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Regional Features of Compliance With FATF Requirements[1]

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Abstract

Increasingly expanding international requirements in the field of combating money laundering and terrorist financing (AML/CFT) force the public and financial sector to seek a balance between the rising costs of their implementation and sanctions threats for non-compliance. A number of scientific publications describe regional AML/CFT cooperation in the European Union (EU) as an example of such a balance. Some EU countries coordinate their actions within the framework of the Financial Action Task Force on Money Laundering (FATF), which is the methodological centre of the global anti-money laundering movement. Russia is a member of the FATF and its two regional groups: the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), organized by the Council of Europe, and the Eurasian Group (EAG) initiated by Russia itself, which unites Russia's neighbouring, mainly Asian, countries. This study covers the results of assessments of compliance by EU and EAG countries with FATF requirements in order to study approaches to AML/CFT regional cooperation and to identify problems arising in this process and prospects for international cooperation. The methods of comparative and graphical analysis were used. The authors show that deep regional integration of lawmaking is not in itself a fundamental factor in achieving equally high rates of compliance with FATF requirements. Indifference to matters of monitoring compliance with approved regional anti-money laundering standards allows particular EU countries to act in the national interest, contrary to the 40 FATF Recommendations and the goals of the global AML/CFT regime. On the contrary, the EAG countries demonstrate steady progress in the introduction of legislation and practical implementation of FATF requirements, which indicates their collective awareness of the benefits from financial information transparency and the possibility of exchanging this information at the international level.

Keywords: AML/CFT, 40 FATF Recommendations, Eurasian Group, EAG, European Union, MONEYVAL

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Introduction

In 1989, by the decision of the Group of 7 (G7) countries, the Financial Action Task Force on Money Laundering (FATF) was founded—an intergovernmental organization that became a body for the methodological development of global anti-money laundering standards and a control body for their implementation. Thus, the international regime to combat money laundering and terrorist financing (AML/CFT) was launched. Over three decades, the movement has become a supranational financial regulatory body that has an important impact on the development of the financial sector. This "global regime has been shaped and prodded to a considerable extent by US developments and initiatives... The principal initial motivation for the establishment of the FATF was to combat drug abuse and the financial power of drug traffickers and other organized crime groups whose activities are facilitated by money laundering. Public concern about illegal drugs in the United States had reached extraordinary levels in 1989" [Reuter, Truman, 2004, pp. 79, 81], especially in education, healthcare, and the burden on law enforcement agencies [U.S. Department of Justice, 1990]. The rest of the G7 members were guided by other incentives in their decision to establish the FATF. Tax evasion has become an urgent problem for Australia, drugs and terrorism for the UK, and "concerns that money launderers or criminals would take advantage of the increasingly free flow of capital and financial services throughout the European Union" for Germany, France, and Italy [Ibid., 2004, p. 81]. The collective principle of forming the foundations of European Union (EU) legal norms was determined by the fact that all the countries of the union were involved in the AML/CFT.

The FATF was created at the Organisation for Economic Co-operation and Development (OECD) with a qualified opinion about its independence, but the OECD has retained control over the FATF to this day. For example, a FATF employee can only be a citizen of a country that is both a member of the OECD and the FATF. In 1990, the first edition of the international anti-money laundering standards—the 40 FATF Recommendations—was published. The opportunity to participate in the FATF was provided to 15 countries that had voluntarily joined it (Australia, Austria, Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the U.S.). The principles, methods, and tools of the global AML/CFT system were transferred from U.S. legislation against money laundering [Bank Secrecy Act, 1970], racketeering [Racketeer Influenced and Corrupt Organizations Act, 1970], foreign corruption [Foreign Corrupt Practices Act, 1977], and drug trafficking abroad [Anti-Drug Abuse Act, 1988], and from UK legislation on countering illegal drugs [Drug Trafficking Offences Act, 1986]. The basic elements of international AML/CFT cooperation are the requirements for the implementation of certain norms in national legal systems with their subsequent effective realization, including the formation of financial intelligence units, as well as mandatory mutual assistance, regardless of bank secrecy. These elements have already been recognized by global institutions, for example, the decision of the United Nations (UN) Vienna Convention against illicit traffic in narcotic drugs and psychotropic substances [UN, 1988], the statement of the Basel Committee [BIS, 1988], and the Council of Europe [Council of Europe, 1980; 1990]. After the publication of the 40 FATF Recommendations, most countries took a wait-and-see attitude; the practical implementation was begun mainly by the initiators of the regime, as well as the European Commission, which published the AML Directive [EU, 1990], approved in 1991 [EC, 1991]. In essence, the directive has primacy in European law—the national legislations of the EU members establish mechanisms for the implementation of the directive in practice and responsibility for violations. The AML/CFT directives have been repeatedly re-approved. Since 2021, the 5th Directive [EU, 2015] has been in effect and the sixth edition has been prepared.

The implementation and development of AML/CFT in the EU countries is determined not only by the impact of coercive FATF measures, but also by the specific EU methods. Collectivity often appears to be a quality that positively affects the effectiveness of AML/CFT measures in the EU. "The eurozone countries are superior to all other groups," argued M. Arnone and P. C. Padoan [2008, p. 361]. The Italian economists arrived at their conclusion in 2008, but with many reservations: the study was fragmentary, it included reports on the state of national AML/CFT systems of only 20 countries, the reports themselves were made before 2006 by various international organizations (the International Monetary Fund (IMF), the World Bank, and the FATF), and each organization was guided by its own assessment methodology. In the course of a more detailed study of a selection of the same reports, which collected only European countries, the highest ratings for compliance with AML/CFT standards were found in countries from the euro area followed by EU members outside the eurozone; the worst ratings were found in European countries that were not members of the European Union at that time [Borlini, 2012]. However, even within the EU, which is bound by close comprehensive ties in the economic, financial, and legal systems, significant differences remain. For example, the "inconsistent behaviour of the Italian authorities" caused weak regulation and control, which is why Italian financial institutions "do not report their own clients; by doing so, they create fertile grounds for opaque situations where tracing of ML [money laundering] operations and related mechanisms are lost" [Borlini, 2012, p. 24].

In 2011, the IMF published some results of its analysis of FATF reports on the assessment of the state of AML/CFT systems in 161 countries for 2004–11 [IMF, 2011]. These reports were examined in more detail by a group of Austrian economists who compared the levels of compliance with the 40 FATF Recommendations by EU countries and offshore jurisdictions. The researchers explained the higher rates in the EU by the fact that anti-money laundering "incentives for offshore countries are weak" [Haigner et al., 2012, p. 76].

