Press release and background note
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Singapore found to have ineffective measures to fight money laundering, despite strong legislation

Singapore demonstrates a strong anti-money laundering (AML) legislative framework but shows significant weaknesses in its effective implementation, according to a recent review by the Financial Action Task Force (FATF). The Basel Institute on Governance provides a comparative analysis illustrating how Singapore fares against other countries evaluated by the FATF on the basis of its new assessment methodology.

Singapore's FATF evaluation 2016 in a nutshell

Overall, the FATF compliance evaluation rated Singapore as "compliant or "largely compliant" with 34 out of 40 of the FATF recommendations. The remaining 6 recommendations were considered partly compliant and none was rated non-compliant. This represents a considerable improvement in terms of technical compliance to the previous assessment. However, Singapore has fared rather poorly when the effectiveness of implementing the country's AML system is being measured as well. This is reflected in numerical terms in the fact that if the new FATF evaluation results are taken into account in the Basel AML Index, the country has worsened its score from 3.06 to 4.62 (see table 1 below).

FATF Mutual Evaluation Reports	FATF assessment based on the previous methodology (standardised 0=low risk 10=high risk)		FATF assessment based on the new methodology (standardised 0=low risk 10=high risk)			
Country	Previous Compliance average	Date	Compliance average	Effectiveness average	Final weighted average score 1:2	Date
Singapore	3.06	02/2011	2.33	5.76	**4.62**	09/2016

Table 1 - Singapore's FATF score 2011 and 2016 (Source Basel AML Index)

None of the 11 effectiveness criteria were rated "high level" for Singapore, only 4 received a "substantial" effectiveness rating, and the other 7 criteria were considered either "moderate" (6) or "low" (1).

Singapore's main effectiveness weaknesses according to the FATF report:

1. Singapore is vulnerable to the misuse by criminals of a range of corporate structures and legal arrangements available in the jurisdiction (i.e. offshore companies and trusts). Experts recommend that in view of the country's role as a major international centre, Singapore should enhance its understanding of the risks associated with such structures. Similarly, experts find

that risk awareness specifically in relation to non-bank financial institutions needs to be increased.

2. Although supervision in the financial sector has been strong, Singapore is inconsistent with its supervision of the non-financial sectors (i.e. real estate agents, lawyers and accountant) and applying effective sanctions.
3. While Singapore has been pursuing convictions of natural persons (individuals), the FATF Experts criticize that no legal person has been convicted for money laundering. The unwillingness to pursue complex money laundering cases against legal persons undermines Singapore's effectiveness in fighting money laundering
4. The use of financial intelligence by Singapore's law enforcement agencies is considered insufficient, which impacts on the effectiveness in relation to the confiscation of proceeds of crime

How does Singapore compare to other countries in the FATF Mutual Evaluation Reviews?

The Basel Institute annually analyses and compares all FATF Mutual Evaluation Reviews (MERs) in the context of calculating the scores of the Basel AML Index. The results of these calculations are presented in table 2 below, which illustrates how countries that have already undergone the MER under the new methodology compare to each other. (More information about the Basel AML Index along with a report detailing the findings and methodology is available at: index.baselgovernance.org)

Singapore's overall FATF score in the context of the Basel AML Index lies in the midfield at 4.62 (on scale from 0 (low risk) to 10 (high risk)), and fares slightly better than some other OECD countries such as Austria and Canada. This is due to its strong compliance of legislation with international standards. When it comes to the effectiveness of Singapore's AML/CFT system, the rating of 5.76 paints a different picture and shows Singapore being ineffective in enforcing its AML/CFT laws. Among OECD countries, only Austria and Norway received worse ratings in terms of effectiveness.

Table 2: Average Scores based on FATF MERs assessment of 40 recommendations including effectiveness measurement by the Basel Institute (0=low risk, 10=high risk)

