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The Regulation of Illicit Financial Flows (RIFF) dataset: A new world map of 30-years of financial secrecy and anti-money laundering reforms

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Abstract. To assess the effectiveness of international efforts to combat illicit financial flows (IFFs), we need a map of how and when specific reforms have been implemented in key jurisdictions around the world over the past few decades. Here we introduce the largest and most detailed dataset to date of long-term change in the global IFF regulatory landscape—the Regulation of Illicit Financial Flows (RIFF) dataset. Compiled with support from the GI ACE program, and assistance from the FSI team at the Tax Justice Network, the RIFF provides annual data on 23 regulatory indicators, in 70 key jurisdictions, for 1990-2020. Analyzing this new world map of long-term IFF regulatory change, we find evidence of broad international regulatory convergence, across offshore jurisdictions and OECD countries, in anti-money laundering and countering the financing of terrorism (AML/CFT) compliance, and international information exchange. However, these areas of convergence are layered on top of a persistent offshore-onshore divide in statutory banking secrecy, and the scope and accessibility of beneficial ownership data, wherein lapses also persist in key OECD members. This is likely to have a particular impact on the investigative efforts of non-governmental actors, including journalists and civil society organizations, who play a crucial role in uncovering illicit financial activities, and frequently instigate government enforcement actions. To address this, we recommend a broader public financial transparency-oriented approach to global IFF-regulatory reform, which recognizes the key role played by non-governmental actors, alongside governments, in policing financial crime, and is—crucially—led by example by the world's wealthiest and most powerful countries.

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1. Introduction

The past few decades have seen growing international efforts to track and police illicit financial flows (IFFs). These are now understood to encompass a wide array of elements including money laundering in conjunction with various criminal activities, terrorist financing, the movement and storage of the proceeds of corruption, and tax evasion. According to some definitions, IFFs may also include certain technically legal but socially harmful activities such as aggressive multinational corporate tax avoidance (Baker 2005; Cobham and Jansky 2020; Kar and Spanjers 2015; Reuter 2012; 2017; UNODC-UNCTAD 2020). Coordinated by international organizations including the Financial Action Task Force (FATF), Organization for Economic Cooperation and Development (OECD), and European Union, the global IFF regulatory reform project can be disaggregated into two general prongs. The first is Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). This has its origins in the 1970-80s US-led war on drugs, and was expanded in the subsequent war on terrorism, and more recent international efforts to combat transnational corruption, and enforce widening international sanctions regimes. At the global level, the AML/CFT initiative has since 1989 been chiefly coordinated by FATF with assistance from the Basel Committee on Banking Supervision (BCBS), United Nations Office on Drugs and Crime (UNODC), Egmont Group of Financial Intelligence Units, and other organizations including FATF-Style Regional Bodies (FSRBs) (Gilmour and Hicks 2023; Reuter and Truman 2004; Sharman 2011; Tsingou 2010). Meanwhile, the second prong of the global IFF regulatory project is anti-tax evasion and avoidance, wherein the OECD has played the leading global coordinating role since the late 1990s via its Harmful Tax Competition (HTC) and Base Erosion and Profit Shifting (BEPS) initiatives (Sharman 2006; Kahler et al. 2018; Palan et al. 2010; Palan 2020).

The two key strands of the global IFF regulatory push have traditionally emphasized somewhat different logics of reform. The focus of AML/CFT has traditionally been on the logic of compliance and enforcement, wherein private service providers are expected to screen and monitor clients for potential links to criminal or otherwise high-risk activities, and in-turn pass this information upwards to national financial intelligence units (FIUs) who can share it domestically and internationally to feed into potential enforcement actions (Findley et al. 2012; Gilmour and Hicks 2023; Sharman 2011). Meanwhile, in the context of anti-tax evasion and avoidance efforts, attention has largely focused, alongside the rolling back of harmful tax facilities, on the institutionalization of international financial transparency via initiatives such as the OECD's Common Reporting Standard (CRS) for automatic information exchange, and Country-by-Country Reporting (CBCR) guidelines (Ahrens et al. 2021; Jansky et al. 2021; Palan 2020). However, these two projects are inherently complementary and frequently overlapping: with the rolling back of secrecy in areas such as banking and beneficial ownership reporting seen as critical to both AML/CFT compliance, and the policing of tax evasion and avoidance, and AML/CFT compliance playing a critical role in supporting financial transparency via the collection and verification of client data (Sharman 2009). From both standpoints, a particular focus has been on reigning in the abuses of what have been variously called "tax havens," "offshore financial centers," "offshore jurisdictions," or "secrecy jurisdictions"—with OECD and FATF black or grey listing being used, over the past two decades, to apply pressure to jurisdictions deemed to be lagging or uncooperative in matters of AML/CFT or tax governance (Cobham et al. 2015; Eden and Kudrle 2005; Haberly and Wojcik 2022; Palan et al. 2010; Sharman 2009; Zorome 2007). These

exercises have also attracted criticism, with the wealthy developed countries that dominate the OECD and FATF—which notably include several leading tax and secrecy havens—often seen to be imposing costly measures on offshore "small islands," and lower income developing countries, while failing to fully adopt these measures themselves (Kahler et al. 2018; Findley et al. 2012).