In 2019, the fourth round of mutual FATF verification was held in Russia. The country has a gradually developing AML/CFT system. In 2001 the Federal Law "On Countering the Legalization (Laundering) of Proceeds From Crime" was adopted. Since 2003, Russia has been a member of the FATF and in 2004 it initiated the establishment of the Eurasian Group (EAG), which included Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, and Uzbekistan. The audit took place during the period of anti-Russian sanctions due to the entry of Crimea into the Russian Federation, which also affected the financial sector. However, this did not affect the final positive assessment. Often, annual progress reports are required from countries after verification, since the identified shortcomings, according to the FATF, pose a threat to the global AML/CFT system. Russia has been fulfilling the requirement for annual follow-up actions after the 2008 audit for more than five years, but in 2019 there was no need for additional monitoring of the Russian AML/CFT system. The development of international standards continues. Russia is developing AML/CFT measures both at the legislative level and on the part of the main financial regulator—the Bank of Russia. Given the seriousness of the threats from the FATF to violators, as well as the high cost of AML/CFT measures for all business entities—the state, the financial sector, the public, and private businesses consuming financial services—one could assume an active interest on the part of Russian scientists in finding the most effective ways to advance the AML/CFT. However, in reality, few scientific papers on this topic have been published and most of them are based not on empirical data, but on an analysis of international and European AML/CFT standards. Further, there is no unanimity among them. K. G. Sorokin and co-authors considered the AML/CFT in the EU to be exemplary on the grounds that the union is a "highly organized integration entity" [2014, p. 235]. However, according to S. A. Kuznetsova, integration for high efficiency in the fight against ML/FT is not enough: "In order to expose the entire European Union to the threat of money laundering and terrorist financing, it is not necessary that all member states be weak links. As long as there is at least one weak point, the entire AML/CFT system is under threat. It follows that even if some EU member states have highly effective AML mechanisms, this does not negate the assessment of the AML problem as a systemic and a matter of EU supervisory policy" [2021, p. 64]. The researcher confirms his conclusion with Europol statistics, according to which only 1.1% of illegal income is withdrawn from illegal turnover in the EU, while "98.9% of the alleged criminal profit is not confiscated and remains at the disposal of criminals" [Europol, 2016].

The authors of a few studies that touch upon the topic of international regional cooperation in the AML/CFT regime with the participation of Russia look at such interaction from different points of view. K. G. Sorokin et al. [2014] and R. E. Mirzoyan [2015] did not consider Russian membership in the FATF, the EAG, or MONEYVAL and insisted on expanding the functionality of the Eurasian Economic Union (EAEU) provided it copies the AML/CFT mechanisms and measures from the European Union. On the other hand, K. S. Melkumyan, having studied various aspects of cooperation between the EAG countries, pointed to the positive role of the organization in "the diffusion of FATF norms beyond its borders, reducing information asymmetry, increasing trust between EAG members and improving AML/CFT systems of strategically important jurisdictions" [2017].

To date, economists have no reasonable idea about the effectiveness of regional cooperation for AML/CFT purposes. Considering the positive EU reputation for regional cooperation in AML/CFT, attention is directed to the results of the assessment of the national AML/CFT systems of the EU countries and the EAG members in order to establish how international regional ties affect the ratings of the AML/CFT systems of the participants of regional AML/CFT organizations.

Method

Monitoring and evaluation of compliance with international AML/CFT requirements is provided by the FATF through periodic mutual inspections of national AML/CFT systems. Since 1990, the 40 FATF Recommendarions have undergone a number of changes. The most significant were in 2001, when, after the terrorist attack in New York, anti-money laundering methods were extended to certain areas of the non-financial sector and to combat the financing of terrorism (the document was named 40+9 FATF Recommendations), and in 2012, when the anti-money laundering approach itself was revised. At the formative stage of the AML/CFT regime, when the main task was the global expansion of basic norms and the formation of the reputation of the FATF as an institution of universal supranational financial regulation with long-term prospects, there was a formalized approach aimed at creating an institutional foundation. In 2012, the AML/CFT proclaimed a risk-oriented approach, based on executive discipline, to the practical implementation of the goals of the regime. In addition, the 2012 edition (which marked a return to the original title, 40 FATF Recommendations) introduced tools to counter the financing of the proliferation of weapons of mass destruction. Following the approach, the methodology of mutual assessments also changed. The formalized approach allowed for a one-component assessment of the national AML/CFT system, focused mainly on identifying which recommendations have not been implemented in national legislation. The state of national AML/CFT systems was assessed by the completeness of the implementation of 40 basic and nine special recommendations. The risk-oriented approach was closer to a two-component assessment [FATF, 2021], where the first component—"technical compliance"—as in the previous methodology, shows how fully each recommendation is implemented, taking into account periodic updates. The second component—"effectiveness"—reflects the opinion of the experts conducting the audit on the level of implementation in practice of the AML/CFT standards.

The study used two groups of reports on the latest mutual evaluations, as well as reports on progress in eliminating deficiencies identified during mutual evaluations. The first group includes 27 reports from EU countries, among which 14 are direct FATF members and the rest are part of MONEYVAL. The FATF has given MONEYVAL, like the rest of its regional organizations, the authority to conduct inspections of the compliance of its participants' AML/CFT systems with the requirements of international standards in accordance with FATF methodology. The second group includes nine reports of the latest inspections of the EAG countries, among which three countries—India, China and Russia—are members of the FATF and the rest are undergoing mutual inspections by the EAG. In a number of countries the latest inspections were carried out using a single-component methodology; their results were analyzed separately from countries with two-component assessments. Compliance ratings are summarized in Tables 1–8.

To compare the estimates obtained within the different methodologies, the level of compliance with the 40 FATF Recommendations as a percentage of the maximum possible is calculated. The percentages were calculated as follows: first, the ratings "compliant" (C), "largely compliant" (LC), "partially compliant" (PC), and "not compliant" were replaced by numbers 3, 2, 1, and 0 respectively. Then, for each country, the rating figures of each recommendation were summed up and are divided into 120 (Tables 3 and 5) or 147 (Tables 4 and 6). The result is given as a percentage. The assessment "not applicable" (due to the structural, legal, or institutional features of the country) (N/A) is excluded from the calculation, reducing the aggregate indicator when determining the percentage of compliance.

Similarly, the effectiveness ratings are calculated based on assessments within the framework of a two-component methodology. The ratings "high" (H), "substantial" (S), "moderate" (M), and "low" (L) are replaced by numbers 4, 3, 2, and 1, respectively.

Results and Discussions

The aggregated results of the evaluation of the national AML/CFT systems of EU and EAG members are shown in Figures 1–6.