FATF Mutual Evaluation Reports	FATF assessment based on the previous methodology (standardised 0=low risk 10=high risk)		FATF assessment based on the new methodology (standardised 0=low risk 10=high risk)			
Country	Previous Compliance average	Date	Compliance average	Effectiveness average	Final weighted average score 1:2	Date
Spain	3.90	06/2006	1.50	3.94	**3.13**	12/2014
Italy	3.40	02/2009	2.83	4.24	**3.77**	02/2016
Cuba	NA	NA	2.33	5.15	**4.21**	09/2015
Armenia	4.79	07/2005	2.25	5.45	**4.39**	12/2015
Malaysia	3.88	06/2007	2.25	5.45	**4.39**	09/2015
Australia	4.76	06/2005	4.17	4.85	**4.62**	04/2015
Singapore	3.06	02/2011	2.33	5.76	**4.62**	09/2016
Belgium	2.43	06/2005	3.33	5.45	**4.75**	04/2015
Canada	4.63	02/2014	3.75	5.45	**4.89**	09/2016
Austria	3.33	02/2014	3.50	6.36	**5.41**	09/2016
Norway	3.88	06/2005	4.42	6.06	**5.51**	12/2014
Costa Rica	7.15	06/2005	4.83	7.27	**6.46**	12/2015
Samoa	7.21	07/2006	5.08	7.27	**6.54**	09/2015
Serbia	5.42	12/2012	4.58	7.58	**6.58**	06/2016
Trinidad & Tobago	6.11	05/2014	3.75	8.18	**6.70**	06/2016
Tunisia	4.44	06/2014	4.83	8.48	**7.27**	05/2016
Ethiopia	NA	NA	4.19	9.39	**7.66**	06/2015
Sri Lanka	7.21	07/2006	6.25	9.39	**8.35**	09/2015
Vanuatu	6.67	03/2006	6.83	10.00	**8.94**	09/2015
Uganda	8.89	08/2007	7.67	10.00	**9.22**	04/2016

Table 2 - FATF scores based on Basel Institute's methodology

Annex

Background note on the FATF Assessments and the Basel Institute on Governance

The Financial Action Task Force

The Financial Action Task Force (FATF) is an inter-governmental body, established in 1989 by a Group of Seven (the G-7 Summit in Paris) in response to the fight against money laundering. Since then the FATF sets the standards for the measures that countries need to take to combat money laundering as well as terrorist financing, and issues respective recommendations in order to strengthen the financial system against financial crime. The FATF had originally issued 40 Recommendations relating to money laundering and 9 relating to terrorist financing. In 2012, however, the Recommendations were revised and redrafted to form a total of 40 Recommendations.

The FATF Assessment (Mutual Evaluation Reports)

The FATF assesses adherence to the 40 recommendations and their effective implementation, through a process of mutual evaluation. This involves a peer review evaluation of each member country to assess whether they fully compliant with each recommendation. The evaluations are conducted by an assessment team consisting of representatives from the FATF members or an FATF Style Regional Body and published as Mutual Evaluation Report (MERs).

The FATF assesses formal compliance with those standards, and their effective implementation, through a process of mutual evaluation. This involves for each country an assessment by experts from other countries of whether they are fully compliant with each recommendation, or if not, where they fall short.

There have been three rounds of mutual evaluations based on the old methodology internationally. The FATF has adopted in 2013 a new methodology for assessing compliance, which combines an assessment of technical compliance with the FATF Recommendations with an effectiveness assessment of the AML/CFT system. As a result, the current MERs provide two components in their evaluations:

1. The technical compliance assessment focuses on the relevant legal and institutional framework of the country and provides the following rating for each 40 recommendation: compliant, largely compliant, partially compliant or non-compliant.
2. The effectiveness assessments evaluates whether a country implements it AML/CFT framework successfully in practice and is working effectively by providing the following rating: high-level of effectiveness, substantial level of effectiveness, moderate level of effectiveness and low level of effectiveness.

The Basel AML Index

The Basel AML Index, released once per year by the Basel Institute on Governance, provides a risk rating of countries based on the quality of the concerned country's AML and countering the financing of terrorism (AML/CFT) framework and related factors such as perceived corruption, financial sector standards and public transparency. The Basel AML Index is based on 14 indicators using publicly available sources including the FATF, Transparency International, the World Bank and the World Economic Forum. The scores are aggregated as a composite index using a qualitative and expert-based assessment (see index.baselgovernance.org).

The FATF MERs are the primary source for the Basel AML Index and the Basel Institute has been analysing the FATF MERs since 2012 by creating a unique methodology and database for comparative purposes.

So far the FATF has conducted and published at least 20 MERs under the new assessment methodology. For these countries the Basel Institute created a table translating the FATF assessments and their rating into a standardised scoring scale (0=low risk, 10=-high risk) indicating the risk level of a country towards money laundering and terrorism financing. The results combine the average of the technical compliance with the 40 recommendations with the average of the effectiveness rating at a ratio of 1:2 between technical compliance and effectiveness (see FATF overview table above for the final results). For a detailed methodology please see the 2016 Basel AML Index report at: index.baselovernance.org.

About the Basel Institute on Governance

The Basel Institute on Governance is an independent not-for-profit competence centre specialised in corruption prevention and public governance, corporate governance and compliance, anti-money laundering, criminal law enforcement and the recovery of stolen assets.
Based in Switzerland, the Basel Institute's multidisciplinary and international team works around the world with public and private organisations towards its mission of tangibly improving the quality of governance globally, in line with relevant international standards and good practices.

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