



# AML Atlas™ Version 1.10.0

**Methodology**

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## **Geographic Risk Assessment Methodology**

### **I. Introduction**

Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) regulations in the United States and other jurisdictions typically require financial institutions to assess the risk of money laundering or terrorist financing according to risk factors that include geography, customer characteristics, and products & services characteristics. This document summarizes a methodology for ranking countries<sup>1</sup> according to their risk of money laundering and terrorist financing. This methodology draws heavily upon regulatory guidance. Wherever possible, however, international sources of data are used.

### **II. Sources**

#### **A. List of Independent States, Dependencies & Areas of Special Sovereignty**

We derive the list of (a) independent states and (b) dependencies and areas of special sovereignty from the website of the U.S. Department of State, at the following URL addresses: <http://www.state.gov/s/inr/rls/4250.htm> and <http://www.state.gov/s/inr/rls/10543.htm>.

It is our standard practice to include only those geographies that are recognized by the U.S. Department of State. We have made exceptions by including the Turkish Cypriot Administered Area of Cyprus due to the number of sources that began listing this region as a money laundering and terrorist financing concern in early 2008 and also by including the Palestinian Territories based on user feedback.

#### **B. Data Sources**

We derive our geographic risk data from the following sources:

- *Countries subject to sanctions programs* administered by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury;
- *Countries subject to sanctions programs* decreed by the European Union (EU);
- *Countries subject to sanctions programs* decreed by the United Nations (UN);
- *Non-Cooperative Countries and Territories* (NCCT) identified by the Financial Action Task Force (FATF), and jurisdictions formerly on the list;
- Countries identified as *Primary Money Laundering Concerns* by the U.S. Department of the Treasury under Sec. 311 of the USA PATRIOT ACT;
- *State Sponsors of Terrorism* identified by the U.S. Department of State;
- *Offshore Financial Centers* identified by the International Monetary Fund (IMF);
- *Un-cooperative Tax Havens* identified by the Organisation for Economic Co-operation and Development (OECD);
- *Implementation of the Internationally Agreed Tax Standard* identified by the OECD.
- *Major Drug Transit or Producing Countries* identified by the President of the United States through the Department of State;
- *Major Money Laundering Countries (Primary Concerns, Concerns, or Monitored)* as identified by the U.S. Department of State in its International Narcotics Control Strategy Report (INCSR);

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<sup>1</sup> For the purposes of this document, the term "country" refers not only to independent states, but also to dependencies and areas of special sovereignty, as identified by the U.S. Department of State.

- *Weak AML Legislation/Regulation Countries* with respect to sixteen factors cited by the U.S. Department of State's INCSR;
- *Worldwide Governance Indicators (Regulatory Quality, Rule of Law, and Control of Corruption)* as determined by the World Bank;
- *FATF Statements* include geographies identified by the Financial Action Task Force (FATF) as having an inadequate AML/CFT system in place;
- *FinCEN Advisories* include geographies identified by the Financial Crimes Enforcement Network (FinCEN) as representing a money laundering threat;
- *Corruption Perception Index* published by Transparency International;
- *Mutual Evaluation Reports* published by FATF and FATF-Style Regional Bodies; and
- *Equivalent Jurisdictions* guidance published by the Joint Money Laundering Steering Group (JMLSG).

### **III. Methodology**

Data from the above sources is assigned a set of weighted values, which are combined to form composite geographic risk scores.

#### **A) Dual-Ratings System (U.S./Non-U.S. Perspective)**

Each country is assigned two geographic risk scores: the first reflects risk from the perspective of U.S.-based entities, and the second reflects risk from the perspective of non-U.S.-based entities. This dual-system model is designed to reflect differences in opinion over what constitutes AML/CTF risk. The first rating system, tailored for use by U.S.-based entities, calculates total AML/CTF risk using heavily-weighted OFAC and Sec. 311 values to reflect the importance of OFAC/Sec. 311 compliance from the perspective of the U.S. regulators. The second system, designed for non-U.S. entities, calculates total AML/CTF risk in the same way as the first rating system, except that it assigns slightly lower weights to OFAC and Sec. 311 values relative to the weights assigned to multi-national sanctions lists (the EU and UN).