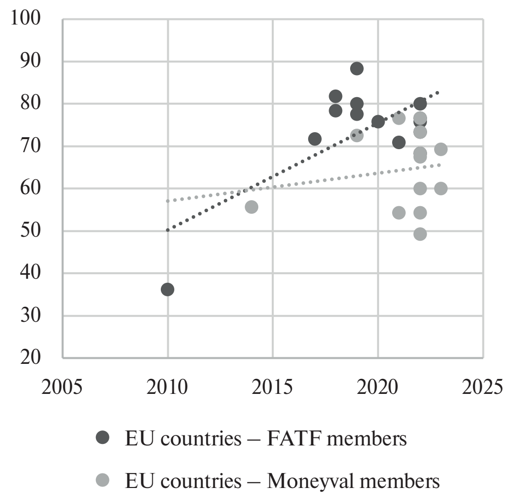

Fig. 1. Percentage Ratings of the Technical Compliance of EU Countries

Source: Tables 3–6 of the Appendix.

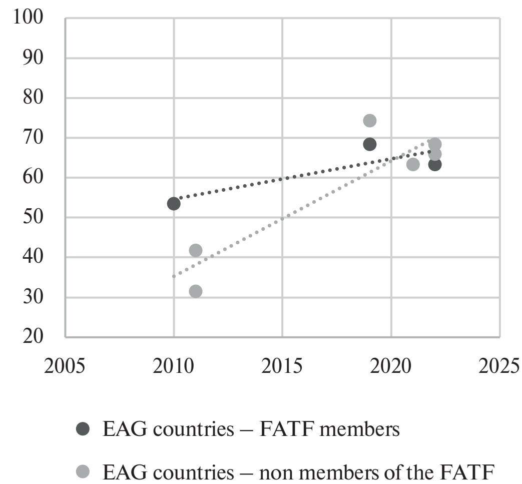

Fig. 2. Percentage Ratings of Technical Compliance of the EAG Countries

Figures 1–6 do not give an idea of the current state of the countries' AML/CFT systems but characterize the results of recent FATF assessments and some aspects of the regional impact on these assessments.

Dynamics in Time

The FATF itself, the IMF, and AML/CFT researchers are aware that the implementation of AML/CFT standards requires time and resources. "Compliance is expensive," the IMF has noted. "To achieve relatively high levels of compliance, countries must invest in building institutions and promote active interagency coordination and international cooperation" [IMF, 2011, p. 8].

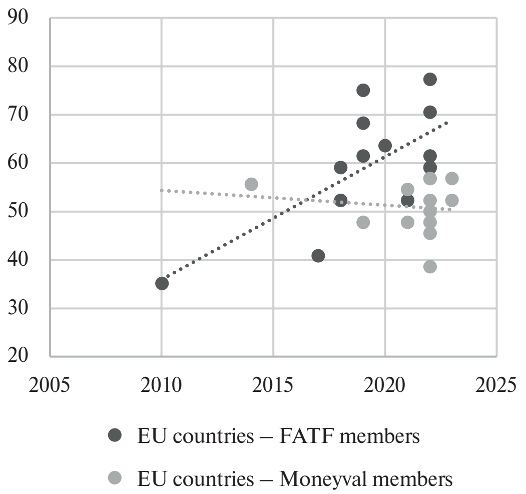

Fig. 3. Percentage Ratings of Effectiveness of EU Countries

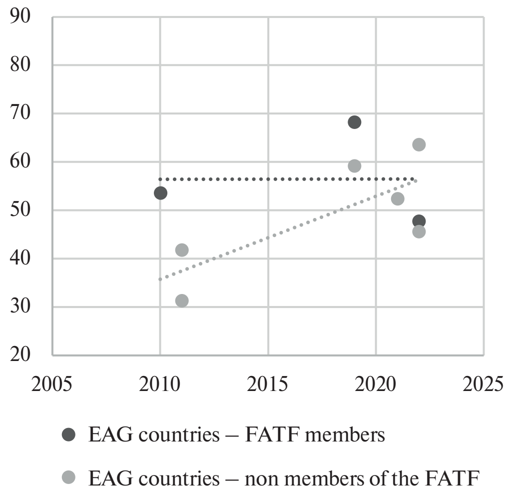

Fig. 4. Percentage Ratings of Effectiveness of EAG Countries

Source: Tables 5–8 of the Appendix.

The percentage rating of technical compliance indicates the level of efforts of the authorities to implement AML/CFT standards in the country's mechanisms of lawmaking, the distribution of powers and responsibilities, and the ratification of decisions of international organizations. In Figures 1 and 2, not all trend lines show growth. The percentage ratings of technical compliance based on the results of later inspections in EU countries that are not members of the FATF is significantly lower than that of members. This applies, as a rule, to later EU members, who lag behind the leaders in terms of economic development indicators and lack their own resources to comply with the growing FATF requirements and EU directives, while the mechanisms of European coordination for AML/CFT do not show proper effectiveness.

On the contrary, in the EAG countries, the percentage ratings of technical compliance have been getting closer in recent years (2019–22), confirming the opinion of researchers that the EAG "consolidated the status of a fundamental organization within the AML/CFT regime ... The measures taken by the EAG in relation to the member countries allowed Kyrgyzstan, China, Uzbekistan and Turkmenistan to be removed from the special monitoring regime and excluded from the "black" lists ... Uzbekistan, ... Turkmenistan ..., Tajikistan ... and Kyrgyzstan" [Melkumyan, 2017, p. 355]. Despite the fact that "compliance by many emerging market and low-income countries is impeded by a relatively poor understanding of AML/CFT best practices, inadequate budgets for training staff, and the absence of important preconditions (e.g., rule of law, transparency, and good governance) for the effective implementation of AML/CFT measures" [IMF, 2011, p. 8], the EAG managed to involve countries of different political structures, with significant differences in economic development, in active AML/CFT cooperation.

In many ways, a similar situation exists in the ratings of the effectiveness. These ratings reflect the level of costs of the private financial sector for AML/CFT, as well as losses of non-financial businesses and the population due to rising the cost of financial services and the increase in time to receive them. Comparison of the data presented in Figures 3 and 4 indicates a general trend toward increasing the gap in the backlog of EU countries that are not members of the FATF with the countries that are members of the FATF in the practical implementation of international AML/CFT standards. The researchers see the reason in the "weakness of AML/CFT supervision by national regulatory authorities and law enforcement agencies in the EU countries. Some EU members are becoming weak links through which criminals can carry out their illegal activities" [Kuznetsova, 2021, p. 64]. Latvia has been such a weak link for a long time, through whose banks criminal proceeds from Europe and the U.S. were transferred to offshore financial organizations. Only after the intervention of U.S. supervisory authorities and the closure of the dollar correspondent accounts of Latvian banks, the country began to implement the EU anti-money laundering regulations into the national legislation and practice of the financial sector [Bowen, Galeotti, 2014]. The EU's indifference to the implementation of its norms by the members was clearly manifested here. On the contrary, the EAG countries that forcibly started implementing anti-money laundering measures have learned to use them for improving their financial systems and to counter the shadow economy and terrorism financing. Their interaction is not limited to making AML/CFT laws and regulations in the participating countries, but extends to the practical implementation, including consultations with the private sector of the region on minimizing the risks of their use for criminal purposes. As a result, "the partnership of the private sector with government agencies plays an important role in the development of an effective national AML/CFT system, bringing real benefits to the national economy and the banking sector. The business community of the region is interested in meeting international standards, which leads to strengthening the reputation of individual companies and, as a result, increasing the investment attractiveness of national economies" [Melkumyan, 2017, p. 354].

