shows the percentages of the four ratings (NC, PC, LC, C, ie non-, partly-, largely-, compliant), in various formats and breakdowns

  - Rank ordered

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What the visualisations don't do

- The visualisations seek only to wrestle the data into a practical, useful format, without opinion or judgment calls

- Whether someone believes in the high-ordained sanctity of FATF ratings, or that the ratings system is largely bereft of evidential foundation with all the rigour of a bowl of jelly, or anywhere between, doesn't matter. The ratings simply are what they are.

- Likewise, comparisons should be treated cautiously. A key reason for these new visualisations (enabling context) applies also to these visualisations. Especially comparing countries, context matters.

- These visualisations are available for fresh insights irrespective such debate, simply to help advance the conversation.

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AUTHOR RELEVANT ARTICLES

Laundry-wash: FATF ratings clean the toughest stain

- Ronald F Pol, *Interest.co.nz* https://bit.ly/2PfFvBa and *LinkedIn* (with PDF): https://bit.ly/2PlduYT

More than 120 jurisdictions' anti-money laundering systems will be evaluated in the next decade. Leaked results from the UK's 'mutual evaluation' reveal an effectiveness deficit flagged in scientific research, and opportunities for countries to boost FATF ratings.

Visualising all AML/CTF evaluations

- Ronald F Pol, LinkedIn: https://bit.ly/2RUJbqn

The large number of evaluations in the "fourth round" of country-level AML/CFT evaluations (2014-) and the way they are presented makes it difficult to visualise global results, compare countries, and compare ratings. This article releases some of my own resources developed for 'at-a-glance' system-wide insights.

Uncomfortable truths? ML=BS and AML=BS^2

- Ronald F Pol, *Journal of Financial Crime*, 2018, Vol 25 No 2 (2018): http://dx.doi.org/10.1108/JFC-08-2017-0071

This article applies outcome effectiveness principles to anti-money laundering, exposing and expanding the industry's open secret: it is almost completely ineffective.
If your organization does not have access rights to academic journals, the full article is available for a small charge from the publisher.

Anti-money laundering effectiveness: Assessing outcomes or ticking boxes?

- Ronald F Pol, *Journal of Money Laundering Control*, 2018, Vol 21 No 2 (2018): http://dx.doi.org/10.1108/JMLC-07-2017-0029

The first independent assessment applying outcome effectiveness principles to the new global methodology for evaluating anti-money laundering effectiveness based on specified outcomes. This article explains why the new methodology is incapable of assessing effectiveness as it purports.
- our organization does not have access rights to academic journals, the full article is available for a small charge from the publisher.

Anti-money laundering effectiveness ratings: Ranking countries and outcomes

- Ronald F Pol, *ACAMS Today*, Dec 2017-Feb 2018.

There is no official consolidated 'effectiveness' country rating or ranking. This article offers simple new ways to rank country ratings.
- LinkedIn (author summary & link to source): https://bit.ly/2q9KGEH

Access to the full article may depend on your organization's ACAMS subscription access.

Additional materials available at: www.amlassurance.com. For specific ratings comparators, contact us directly.

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