#### **B) International Consensus Coefficient**

We have applied an *international consensus coefficient* of 1.5 to all data obtained from international sources.<sup>2</sup> This is because international consensus as to a risk factor is often difficult to obtain. Accordingly, when international consensus does emerge with respect to a risk factor, it is often a sign that the country is particularly risky. To reflect the heightened risk posed by a country with respect to which there is sufficient multilateral agreement to support identification by international and non-governmental bodies, the *international consensus coefficient* thus increases the weight of values from international sources by 50% with respect to comparable values obtained from non-international sources.

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<sup>2</sup> The international sources utilized are the European Union, the United Nations, the Financial Action Task Force, the International Monetary Fund, the Organization for Economic Cooperation and Development, and the World Bank.

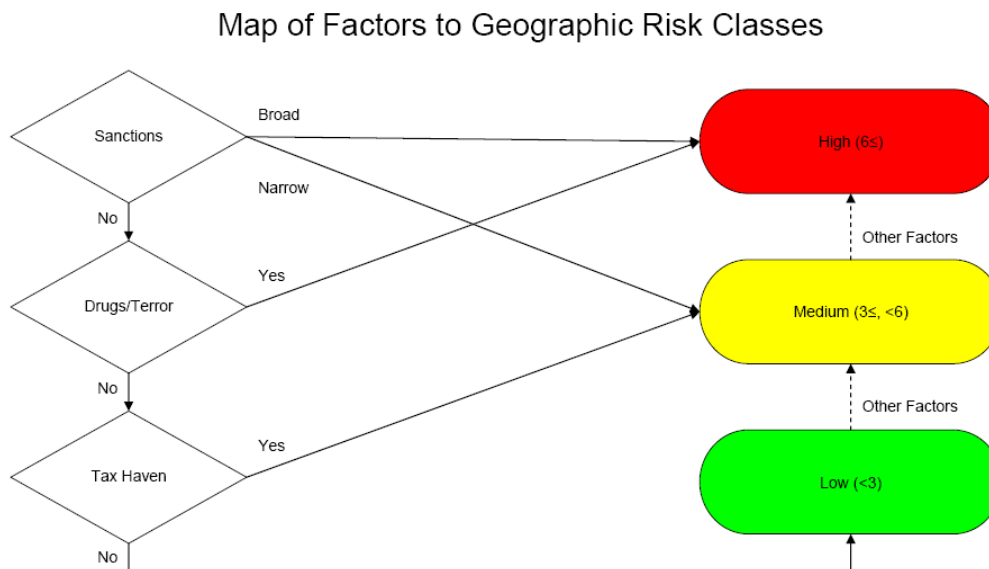
**C) Risk Classes**

Each geographic risk score is classified as high, medium, or low risk. The criteria for each risk class are the same for both the U.S. and Non-U.S. scoring systems and are outlined in the table below.

| Risk Score Range | Risk Class    |
|------------------|---------------|
| 0 - 2.99         | <b>Low</b>    |
| 3 - 5.99         | <b>Medium</b> |
| 6 and above      | <b>High</b>   |

**IV. Mapping of Risk Factors to Risk Classes**

Each risk factor has been categorized into one of four categories. These categories are described below, along with the values and weights of each component risk factor. The overall mapping of risk factors to risk classes can be depicted, in summary, as follows:



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**A) Sanctions and Special Measures (Maximum Impact: Variable)**