FATF Membership

"FATF has a limited membership," wrote P. Reuter and E. M. Truman, "... and operates by consensus—potential constraints that it has addressed by maintaining high standards for its members, and by directly or indirectly sponsoring a number of regional clones, a move that reflects its recognition of the economic and political implications of globalization" [2004, p. 84]. There are two aspects to this statement: the first is that FATF members maintain high AML/CFT standards. And the second: involvement of all other countries in the AML/CFT is carried out through regional groups dependent on FATF. In accordance with Figures 1 and 3, in the FATF's EU members, AML/CFT ratings are indeed higher than in other jurisdictions. Luxembourg, one of the first FATF members, stands apart. This is another example of the indifference of the supervision and control financial authorities of the EU to countries that do not comply, not only with international, but also with EU requirements. However, in relation to Luxembourg, the purpose of its entry into the FATF is of interest. The interests of a jurisdiction that is completely dependent on foreign financial flows passing through its banking system conflict with the goals of an organization that insists on transparency of financial transactions and information exchange with foreign financial intelligence agencies. AML researchers point to several motives for countries joining the FATF. For the G7 participants, "the principal initial motivation for the establishment of the FATF was to combat drug abuse and the financial power of drug traffickers and other organized crime groups whose activities are facilitated by money laundering" [Reuter, Truman, 2004, p. 81]. This motive is stated on the official FATF website; it was guided primarily by the United States and Great Britain, and by Germany and France in the EU. The second motive is the possession of leverage on the global financial system through participation in the formation of anti–money laundering standards, the development of a methodology for mutual inspections, and making decisions on the application of sanctions to non-compliant countries. Among the EU countries, this motive is clearly traced in Luxembourg, where "as in the past, the role of external and internal audit in the detection of fraud, remains very low and significantly below international results" [PwC, 2020, p. 13]. Whereas membership in the FATF allows countries to influence the decisions made by the organization. The EU's indifference allows Luxembourg to remain a "financial black box" that helps people launder illicit money and avoid tax" [Jones, 2021].

As for the EAG members, it is difficult to make conclusions about how India, China, and Russia's membership in the FATF influences their AML/CFT ratings. Despite the significant difference in the scale and level of development of their financial systems, none of them is a major international financial centre. In each, the financial sector is neither the main source of government revenue nor the most important employment sector for the population. At the same time, involvement in deep international economic links forces the EAG countries to develop financial mechanisms in the direction of the main global priorities. An important obstacle is the lack of resources. Collegiality helps the EAG countries to solve these issues. The points of interaction within the EAG allow all countries in the group, both members and non-members of the FATF, to gradually move toward progress in compliance with international AML/CFT requirements. Suspension of Russia's membership in the FATF in February 2023, in connection with the special military operation in Ukraine, "does not entail any obligations and restrictions for financial institutions in Russia and abroad ... The Russian Federation, as a responsible party, will apply measures to counter ML/FT/FRM and other serious crimes, by intensifying international cooperation with countries concerned," according to a statement by Rosfinmonitoring [2023].

The Relationship Between Technical Compliance and the Effectiveness of Compliance With FATF Requirements

At the stage of information gathering, it seemed logical that the more fully the requirements of the 40 FATF Recommendations are implemented into the country's legal system, that is, the higher the rating of its technical compliance, the more effectively these requirements are implemented by the financial sector in practice, respectively, the higher the rating of effectiveness.

Figures 5 and 6 show the technical compliance ratings and the ratings of effectiveness presented in chronological order. In EU countries, the logic of the relationship between the level of implementation of AML/CFT requirements in the national legislation generally corresponds to the degree of implementation of these requirements in practice. The highest levels of technical compliance in Spain, Italy, the Netherlands, and France correspond to the maximum effectiveness of compliance by national financial systems with international AML/CFT standards. Conversely, the low level of compliance by Bulgaria corresponds to the minimum values of efficiency. At the same time, a number of contradictions can be noted. The level of technical compliance by Portugal is higher than that of Hungary, Slovakia, Poland, Croatia, and the Czech Republic, but their ratings of effectiveness are much lower. Germany, which was involved from the outset in the FATF and the entire AML/CFT regime and most fully reflected international and regional AML/CFT requirements in national legislation, has a lower level of compliance with these requirements than Spain and the Netherlands. This is seen as another confirmation of the EU's indifference to monitoring the implementation of AML/CFT requirements by participating countries.

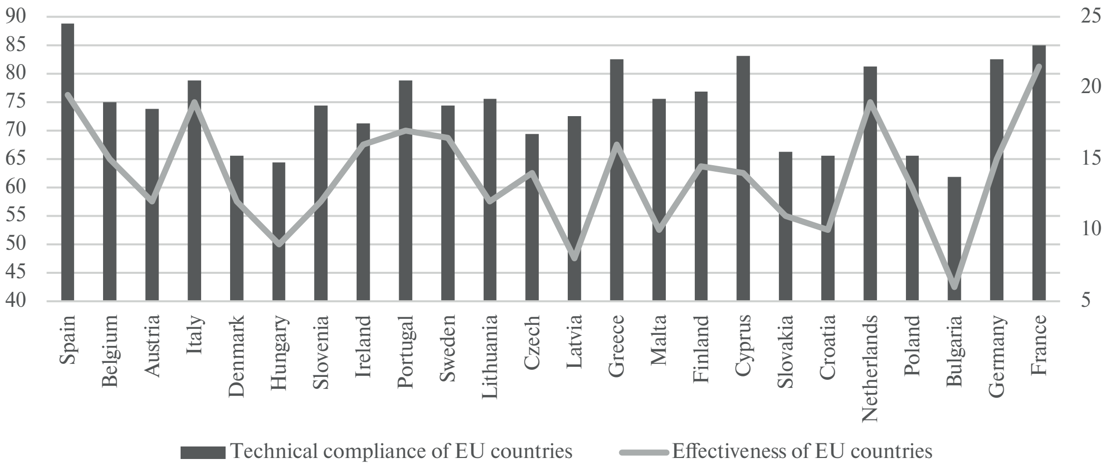

Fig. 5. Technical Compliance Ratings and Ratings of Effectiveness of EU Countries

Source: Tables 3, 4 and 7 of the Appendix.