Despite the ever-increasing scope and complexity of the global IFF regulatory agenda, and the escalating political battles surrounding it, we have only a limited empirical understanding of the effectiveness of existing reforms (Levi 2018). This lack of clear evidence on policy effectiveness has prompted particular concerns in relation to the AML/CFT regime, given its increasingly tangible costs. These include not only the direct costs of compliance, but also unintended consequences such as the financial marginalization of perceived high-risk groups in both developing and developed countries, as well as in some cases of whole lower-income countries (Gilmour and Hicks 2023; Kahler et al. 2018; Kang 2018; Ramachandran et al. 2018; Tsingou 2010; Sharman 2008).

This lack of evidence on policy effectiveness is partly due to the challenges surrounding IFF tracking and measurement, which have attracted mounting efforts to develop improved IFF estimates (see e.g. Cobham and Jansky 2020; Kar and Spanjers 2015; UNODC-UNCTAD 2020). However, we also have a relatively poor picture of how the IFF regulatory landscape itself has developed over the past few decades. This is not to say there is not an enormous amount of information on IFF regulations, in the domains of both AML/CFT and anti-tax evasion and avoidance, across most major jurisdictions. Ever-growing repositories of such data have been created in the form of jurisdiction-level mutual evaluation reports on AML/CFT compliance by the FATF, and similar evaluations of tax transparency and harmful tax competition devices by the OECD and OECD Global Forum. Since 2009, moreover, the Tax Justice Network has systematically compiled and published data on indicators across both domains, to feed into the construction of its Financial Secrecy Index (FSI) (Cobham, Jansky and Meinzer 2015). However, the issue, from an empirical research standpoint, is that none of these datasets are designed to support long-term time series statistical analyses of policy changes and their impacts.

Most importantly, these existing IFF regulatory datasets use temporally inconsistent rubrics for scoring regulatory performance, with rubrics being continuously updated over time, along with the lists and definitions of indicators scored. From the standpoint of the organizations publishing these datasets, this is a deliberate effort to progressively raise the bar of reform ambitions as the IFF regulatory frontier advances. However, it means we have only a vague picture of how the regulatory frontier itself has advanced over time. As a consequence, long-term multi-domain analyses of global IFF regulatory reforms, and their impacts on international capital flows, have mostly only been able to problematize change in *relative* regulatory stringency across jurisdictions, rather than the impact of regulatory progress itself (see e.g. Gullo and Montalbano 2022; Jansky, Palanska and Palansky 2022; Jansky, Palansky and Wojcik 2023).

There are also issues with the temporal frequency and period of coverage that undermine the usability of existing IFF regulatory datasets in long-term time series statistical analyses. The longest coverage is provided by FATF, which published its first round of mutual evaluation reports (MERs) from 1992-1995. However, this long-term historical coverage is coupled to an irregular and often infrequent updating schedule, which is inconsistent both over time and between jurisdictions. Meanwhile, the OECD Global Forum has only begun routinely compiling and

updating country information on tax-related IFF-indicators since 2010, and this data is only tracked for a limited number of domains. Data for TJN's FSI is only available from 2009, and while currently being transitioned to a continuous updating model, is only available biennially going backwards. Moreover, the updating frequency is in practice often lower and less consistent for specific indictors, in specific countries, due to reliance on more sporadically updated primary sources such as FATF reports.

These limitations of existing global IFF regulatory datasets mean that even if we could obtain highly accurate estimates of IFFs—to use as dependent variables in statistical assessments of regulatory policy impacts—we would still struggle to find suitable independent variables of long-term policy change across key jurisdictions, that would allow us to rigorously evaluate policy effects. It also means, at a deeper level, that we simply do not have a clear picture of exactly what type of IFF regulatory progress has been made where, and when, over the past few decades. This arguably poses a basic problem in relation to the design and targeting of ongoing reform efforts.

Here we seek to fill this gap by introducing the Regulation of Illicit Financial Flows dataset, or RIFF. Constructed with the assistance of the Financial Secrecy Index team at the Tax Justice Network, the RIFF is the first global IFF regulatory dataset that is designed to support time series statistical analyses of long-term regulatory change and its impacts on illicit financial flows, and provides annual resolution data on 23 indicators across 70 jurisdictions between 1990 and 2020. It thus provides a key resource to support an evidence-based approach to IFF regulatory impact evaluation and design. It also allows us to, for the first time, systematically take stock of the IFF regulatory reforms that have already been implemented over the past few decades.