This category determines whether a country is sanctioned or the object of special measures imposed by the U.S. Treasury (OFAC and Sec. 311), the EU, the UN, or the FATF (NCCT). Weights of the OFAC and Sec. 311 values are increased for U.S.-based institutions, and decreased for non-U.S.-based institutions. To reflect the fact that some sanctions programs are more comprehensive than others, we have distinguished between broad and narrow sanctions programs, with the former weighted more heavily than the latter. For U.S. institutions, if a country is subject to broad sanctions, it receives a score that assures it will be high risk. For non-U.S. institutions, if a country is subject to broad OFAC sanctions, but no other sanctions, it receives a score that assures it will be at least medium risk. If a country is subject to narrow sanctions, it receives a score that assures it will be at least medium

risk (except, with respect to non-U.S. institutions where narrow sanctions are imposed only by OFAC). Other factors (see below), can move a medium risk country up to high risk. Countries that have been removed from sanctions/special measures lists no longer receive sanctions-related scores, with the exception that countries continue to receive NCCT scores even after they are removed from the NCCT list, although their weights decrease with time. This is because it takes time for the legislative changes to become effective in practice.

The risk factors included in this category are outlined below.

**1. Office of Foreign Assets Control**

| Value            | Weight (US) | Weight (Non-US) |
|------------------|-------------|-----------------|
| Broad Sanctions  | 10          | 4               |
| Narrow Sanctions | 5           | 2               |
| Not Sanctioned   | 0           | 0               |

**2. European Union**

| Value            | Weight |
|------------------|--------|
| Broad Sanctions  | 6      |
| Narrow Sanctions | 3      |
| Not Sanctioned   | 0      |

**3. United Nations**

| Value            | Weight |
|------------------|--------|
| Broad Sanctions  | 6      |
| Narrow Sanctions | 3      |
| Not Sanctioned   | 0      |

**4. FATF Non-Cooperative Countries and Territories**

Countries identified by FATF as currently “non-cooperative” in the global fight against money laundering receive a weight of 6. Countries previously on the FATF NCCT list receive a weight that decays over time according to the following schedule:

| Years since country was delisted | Weight |
|----------------------------------|--------|
| <1                               | 5      |
| 1-2                              | 4      |
| 2-3                              | 3      |
| 3-4                              | 2      |
| >4                               | 1      |

**5. Primary Money Laundering Concerns/Sec. 311 (U.S. Treasury)**

Countries identified by the U.S. Department of the Treasury as primary money laundering concerns, in accordance with Section 311 of the USA PATRIOT Act receive a weight of 6 (for U.S.-based institutions) or 4 (for non-U.S.-based institutions) if they do not have any Section 311 designated banks domiciled in their territory. Countries in which a Section 311 designated bank is domiciled receive a weight of 3 (U.S.) or 2 (Non-U.S.) if they themselves are not designated as primary money laundering concerns. Countries that are designated as primary money laundering concerns and are home to Section 311 designated banks receive a weight of 9 (U.S.) or 6 (Non-U.S.). Countries that are neither listed as primary money laundering concerns nor are home to Section 311 designated banks receive a weight of 0.

| Value           | Weight (US) | Weight (Non-US) | Explanation   |
|-----------------|-------------|-----------------|---|
| N               | 0           | 0               | The country and its banks do not appear on the Sec 311 list.  |
| Bank(s)         | 3           | 2               | The country is home to one or more banks on the Sec 311 list, but the country itself does not appear on the list. |
| Country         | 6           | 4               | The country appears on the Sec 311 list.  |
| Country/Bank(s) | 9           | 6               | The country and one or more of its banks appear on the Sec 311 list.  |

**6. FinCEN Advisories**

Countries for which FinCEN has issued an Advisory specifying a potential money laundering or terrorist financing threat. Advisories providing guidance on statements released by FATF concerning countries having deficiencies are excluded.

| Value | Weight | Explanation  |
|-------|--------|--|
| N     | 0      | The country is not named in a FinCEN Advisory on the money laundering threat posed by the country.   |
| Y     | 6      | The country is the subject of a FinCEN Advisory on the money laundering threat posed by the country. |