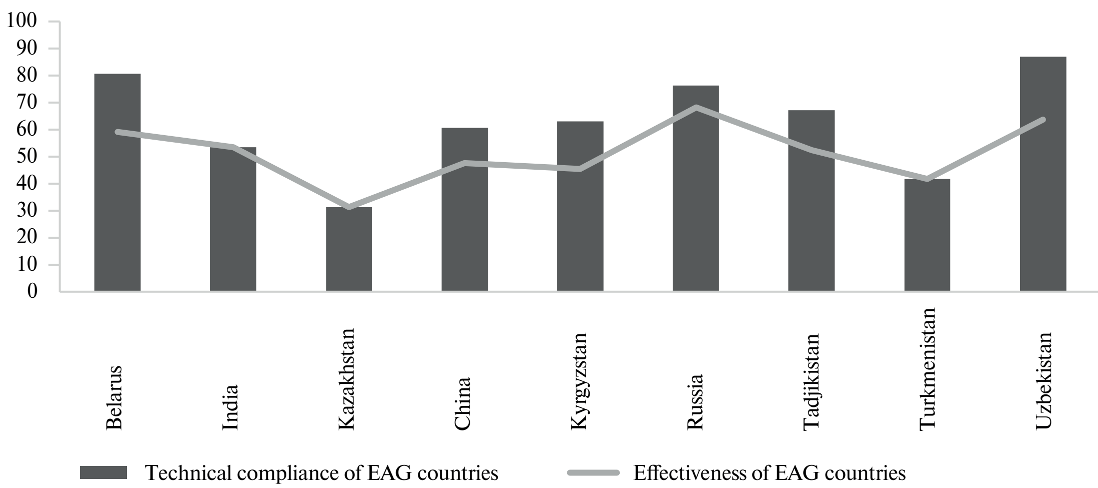

Fig. 6. Technical Compliance Ratings and Ratings of Effectiveness of EAG Members

Source: Tables 5, 6 and 8 of the Appendix.

According to Figure 6, as for the EAG countries, there is an obvious direct correlation between technical compliance and the effectiveness of compliance with FATF requirements.

The members of the group systematically consolidate the AML/CFT obligations adopted at the legislative level and create mechanisms for regulating and monitoring the implementation of the adopted norms. Russia, as the initiator of the formation of the EAG and a country with a developed financial sector, acts as the locomotive of progress in AML/CFT among the countries of the group, implementing a wide range of measures in practice. This was reflected in the rating of effectiveness based on the results of the last mutual inspection.

Conclusions

The following conclusions can be drawn based on the preceding analysis. First, the adoption of uniform regional AML/CFT norms does not condition their voluntary implementation by the countries of the region into national legislation and practice of the financial sector. The myth of the EU's exemplary model for the implementation of international AML/CFT standards does not correspond to the results of FATF inspections in USs countries. In some cases, the motive for the progress of AML/CFT measures in a particular EU country is based on extra-EU coercion.

Second, the duration of implementation of the 40 FATF Recommendations into the national AML/CFT system, membership in the FATF, or the level of implementation of international and regional requirements in national legislation (technical compliance rating) do not have a decisive impact on the practical effectiveness of AML/CFT measures in the EU. The motivation to comply with international and regional AML/CFT requirements is determined in different EU countries by different motives, which do not always coincide with the goals of the anti-money laundering regime.

Finally, much more effective regional cooperation is demonstrated by the EAG countries implementing coordinating measures that make it possible, taking into account resource capabilities, to ensure real progress in the AML/CFT in their territories.

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Appendix

Table 1. Symbols of Technical Compliance Ratings of National Anti-Washing Systems in the FATF Methodology

	Name of Components The 40 FATF Recommendations	**Name of Components The 40+9 FATF Recommendations**
R1	Assessing risk and applying risk-based approach	Money laundering offence
R2	National cooperation and coordination	Money laundering crime/subjective attitude and responsibility of legal entities
R3	Money laundering offence	Confiscation and provisional measures
R4	Confiscation and provisional measures	Compliance of bank secrecy legislation with recommendations
R5	Terrorist financing offenc	Customer due diligence
R6	Targeted financial sanctions related to terrorism and terrorist financing	Politically exposed persons
R7	Targeted financial sanctions related to proliferation	Correspondent banking
R8	Non-profit organizations	New technologies and remote business
R9	Financial institution secrecy laws	Third parties and intermediaries
R10	Customer due diligence	Data storage
R11	Record keeping	Unusual transactions
R12	Politically exposed persons	DNFBP – R.5, 6, 8-11
R13	Correspondent banking	Reporting suspicious transactions
R14	Money or value transfer services	Protection and non-notification
R15	New technology	Internal control, compliance, and audit
R16	Wire transfers	UNFPP – R.13-15 and 21
R17	Reliance on third parties	Sanctions
R18	Internal controls and foreign branches and subsidiaries	Shell banks
R19	Higher-risk countries	Other forms of information

	Name of Components The 40 FATF Recommendations	**Name of Components The 40+9 FATF Recommendations**
R20	Reporting of suspicious transactions	Other DNFBP and safe operating methods
R21	Tipping-off and confidentiality	Special attention to high-risk countries
R22	DNFBPs: Customer due diligence	Foreign branches and subsidiaries
R23	DNFBPs: Other measures	Regulation, supervision, and monitoring
R24	Transparency and beneficial ownership of legal person	DNFBPs: Regulation, supervision and monitoring
R25	Transparency and beneficial ownership of legal arrangements	Management information and feedback
R26	Regulation and supervision of financial institutions	Financial intelligence unit
R27	Powers of supervisors	Law enforcement authorities
R28	Regulation and supervision of DNFBPs	Powers of competent authorities
R29	Financial intelligence units	Supervisory authorities
R30	Responsibilities of law enforcement and investigative authorities	Resources, integrity, and training
R31	Powers of law enforcement and investigative authorities	National cooperation
R32	Cash couriers	Statistics
R33	Statistics	Legal persons – beneficial owners
R34	Guidance and feedback	Legal arrangements – beneficial owners
R35	Sanctions	Conventions
R36	International instruments	Mutual legal assistance
R37	Mutual legal assistance	Double criminal liability
R38	Mutual legal assistance on freezing and confiscation	Mutual legal assistance on confiscation and freezing
R39	Extradition	Extradition
R40	Other forms of international cooperation	Other forms of cooperation
SRI		Implementation of UN instruments
SRII		Criminalization of terrorist financing
SRIII		Freezing and confiscation of terrorist assets
SRIV		Reporting suspicious transactions
SRV		International cooperation
SRVI		AML requirements for money/value transfer services

	Name of Components The 40 FATF Recommendations	**Name of Components The 40+9 FATF Recommendations**
SRVII		Rules for money transfers
SRVIII		Non-profit organizations
SRIX		Cross-border declaration and information

Source: [FATF, 2004; 2013].

