

BATBAATAR: MONGOLIA IMPROVES RISK SCORE ON GLOBAL ANTI-MONEY LAUNDERING INDEX



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The Basel Institute on Governance released its Basel AML Index 2023. In an exclusive interview with Batbaatar Batjargal, the head of the Financial Information Unit, discusses the Basel AML Index 2023 and its result.

- **Would you explain to our readers what the Basel AML Index is?**

- The Basel Anti-Money Laundering Index (Basel Index) is a ranking index developed by the Basel Institute on Governance (The Basel Institute), which assesses the risk exposure to money laundering and terrorist financing (ML/TF) around the world. The Basel Institute is an independent research institute working internationally on strengthening global governance and fighting corruption. In simpler terms, Basel Index is a research-based risk score that implies the assessment of a nation's vulnerability to ML/TF, alongside its efficacy in addressing these challenges. Since 2012, the index has been calculated using data from

publicly available sources such as the Financial Action Task Force (FATF), the World Bank, and the World Economic Forum. This approach enables the formulation of a comprehensive risk assessment all over the world.

- **How are the index values calculated?**

- The Basel Institute has clearly revealed its evaluation methodology and the data sources utilized on its website. The calculation of the index hinges on five key factors. These include the quality of the anti-money laundering and counter-financing of terrorism (AML/CFT) framework, prevalence of bribery and corruption, financial transparency, and accountability, as well as legal and political risks.

Given its independent status, the Basel Institute conducts its own assessments, utilizing information from reputable international organizations as mentioned earlier. This underscores the autonomy and reliability of the Index."

- **What is the significance of calculating the Basel Index?**

- The primary aim of calculating the Basel Index is to evaluate countries' effectiveness in fighting against ML/TF and to emphasize the importance of implementing necessary measures to address these issues. This is because when this kind of crime spreads, it takes away the money needed for a country's development, grows a hidden economy, and harms the lives of its citizens. On the other hand,

this type of crime isn't limited to one country; it often crosses borders, calling for international attention and cooperation.

- What was the ranking of Mongolia in 2023?

- The Basel Index provides a unique evaluation system. A lower ranking indicates a lower risk. Evaluating over 150 countries, it begins with those posing the highest risk in terms of inadequate AML/CFT systems. Mongolia's overall ML/TF risk level declined from 5.86 in 2022 to 5 in 2023, marking a significant advancement by 47 places and positioning the country at 83rd in the ranking.

- What do you think mainly contributed to the improvement in the risk assessment of Mongolia?

- In Basel Index evaluation methodology, the AML/CFT framework holds the highest weight at 65 percent. Moreover, within 65 percent, 35 percent is influenced by the Mutual Evaluation Report. Mongolia is evaluated as being "compliant or

largely compliant" (C/LC) with all the FATF's 40 recommendations in 2023, becoming the first country in Asia and the fifth globally. This accomplishment marks a remarkable success for Mongolia. Moreover, Mongolia has diligently aligned its domestic legal and regulatory frameworks with international agreements and conventions in recent years. The collaborative efforts of the Public-Private Partnerships (PPPs), along with the implementation of effective measures for prevention are evident contributors to this achievement.

- What do you consider the key highlights of this year's Basel Index?

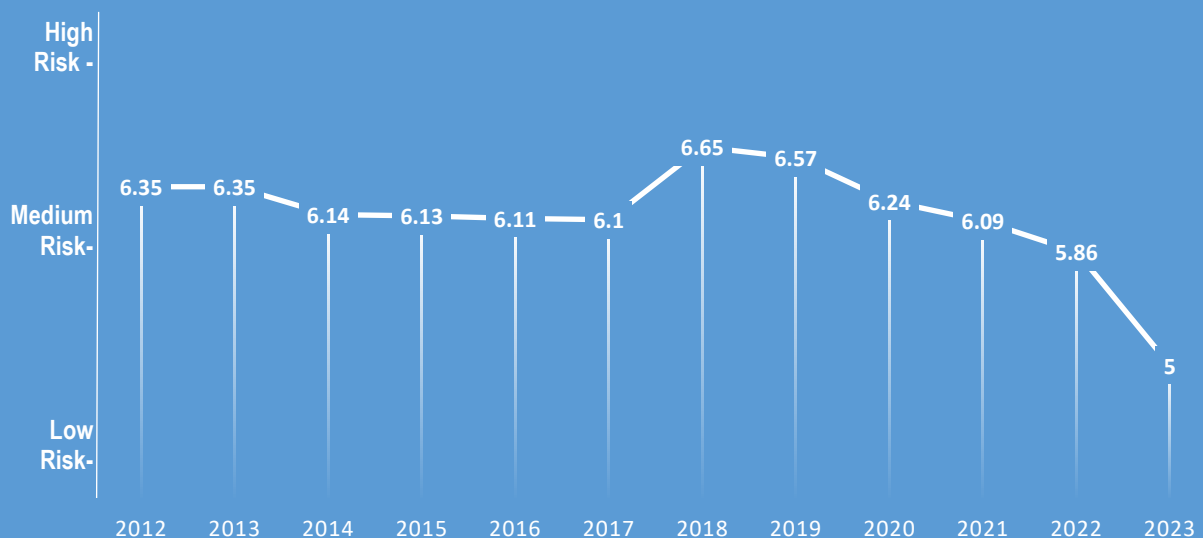
- This year, the average global ML/TF risk level has increased due to the decline in the effectiveness of the existing AML/CFT system. As mentioned in the Basel Index 2023 report, trillions of dollars persistently fuel corruption and organized crime, while the world struggles with inadequate funding to

address climate change, combat natural disasters, and alleviate food shortages. More importantly, global efforts could not recover even one percent of this illicit financing. The Basel Index 2023 emphasizes an increased urgency for actions to address ML/TF. Mongolia has been actively contributed to international efforts to combat these types of crimes, showcasing a commitment to prevention and intervention. Furthermore, Independent Authority Against Corruption of Mongolia (IAAC) has carried out activities related to the asset recovery, receiving international recognition.

- What measures does Mongolia plan to take in its ongoing efforts to combat ML/TF in the future?

- Having successfully rated C/LC with all 40 Recommendations, Mongolia's AML/CFT system now aligns with international standards, rendering our risk assessment comparable to major economies. Our current strategic focus centers on the effective

CHART1. BASEL AML INDEX OF MONGOLIA /2012-2023/



implementation of AML/CFT measures. According to FATF Recommendations 1&2, countries shall conduct national risk assessments associated with AML/CFT, formulate regulations, and implement them based on the risk assessment results. In 2022, the “AML/CFT National Strategy” was approved by the Government of Mongolia. The strategic program encompasses

48 sub-objectives within the framework of 8 strategic goals that have been proposed to be implemented between 2022 to 2030. Therefore, our ongoing commitment involves monitoring the effectiveness of the national strategy along with ensuring AML/CFT regulations in accordance with global standards. Furthermore, enhancing public awareness on

ML/TF remains crucial; therefore, the Financial Information Unit of Mongolia continues to organize outreach activities, organize internal training, and promote PPPs to fight against ML/TF.

Thanks for the conversation.