**7. FATF Plenary Public Statements**

Since 2007, FATF’s International Co-operation Review Group (ICRG) has analysed high risk jurisdictions and recommended specific action to address the ML/FT risk emanating from them.<sup>3</sup> This indicator includes countries identified by FATF in the document “Improving Global AML/CFT Compliance: On-going Process” as having outstanding issues with respect to the 40+9 Recommendations and uncooperative countries identified by FATF in the document “FATF Public Statement.” Countries are assessed based on the number of deficiencies for which there are action plans in place and whether the EU has indicated the targeted Recommendation as having more

<sup>3</sup> [http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236992\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236992_1_1_1_1_1,00.html)

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relevance than others.<sup>4</sup> Countries that are identified by FATF in the document “FATF Public Statement” are weighted by their inclusion in one of three categories. AML Atlas™ risk scores are assigned for each type according to the weights as follows:

| Value   | Weight US      | Weight Non-US  | Explanation  |
|---|----------------|----------------|--|
| Based on semi-annual release of “FATF Public Statement”                                 |                |                |  |
| Type 1  |                |                |  |
| Yes   | 6              | 6              | Type 1: Apply Countermeasures<br>The jurisdiction is subject to a FATF call on its members to apply countermeasures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing risks emanating from the jurisdiction. |
| No  | 0              | 0              | The country is not considered Type 1.  |
| Type 2  |                |                |  |
| Yes   | 4              | 4              | Type 2: Uncommitted to Action Plan<br>The jurisdiction has deficiencies and is not committed to an action plan to address key deficiencies.  |
| No  | 0              | 0              | The country is not considered Type 2.  |
| Type 3  |                |                |  |
| Yes   | 3              | 3              | Type 3: Prev. Commitment to Action Plan<br>The jurisdiction has been previously identified by FATF as having deficiencies and which has committed to an action plan but has not implemented the plan.  |
| No  | 0              | 0              | The country is not considered Type 3.  |
| Based on semi annual release of “Improving Global AML/CFT Compliance: On-going Process” |                |                |  |
| Type 4  |                |                |  |
| An integer corresponding to the number of Higher importance Recommendations identified. | + .5 each rec  | + .5 each rec  | Type 4: Targeted Deficiency of High Importance<br>The jurisdiction is identified by FATF as having deficiencies and is being reported as having action plans to address key deficiencies.  |
| An integer corresponding to the number of Lower importance Recommendations identified.  | + .25 each rec | + .25 each rec | Type 4: Targeted Deficiency of Low Importance<br>The jurisdiction is identified by FATF as having deficiencies and is being reported as having action plans to address key deficiencies.   |

<sup>4</sup> Some Recommendations are considered more important than others in assessing a jurisdiction’s AML regime, as noted in the UK Joint Money Laundering Steering Group’s document “Equivalent Jurisdictions” (see, [http://www.jmlsg.org.uk/content/1/c6/01/43/99/JMLSG\\_-\\_PAPER\\_ON\\_EQUIVALENCE.pdf](http://www.jmlsg.org.uk/content/1/c6/01/43/99/JMLSG_-_PAPER_ON_EQUIVALENCE.pdf), attached at Appendix 1).

## **B) Terrorism and Drugs (Maximum Impact: +12)**

### **1. State Sponsors of Terrorism (U.S. State Dept)**

Countries identified by the U.S. Department of State as state sponsors of terrorism receive a weight of 6, which assures that they will be classified as high risk. Countries that are not on the list receive a weight of 0.

| Value | Weight |
|-------|--------|
| Y     | 6      |
| N     | 0      |

### **2. Major Drug Transit and Producing Countries (U.S. President/State Dept)**

Countries that are identified by the President of the United States as Major Drug Transit and Producing Countries receive a weight of 6, thus ensuring that they will be considered high risk. Those countries that are not currently on the list receive a weight of 0.

| Value | Weight |
|-------|--------|
| Y     | 6      |
| N     | 0      |

## **C) Offshore/Tax Haven (Maximum Impact: +5)**

### **1. Offshore Financial Centers (IMF)**

This IMF Offshore Financial Centers assessment program was discontinued on May 2008. All countries on the Offshore Financial Centers list at the time it was discontinued will receive a weight of 2.

| Value | Weight |
|-------|--------|
| Y     | 2      |
| N     | 0      |

### **2. OECD Uncooperative Tax Havens and Implementation of the Internationally Agreed Tax Standard (OECD)**

The OECD's list of Uncooperative Tax Havens, while still being active, no longer contains any jurisdictions as of May 2009. Instead, the OECD has been focusing more on countries' progress towards implementing the internationally agreed tax standard.