Table 2. Symbols of the Ratings of the Effectiveness of National Anti-Washing Systems in the FATF Methodology

	Name of the Effectiveness Indicator
IO.1	Policy and coordination
IO.2	International cooperation
IO.3	Supervision
IO.4	Preventive measures
IO.5	Legal persons and arrangements
IO.6	Financial intelligence
IO.7	ML investigation and prosecution
IO.8	Confiscation
IO.9	TF investigation and prosecution
IO.10	TF preventive measures a financial sanctions
IO.11	Financial sanctions

Source: [FATF, 2013].

Table 3. Rating of Technical Compliance of National Anti-Washing Systems of the European Union Countries With the Requirements of 40 FATF Recommendations (Based on the Results of Recent Mutual Inspections or a Progress Report on Correcting Comments Based on the Results of the Last Inspection)

Countries	Year[2]	Indicators																				
		R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	R19	R20	R21
EU and FATF members																						
Austria	2018	LC	LC	LC	C	C	PC	PC	PC	C	C	C	C	LC	C	C	C	LC	C	C	C	C
Belugia	2018	C	C	C	C	C	PC	PC	C	C	C	C	C	PC	LC	LC	C	LC	LC	C	C	C
Germany	2022	LC	LC	C	C	LC	PC	PC	LC	C	LC	C	LC	PC	LC	LC	C	LC	LC	C	C	C
Greece	2019	LC	LC	C	LC	LC	LC	LC	PC	C	C	C	C	PC	C	LC	LC	LC	C	LC	C	C
Denmark	2021	LC	LC	LC	LC	C	LC	LC	LC	LC	LC	LC	C	PC	LC	PC	LC	LC	LC	LC	C	C
Ireland	2022	LC	C	C	C	LC	PC	PC	PC	C	LC	LC	C	PC	LC	LC	C	LC	LC	LC	C	C
Spain	2019	C	LC	LC	C	C	PC	PC	LC	C	LC	C	C	C	C	C	C	LC	C	C	C	C
Italy	2019	C	LC	LC	C	C	LC	PC	LC	C	LC	C	LC	PC	C	LC	C	LC	LC	C	C	LC
Nether-lands	2022	LC	C	LC	C	LC	LC	LC	LC	C	LC	C	LC	PC	C	PC	LC	LC	LC	LC	C	LC
Portugal	2017	LC	LC	LC	C	LC	C	C	PC	LC	LC	C	LC	PC	C	LC	PC	LC	LC	LC	LC	C
Finland	2022	LC	LC	LC	LC	LC	LC	LC	PC	C	LC	C	LC	PC	C	PC	C	LC	LC	PC	C	C
France	2022	LC	C	C	C	C	LC	C	PC	C	LC	C	PC	PC	C	LC	LC	C	LC	LC	LC	C
Sweden	2020	LC	C	LC	LC	LC	PC	PC	LC	C	LC	C	C	LC	C	LC	C	LC	LC	C	C	C
EU and MONEYVAL countries that are not FATF members																						
Bulgaria	2022	LC	PC	LC	PC	PC	PC	PC	PC	LC	PC	LC	PC	PC	PC	PC	LC	C	PC	LC	LC	LC
Hungary	2022	LC	LC	LC	C	LC	LC	LC	PC	C	LC	LC	LC	LC	LC	PC	LC	LC	LC	LC	C	LC
Cyprus	2022	LC	LC	C	C	LC	LC	LC	PC	C	LC	C	LC	PC	C	PC	LC	C	LC	LC	C	C
Latvia	2019	C	C	LC	C	LC	LC	LC	LC	C	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	C
Lithuania	2023	LC	PC	LC	LC	LC	PC	PC	LC	C	LC	C	C	LC	LC	PC	LC	C	LC	LC	LC	C
Malta	2021	LC	C	C	C	LC	LC	C	LC	C	LC	C	LC	LC	LC	LC	LC	LC	LC	C	C	C
Poland	2021	PC	LC	LC	LC	PC	LC	PC	PC	C	LC	LC	LC	PC	LC	PC	LC	PC	PC	PC	PC	LC
Slovakia	2022	LC	C	LC	LC	LC	LC	LC	PC	LC	PC	LC	PC	PC	LC	PC	LC	LC	PC	PC	C	LC
Slovenia	2022	LC	LC	LC	LC	PC	LC	LC	LC	LC	LC	C	C	LC	C	PC	C	LC	LC	LC	C	C
Croatia	2022	PC	PC	LC	LC	LC	PC	PC	PC	C	PC	LC	LC	PC	LC	PC	LC	PC	PC	LC	LC	LC
Czech	2022	LC	LC	LC	C	LC	PC	PC	LC	C	LC	LC	LC	C	C	PC	LC	LC	LC	LC	LC	C
Estonia	2023	PC	C	LC	C	LC	PC	PC	PC	C	LC	C	LC	PC	LC	PC	C	LC	LC	PC	PC	PC

[2] The year of the last round of mutual inspections or the adoption of a progress report in strengthening measures to tackle money laundering and terrorist financing in the country.

Continuation of Table 3

Countries	Indicators																			
	R22	**R23**	**R24**	**R25**	**R26**	**R27**	**R28**	**R29**	**R30**	**R31**	**R32**	**R33**	**R34**	**R35**	**R36**	**R37**	**R38**	**R39**	**R40**	**Σ**	**%**
EU and FATF members																					
Austria	LC	LC	LC	LC	C	C	LC	LC	C	LC	LC	PC	LC	C	LC	LC	LC	C	LC	94	78,3
Belugia	LC	LC	LC	LC	C	C	LC	C	C	C	C	LC	LC	C	C	LC	LC	LC	LC	98	81,7
Germany	LC	C	PC	LC	LC	C	LC	C	C	C	C	PC	LC	LC	LC	C	C	C	LC	92	76,6
Greece	LC	LC	LC	LC	LC	C	LC	C	C	C	PC	LC	LC	LC	LC	LC	C	C	LC	93	77,5
Denmark	LC	LC	LC	LC	LC	LC	LC	LC	C	LC	LC	LC	C	LC	LC	LC	LC	LC	LC	84	70,8
Ireland	LC	LC	LC	LC	C	C	LC	C	C	C	PC	PC	C	LC	C	C	LC	C	LC	91	75,8
Spain	LC	C	LC	LC	LC	C	LC	C	C	C	C	C	C	C	C	C	C	C	C	106	88,3
Italy	LC	LC	LC	LC	C	C	LC	C	C	C	LC	LC	LC	C	C	LC	LC	C	C	96	80,0
Nether-lands	LC	LC	LC	LC	LC	C	LC	C	C	LC	LC	LC	LC	LC	LC	C	LC	LC	LC	88	73,3
Portugal	PC	LC	PC	PC	LC	C	LC	LC	C	C	LC	LC	LC	LC	C	LC	C	C	LC	86	71,7
Finland	LC	LC	LC	LC	LC	C	LC	LC	C	C	LC	LC	C	C	C	C	C	C	LC	96	80,0
France	LC	LC	PC	LC	LC	PC	PC	C	C	LC	LC	LC	C	PC	LC	LC	LC	LC	LC	82	68,3
Sweden	LC	LC	LC	LC	LC	LC	LC	C	C	LC	PC	LC	LC	LC	C	LC	LC	C	C	91	75,8
EU and MONEYVAL countries that are not FATF members																					
Bulgaria	PC	LC	PC	PC	PC	PC	PC	LC	LC	C	PC	PC	PC	PC	LC	LC	PC	LC	LC	59	49,2
Hungary	LC	LC	LC	LC	LC	LC	LC	C	C	LC	PC	LC	LC	LC	LC	LC	LC	LC	LC	82	68,3
Cyprus	LC	LC	LC	LC	LC	C	LC	C	LC	PC	LC	C	LC	C	C	LC	C	C	C	92	76,6
Latvia	LC	LC	LC	LC	LC	C	LC	LC	LC	LC	LC	LC	C	LC	LC	LC	LC	LC	LC	87	72,5
Lithuania	LC	LC	LC	LC	LC	C	PC	LC	C	LC	LC	LC	LC	LC	C	LC	LC	LC	LC	83	69,2
Malta	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	C	LC	LC	C	LC	LC	C	LC	92	76,6
Poland	PC	LC	LC	LC	PC	LC	PC	C	LC	LC	PC	PC	PC	PC	LC	LC	LC	LC	LC	65	54,2
Slovakia	LC	PC	LC	LC	PC	LC	PC	PC	C	LC	PC	C	LC	PC	LC	C	LC	LC	LC	72	60,0
Slovenia	LC	LC	LC	LC	LC	C	LC	C	C	LC	PC	LC	C	C	LC	LC	LC	LC	LC	88	73,3
Croatia	PC	PC	PC	LC	LC	LC	LC	C	C	LC	PC	PC	C	PC	PC	LC	PC	LC	PC	65	54,2
Czech	LC	LC	LC	LC	LC	LC	LC	LC	LC	C	PC	PC	LC	LC	LC	LC	LC	LC	LC	81	67,5
Estonia	LC	PC	PC	PC	LC	LC	PC	LC	C	C	LC	PC	LC	PC	LC	LC	LC	LC	LC	72	60,0

Source: [FATF, 2023].

Table 4. Rating of Technical Compliance of the National Anti-Washing Systems of Romania and Luxembourg With the Requirements of 40+9 FATF Recommendations (Based on the Results of Recent Mutual Inspections)

Countries	Year [3]	Indicators																				
		R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	R19	R20	R21
EU and FATF members																						
Luxem-bourg	2010	PC	PC	PC	PC	PC	PC	NC	PC	PC	LC	PC	NC	PC	PC	PC	NC	NC	LC	PC	PC	NC
EU and MONEYVAL countries that are not FATF members																						
Romania	2014	LC	LC	LC	C	PC	PC	LC	C	PC	LC	LC	PC	PC	PC	PC	PC	PC	C	C	LC	PC

Continuation of Table 4

Countries	Indicators																				
	R22	R23	R24	R25	R26	R27	R28	R29	R30	R31	R32	R33	R34	R35	R36	R37	R38	R39	R40	SRI	SRII
EU and FATF members																					
Luxem-bourg	PC	PC	NC	PC	LC	PC	LC	LC	PC	PC	PC	PC	NC	PC	LC	C	LC	LC	LC	PC	PC
EU and MONEYVAL countries that are not FATF members																					
Romania	PC	PC	PC	LC	PC	LC	C	LC	PC	LC	PC	LC	N/A	LC	LC	C	LC	C	LC	PC	PC

Continuation of Table 4

Countries	Indicators								
	SRIII	SRIV	SRV	SRVI	SRVII	SRVIII	SRIX	Σ	%
EU and FATF members									
Luxembourg	PC	PC	NC	PC	PC	PC	PC	53	31.6
EU and MONEYVAL countries that are not FATF members									
Romania	PC	PC	LC	PC	LC	PC	PC	80	55,6

Source: [Council of Europe, 2014; Mutual Evaluation Report, 2021].

Table 5. Rating of Technical Compliance of National AML/CFT Systems of the EAG Countries (Based on the Results of Recent Mutual Inspections or a Progress Report on Correcting Comments Based on the Results of the Last Inspection)

Countries	Year [4]	Indicators																				
		R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	R19	R20	R21
FATF and EAG countries																						
China	2022	LC	C	LC	C	LC	PC	PC	LC	C	LC	C	PC	LC	LC	LC	LC	LC	C	C	LC	LC
Russia	2019	LC	C	LC	LC	LC	PC	PC	LC	C	LC	LC	PC	LC	LC	C	PC	LC	LC	LC	C	LC

[3] The year of the last round of mutual inspections in the country.

[4] The year of the last round of mutual inspections or the adoption of a progress report in strengthening measures to tackle money laundering and terrorist financing in the country.

Countries	Year[4]	Indicators																				
		R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	R19	R20	R21
EAG countries that are not FATF members																						
Belarus	2019	LC	LC	C	C	C	LC	LC	PC	C	LC	LC	LC	LC	C	PC	LC	LC	LC	LC	C	C
Kyrgyzstan	2022	LC	LC	C	LC	LC	C	C	PC	LC	LC	LC	LC	LC	LC	PC	LC	LC	LC	LC	LC	LC
Tadjikistan	2021	LC	C	LC	LC	LC	PC	PC	PC	C	LC	LC	PC	LC	LC	PC	LC	NA	LC	LC	C	C
Uzbekistan	2022	LC	C	LC	LC	LC	PC	PC	PC	LC	LC	LC	PC	LC	LC	LC	LC	LC	PC	LC	C	LC

Continuation of Table 5

Countries	Indicators																			
	R22	R23	R24	R25	R26	R27	R28	R29	R30	R31	R32	R33	R34	R35	R36	R37	R38	R39	R40	Σ	%
FATF and EAG countries																					
China	NC	NC	PC	NC	LC	LC	NC	LC	C	C	LC	LC	LC	PC	LC	LC	C	LC	LC	76	63,3
Russia	LC	LC	LC	PC	LC	LC	LC	C	LC	C	LC	C	LC	LC	LC	LC	LC	LC	LC	82	68,3
EAG countries that are not FATF members																					
Belarus	LC	LC	LC	LC	LC	LC	PC	C	C	C	LC	LC	C	LC	C	LC	LC	LC	LC	89	74,2
Kyrgyzstan	LC	LC	LC	LC	LC	LC	LC	LC	C	LC	LC	LC	LC	LC	LC	LC	LC	LC	LC	82	68,3
Tadjikistan	PC	LC	LC	PC	PC	LC	PC	C	LC	C	LC	LC	LC	PC	C	LC	PC	LC	LC	74	63,2
Uzbekistan	PC	LC	LC	PC	PC	LC	LC	C	C	C	C	LC	LC	PC	LC	C	LC	C	LC	79	65,8

Source: [FATF, 2023].