The OECD now produces periodical progress reports on the state of implementation of the internationally agreed tax standard on information exchange. The surveyed countries are grouped into three categories:

1. Jurisdictions that have *substantially implemented* the internationally agreed tax standard;
2. Jurisdictions that have *committed* to the internationally agreed tax standard, but have not yet substantially implemented it; and
3. Jurisdictions that have *not committed* to the internationally agreed tax standard.

The previous AML Atlas™ treatment of the OECD Uncooperative Tax Haven status is the addition of 3 points for those jurisdictions identified as Uncooperative Tax Havens. The current release expands this categorization to further include the three categories noted below. AML Atlas uses the OECD's assessment of progress on the

implementation of the internationally agreed tax standard as of September 30, 2009 according to the scoring outlined in the following table:

| Uncooperative Tax Haven, or Progress on implementing the internationally agreed tax standard | Risk Score (U.S. perspective) | Risk Score (Non-U.S. perspective) |
|--|-------------------------------|-----------------------------------|
| Substantially implemented the tax standard ("SI"), or not named on either list ("N")         | 0                             | 0                                 |
| Committed, but not substantially implemented the tax standard ("C")                          | 1                             | 1                                 |
| Not committed to the tax standard ("NC")   | 2                             | 2                                 |
| Uncooperative Tax Haven <sup>5</sup> ("Y")   | 3                             | 3                                 |

**D) Other Factors (Maximum Impact: +5)**

Other risk factors that contribute to a country's geographic risk score are the State Department's INCSR and the World Bank's Aggregate Governance Indicators. These factors can move a low risk country to a medium risk rating or a medium risk country to a high risk rating, but they cannot, in themselves, move a low risk country to a high risk rating.

**1. International Narcotics Control Strategy Report (U.S. State Dept)**

Each year, the U.S. Department of State publishes a list of Major Money Laundering Countries (MMLCs) as part of its INCSR. The INCSR MMLC list categorizes nearly every country in the world into one of three categories with respect to money laundering risk. The three categories are:

- Jurisdiction of Primary Concern;
- Jurisdiction of Concern; and,
- Jurisdiction Monitored

In addition, the INCSR includes a table of comparative data on each country in the report. The INCSR comparative table rates each country on twenty one factors related to AML legislation and regulation. Our weighting of each INCSR value is outlined in the below table:

| Value     | Weight | Comments   |
|-----------|--------|--|
| Primary   | 1      | Jurisdiction of Primary Concern (MMLC Ratings)                           |
| Concern   | 0.5    | Jurisdiction of Concern (MMLC Ratings)                                   |
| Monitored | 0      | Jurisdiction Monitored (MMLC Ratings)                                    |
| Not Rated | 0      | Not included in MMLC Ratings   |
| Y         | 0      | Yes (INCSR Comparative Table)  |
| N         | 1      | No (INCSR Comparative Table)   |
| M         | 0      | Mandatory Reporting (INCSR Comparative Table - Report Suspicious Txns)   |
| P         | 0.5    | Permissible Reporting (INCSR Comparative Table - Report Suspicious Txns) |

The weighted scores of all 21 factors in the INCSR Comparative Table are added together and then divided by 21 to produce an overall “INCSR detailed” score.

## **2. World Bank Worldwide Governance Indicators**

AML Atlas™ utilizes two of the World Bank’s six Worldwide Governance Indicators in its geographic risk assessment process. These two indicators are:

- Rule of Law; and,
- Regulatory Quality.

For each of the two World Bank Worldwide Governance Indicators, scores are reported on a scale ranging from -2.5 to 2.5, with higher values indicating better governance. AML Atlas™ groups the World Bank scores into three categories, which are then weighted in accordance with the below table.

| Value                | Weight |
|----------------------|--------|
| < -0.8               | 1      |
| Between -0.8 and 0.8 | 0.5    |
| > 0.8                | 0      |

The overall World Bank weighted score is the sum of the weights of the two indicators.

## **3. Transparency International Corruption Perception Index**

AML Atlas™ utilizes Transparency International’s Corruption Perception Index (“CPI”) as the primary indicator related to corruption. The CPI is scored on a scale ranging from 0 to 10, with higher values indicating a lower perception of corruption related to a country. AML Atlas™ groups the CPI scores into three categories, which are then weighted in accordance with the below table.

| Value               | Weight |
|---------------------|--------|
| ≤ 3.3               | 1      |
| Between 3.4 and 6.6 | 0.5    |
| ≥ 6.7               | 0      |

AML Atlas utilizes the World Bank Control of Corruption Indicator as a secondary indicator related to corruption. In instances in which the CPI does not give a country score and the World Bank Control of Corruption Indicator does give a score, the World Bank Control of Corruption Indicator score is used. The World Bank Control of Corruption Indicator scores are reported on a scale ranging from -2.5 to 2.5, with higher values indicating better governance. AML Atlas™ groups the World Bank scores into three categories, which are then weighted in accordance with the below table.

| Value                | Weight |
|----------------------|--------|
| < -0.8               | 1      |
| Between -0.8 and 0.8 | 0.5    |
| > 0.8                | 0      |

There are 28 jurisdictions which are not rated by CPI for which AML Atlas™ utilizes the World Bank Control of Corruption Indicator.

## **E) Experiential Judgment Adjustment**

We have created a category called the Experiential Judgment Adjustment to allow users to add or subtract weight from a country's risk score based on their professional experience and judgment. There is also a free-form field called "rationale" which allows users to justify why they added or subtracted weight in the Experiential Judgment Assessment field.

## **V. Unrated Dependencies**

Because the State Department's list of dependencies and areas of special sovereignty contains a number of jurisdictions for which limited or no risk-assessment data is available, we have associated dependencies with their sovereign parents and assigned a dependency the same risk score as its sovereign parent if there is no data specific to the dependency itself. In the event that only limited data is available for a dependency, the dependency's risk score may be calculated by combining data relating to the dependency itself with data related to the dependency's sovereign parent. The following procedure explains how a dependency's risk score is calculated:

- 1) A "Basic Score" is calculated by summing all weights with the exception of the INCSR Detailed weight and the World Bank weight. If a dependency's Basic Score is 0, and the parent's Basic Score is greater than 0, use the parent's Basic Score. The logic here is that most of the criteria that contribute to the Basic Score are binary---either a country is on the list or it is not. Thus, it is hard to tell if a dependency is not on the list because it is not risky or because it was not factored in as a sovereign country. Thus, if a parent is on a watch-list, but one of its dependencies is not on any watch-list, we assume the dependency should be on the watch-list.
- 2) If there is no INCSR Detailed Criteria data available for a dependency, we use the parent's INCSR Detailed Criteria Weight.
- 3) If there is no World Bank data available for a dependency, we use the parent's World Bank Weight.

Where a geography is related to a dependency or area of special sovereignty and no information is available on the geography or its associated dependency/area of special sovereignty the geography will be assigned the score of the sovereign parent for each factor listed above where information is unavailable.

## **VI. Non-Risk Score Features**

The following factors are included in AML Atlas™ for informational purposes and do not inform the AML Atlas™ risk score. Each of these factors has been considered for inclusion as an contributing factor to the AML Atlas™ risk score and Promontory reserves the right to revisit them for future consideration. These indicators can be found for each country on the Scorecards.

### **A) FATF/ FATF-Style Regional Bodies (FSRB) Mutual Evaluations**

The FATF and FSRBs are increasingly important in setting AML regimes, and their Mutual Evaluation reports now cover more than one hundred countries. The findings in the Evaluations are easily comparable across countries, and can provide a strong multilateral source of AML Atlas™ data.