Table 6. Rating of Technical Compliance of National AML/CFT Systems of India, Kazakhstan, and Turkmenistan With the Requirements of 40+9 FATF Recommendations (Based on the Results of Recent Mutual Inspections)

Coun-tries	Year[5]	Indicators																				
		R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	R19	R20	R21
FATF and EAG countries																						
India	2010	PC	LC	PC	C	PC	PC	LC	LC	N/A	LC	LC	NC	PC	LC	LC	NC	PC	LC	C	LC	PC
EAG countries that are not FATF members																						
Ka-zakh-stan	2011	PC	PC	LC	LC	NC	PC	PC	NC	N/A	LC	NC	NC	NC	LC	PC	NC	NC	PC	C	LC	NC
Turk-meni-stan	2011	LC	LC	LC	LC	PC	NC	PC	PC	N/A	LC	PC	NC	LC	PC	PC	NC	NC	C	C	C	LC

[5] The year of the last round of mutual inspections in the country.

Continuation of Table 6

Countries	Indicators																				
	R22	**R23**	**R24**	**R25**	**R26**	**R27**	**R28**	**R29**	**R30**	**R31**	**R32**	**R33**	**R34**	**R35**	**R36**	**R37**	**R38**	**R39**	**R40**	**SRI**	**SRII**
FATF and EAG countries																					
India	C	PC	NC	LC	LC	LC	C	LC	LC	LC	LC	PC	PC	PC	LC	LC	LC	LC	LC	PC	PC
EAG countries that are not FATF members																					
Kazakh-stan	NC	PC	NC	NC	LC	LC	LC	NC	PC	PC	NC	NC	N/A	PC	LC	LC	PC	PC	LC	PC	PC
Turk-menistan	NC	PC	PC	NC	PC	PC	C	PC	NC	NC	NC	PC	N/A	LC	LC	C	PC	LC	PC	PC	LC

Continuation of Table 6

Countries	Indicators								
	SRIII	SRIV	SRV	SRVI	SRVII	SRVIII	SRIX	Σ	%
FATF and EAG countries									
India	LC	PC	LC	LC	LC	NC	PC	77	53.5
EAG countries that are not FATF members									
Kazakhstan	PC	PC	LC	NC	PC	NC	PC	45	31.3
Turkmenistan	PC	LC	PC	PC	PC	PC	PC	60	41.7

Sources: [EAG, 2011a; 2011b; Mutual Evaluation Report, 2021].

Table 7. Rating of the Effectiveness of National AML/CFT Systems of the EU Countries (Based on the Results of Recent Mutual Inspections or a Report on Progress in Correcting Comments Based on the Results of the Last Inspection)

Countries	Year	Efficiency Indicators											
		IO.1	**IO.2**	**IO.3**	**IO.4**	**IO.5**	**IO.6**	**IO.7**	**IO.8**	**IO.9**	**IO.10**	**IO.11**	**Σ**	%
EU and FATF members														
Austria	2018	M	S	M	M	M	L	L	M	S	M	S	23	52.3
Belugia	2018	S	S	M	M	M	S	M	M	S	M	M	26	59.1
Germany	2022	S	S	M	M	M	M	M	S	S	M	M	26	59.1
Greece	2019	S	S	M	M	M	S	M	M	S	M	S	27	61.4
Denmark	2021	M	S	L	L	M	M	M	M	S	M	S	23	52.3
Ireland	2022	S	S	S	M	M	S	M	M	M	M	S	27	61.4
Spain	2019	S	S	S	M	S	H	S	S	S	M	M	33	75.0
Italy	2019	S	S	M	M	S	S	S	S	S	M	S	30	68.2
Netherlands	2022	S	H	M	M	M	H	S	S	S	S	M	31	70.4
Portugal	2017	S	S	M	M	M	M	S	M	S	S	S	28	63.6
Finland	2022	S	H	L	M	M	S	S	M	M	M	M	26	59.1
France	2022	S	H	M	M	S	S	S	H	H	S	S	34	77.5
Sweden	2020	M	H	M	M	M	M	S	S	S	M	S	28	63.6
EU and MONEYVAL countries that are not FATF members														
Bulgaria	2022	M	M	M	M	L	L	L	L	M	M	L	17	38.6
Hungary	2022	L	S	M	M	L	S	L	L	M	M	M	20	45.5

Countries	Year	Efficiency Indicators												
		IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11	Σ	%
Cyprus	2022	S	S	M	M	M	M	M	M	S	M	M	25	56.8
Latvia	2019	M	L	M	M	L	M	M	M	M	M	L	21	47.7
Lithuania	2023	M	S	M	M	M	M	M	M	M	M	M	23	52.3
Malta	2021	M	S	L	M	M	M	L	L	M	M	S	21	47.7
Poland	2021	M	S	M	S	S	M	M	L	M	M	M	24	54.5
Slovakia	2022	M	S	M	M	M	M	M	L	M	M	M	22	50.0
Slovenia	2022	M	S	M	M	M	M	M	M	M	M	M	23	52.3
Croatia	2022	M	S	M	M	M	M	L	M	M	L	M	21	47.7
Czech	2018	M	S	M	M	M	M	M	S	S	M	M	25	56.8

Source: [FATF, 2023].

Table 8. Rating of the Effectiveness of National AML/CFT Systems of the EAG Countries (Based on the Results of Recent Mutual Inspections or a Report on Progress in Correcting Comments Based on the Results of the Last Inspection)

Countries	Year	Efficiency Indicators												
		IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11	Σ	%
FATF and EAG countries														
China	2022	S	M	M	L	L	M	M	S	S	L	L	21	47.7
Russia	2019	S	S	M	M	S	H	M	S	H	M	M	30	68.2
EAG countries that are not FATF members														
Belarus	2019	S	S	M	M	L	S	M	M	S	M	S	26	59.1
Kyrgyzstan	2022	L	M	M	M	M	M	M	L	M	M	M	20	45.5
Tadjikistan	2021	S	S	M	M	M	M	L	M	S	M	L	23	52.3
Uzbekistan	2022	S	S	M	M	M	S	M	M	S	S	S	28	63.6

Source: [FATF, 2023].