Although AML Atlas™ now contains Mutual Evaluation scores, these do not inform the overall AML Atlas™ risk score. Currently, these scores are available for information and to inform the "EU Equivalence" determination (see below).

AML Atlas™ now captures a jurisdiction's performance as measured by FATF / FSRB Mutual Evaluation Reports. These reports are conducted by one or more of the following organizations:

- FATF;
- International Monetary Fund (IMF);
- The World Bank;
- Asia/Pacific Group on Money Laundering (APG);

- Caribbean Financial Action Task Force (CFATF);
- Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval);
- Eurasian Group on combating money laundering and financing of terrorism (EAG);
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG);
- Grupo de Acción Financiera de Sudamérica (GAFISUD);
- Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA);
- Middle East & North Africa Financial Action Task Force (MENAFATF); and
- Offshore Group of Banking Supervisors (OGBS).

Mutual Evaluation reports assess a country’s performance against the FATF 40+9 Recommendations, assigning a value of, for example, “Compliant”, “Largely Compliant”, “Partially Compliant”, “Not Compliant”, and “Not Applicable”. AML Atlas™ records these scores and assign a mutual evaluation weight to each as follows.

| Value               | Base Weight |
|---------------------|-------------|
| Compliant           | 0           |
| Largely Compliant   | 1           |
| Partially Compliant | 2           |
| Non-Compliant       | 3           |
| Not Applicable      | 0           |

Some Recommendations are considered more important than others in assessing a jurisdiction’s AML regime, as noted in the UK Joint Money Laundering Steering Group’s document “Equivalent Jurisdictions” (see, <http://www.jmlsg.org.uk/content/1/c6/01/43/99/JMLSG - PAPER ON EQUIVALENCE.pdf>). Using the “Equivalent Jurisdictions” document as a guide, the following table shows each of the 40+9 Recommendations and the set of factor weights within AML Atlas™. In this table, a factor weight of 2 indicates a Recommendation that is weighted twice as heavily as a Recommendation that received a factor weight of 1.

| Recom-<br>mendation | Factor<br>Weight | Recom-<br>mendation | Factor<br>Weight | Recom-<br>mendation | Factor<br>Weight |
|---------------------|------------------|---------------------|------------------|---------------------|------------------|
| 1                   | 2                | 18                  | 1                | 35                  | 1                |
| 2                   | 1                | 19                  | 1                | 36                  | 1                |
| 3                   | 1                | 20                  | 1                | 37                  | 1                |
| 4                   | 2                | 21                  | 1                | 38                  | 1                |
| 5                   | 2                | 22                  | 1                | 39                  | 1                |
| 6                   | 2                | 23                  | 2                | 40                  | 2                |
| 7                   | 1                | 24                  | 1                | SR1 <sup>6</sup>    | 1                |
| 8                   | 1                | 25                  | 1                | SR2                 | 2                |

<sup>6</sup> SR: Special Recommendation

|    |   |    |   |     |   |
|----|---|----|---|-----|---|
| 9  | 2 | 26 | 1 | SR3 | 1 |
| 10 | 2 | 27 | 1 | SR4 | 2 |
| 11 | 2 | 28 | 1 | SR5 | 1 |
| 12 | 1 | 29 | 2 | SR6 | 1 |
| 13 | 2 | 30 | 2 | SR7 | 1 |
| 14 | 1 | 31 | 1 | SR8 | 1 |
| 15 | 1 | 32 | 1 | SR9 | 1 |
| 16 | 1 | 33 | 1 |     |   |
| 17 | 2 | 34 | 1 |     |   |

The jurisdiction's "FATF / FSRB Raw Score" is then calculated by summing the value of each of the 40+9 Recommendations using the following equation:

$$\text{FATF / FSRB Raw Score} = (\text{BaseWeight}_1 * \text{FactorWeight}_1) + (\text{BaseWeight}_2 * \text{FactorWeight}_2) + (...) + (\text{BaseWeight}_{\text{SR9}} * \text{FactorWeight}_{\text{SR9}})$$

The minimum FATF / FSRB Raw Score in AML Atlas™ therefore would be 0 and the maximum would be 192.

## **B) EU Equivalence**

AML Atlas™ now includes indicators for EU "Equivalent Jurisdiction" measures. The Third Money Laundering Directive allows firms (under Article 11) to carry out simplified due diligence in respect of other firms which are subject to the provisions of the Directive, and to rely (under article 16) on other firms that are subject to the provisions of the Directive to carry out customer due diligence measures on their behalf. The Directive extends these derogations to firms in those third countries where the firms are subject to legal obligations that are considered "equivalent" to those laid down in the Directive.

To include measures of EU equivalence, we AML Atlas™ now includes three categories of equivalence:

- Equivalent;
- Not Equivalent; and
- Not Determined.

Details of each equivalence category are outlined below:

### **Equivalent**

A jurisdiction is considered "Equivalent" within AML Atlas™ if it:

1. Is an EU / European Economic Area member state, through the implementation of the Third Money Laundering Directive; or
2. Is listed as an Equivalent Jurisdiction by the EU.

### **Not Equivalent**

A jurisdiction is considered "Not Equivalent" within AML Atlas™ if it:

1. Is noted specifically by the UK Joint Money Laundering Steering Group as being "not equivalent" (see, [http://www.jmlsg.org.uk/content/1/c6/01/43/99/JMLSG\\_PAPER\\_ON\\_EQUIVALENCE.pdf](http://www.jmlsg.org.uk/content/1/c6/01/43/99/JMLSG_PAPER_ON_EQUIVALENCE.pdf));
2. Is the subject of an AML / CFT advisory notice by FATF / FinCEN; or

3. Has a FATF / FSRB Mutual Evaluation Raw Score within AML Atlas™ greater than one standard deviation from the mean Raw Score of the conducted Mutual Evaluations.

#### **Not Determined**

A jurisdiction is considered “Not Determined” within AML Atlas™ if it does not fall into either the category of Equivalent or Not Equivalent.

A jurisdiction’s Equivalence status does not inform the overall AML Atlas™ risk score for the jurisdiction. Rather, the Equivalence status is included in AML Atlas™ for the benefit of those subscribers wishing to have a centralized basis on which to develop their own equivalence methodology further.

#### **C) OFAC Specially Designated Nationals**

As part of its enforcement efforts, the U.S. Office of Foreign Assets Control (OFAC) publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals" or "SDNs." Their assets are blocked and U.S. persons are generally prohibited from dealing with them.

While AML Atlas™ provides a breakdown of the number of SDNs located within a country, the number of SDNs does not inform the overall AML Atlas™ risk score for the jurisdiction.

AML Atlas™ provides the following information on SDNs:

- Number of SDNs: the total number of SDNs in a country.
- Percentage of Total SDNs: the total number of SDNs in a country divided by the total number of SDNs in all countries.
- Ranking: a ranking of countries by the number of SDNs located in the country.

### **VII. Periodic Review and Update Schedule**

To minimize disruptions caused by changes to this methodology and the risk data contained in AML Atlas™, Promontory will conduct a full review of this methodology on a semi-annual basis and will issue a new release of AML Atlas™ at the conclusion of each review. During the review process, we will solicit feedback from our Tier I User Group (“the User Group”) and will consider any changes proposed by the User Group for incorporation into this methodology.

AML Atlas™ is updated and released twice per year on May 31<sup>st</sup> and November 30<sup>th</sup><sup>7</sup>.

Promontory will issue a new release of AML Atlas™ outside of the regular release cycle if a change occurs in the underlying risk data that would significantly alter a country’s risk rating. We may also issue new software releases outside of the regular release cycle in order to push technical enhancements that do not affect the geographic risk data.

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<sup>7</sup> If one of these dates falls on a weekend or public holiday, the release will occur on the next business day.