The remainder of this paper is divided into four sections. Following this introduction, we discuss the design and construction of the RIFF. In section three, we then draw upon the RIFF to map and analyze the long-term global IFF regulatory change from 1990 to 2020—focusing, in particular, on tracing the evolution of the "onshore-offshore" regulatory divide. Next, in section four, we characterize the global IFF regulatory landscape as it stands in 2020, and highlight the most important gaps and discrepancies therein, before, in second five, drawing upon experimentally derived data from the Global Shell Games project to assess the relationship between nominal AML/CFT reform and observed service provider compliance. We conclude with a discussion of the policy implications of the patterns identified in the previous three sections.

Our analysis shows that the global IFF regulatory landscape changed enormously between 1990 and 2020. In the early 1990s and early 2000s, international IFF regulatory variation was defined primarily by the uneven progress in AML/CFT compliance and enforcement at the leading edge of reform. These reforms were initially concentrated in wealthy OECD countries, as opposed to non-OECD offshore jurisdictions, and thus reinforced the traditional onshore-offshore IFF regulatory divide defined by statutory financial secrecy. In the decade leading up to 2020, however, this global geography of IFF regulation changed dramatically. On the one hand, we find evidence of broad international regulatory convergence, across offshore jurisdictions and major OECD countries, in most areas of AML/CFT compliance and enforcement. However, progress in financial *transparency* reform has been more uneven, with new discrepancies appearing with respect to the scope and accessibility of beneficial ownership data collection, and the layering of new international information exchange mechanisms on top of persistent statutory banking

secrecy. These discrepancies, notably, tend to be most prominent in traditional offshore secrecy jurisdictions, thus defining a new and more complex basis for the contemporary onshore-offshore IFF regulatory divide.

Besides potentially enabling new types of secrecy-seeking arbitrage, these new discrepancies in the IFF regulatory landscape appear likely to have a particular impact on the investigative efforts of non-governmental actors, including journalists and civil society organizations. These actors play a central role in uncovering illicit financial activities, and frequently instigate government enforcement actions. Crucially, moreover, while offshore jurisdictions show generally larger issues than OECD countries in the area of financial transparency, the United States stands out, among the latter, for its exceptionally poor performance across *all* of the IFF regulatory domains assessed here. To address these problems, we recommend a broader financial transparency-oriented approach to global IFF-regulatory reform. This must recognize the critical role played by non-governmental actors, alongside governments, in uncovering and policing illicit financial activities within the context of a liberal democratic society, and must also—crucially—be led by example by the world's wealthiest and most powerful countries.

2. Construction of the Regulation of Illicit Financial Flows Dataset

The design of the RIFF reflects the priorities of generating high-quality indicators of historical IFF regulatory change, at the jurisdiction-level, which can support multidecadal time series statistical analyses of policy impacts. This requires a dataset that 1) covers the largest possible number of key financial intermediary jurisdictions, 2) covers the longest possible historical period, to make possible effective before-and-after comparisons of reform impacts, 3) collects and presents data at the highest possible temporal resolution, to allow for the statistically rigorous probing of cause-and-effect, and, most importantly, 4) defines and codes indicators according to a temporally consistent rubric.

Figure 1. Jurisdictions covered in Regulation of Illicit Financial Flows (RIFF) dataset (1990-2020)

With respect to the first requirement, the RIFF provides data on 70 jurisdictions selected based on a weighted combination of criteria designed to ensure coverage of the world's most important offshore as well as other leading international financial centers. These selection criteria include the concentration of service provider intermediaries and shell companies in the Panama and Paradise Papers datasets, the headquarters locations of major public multinational corporations, and the inclusion of jurisdictions on various offshore / tax haven lists. All G-20 member states are also included. As shown in figure 1, the resulting list of jurisdictions covers most of the largest OECD economies—including the United States, United Kingdom, France, Germany, Spain and Canada—as well as other OECD and non-OECD jurisdictions home to large offshore financial services sectors, such as Switzerland, the Netherlands, Luxembourg, Cyprus, Singapore, Hong Kong, and numerous "small islands"—and several large developing countries including all of the BRICS, and other major developing economies including Mexico, Argentina, Indonesia, Saudi Arabia, Egypt, and Thailand.

With respect to temporal coverage, the RIFF provides annual resolution data, for all jurisdictions, for 1990-2020. This was determined to be longest possible period over which data could be feasibly collected, and covers most of the historical development of the global IFF regulatory project with the exception of the earliest period of AML framework implementation in the 1980s, and the most recent developments post-2020.

This combination of extensive geographic coverage, and long-term, annual temporal resolution—following the requirements of supporting long-term time series statistical analysis of regulatory changes and their impacts—poses challenges for achieving the final, and most important RIFF design objective. This is the need to maintain methodological consistency in indicator coding over time, and to precisely locate the timing of changes in indicator scores. Achieving these priorities has necessitated a relatively narrow focus, in the RIFF, on recording the formal statutory situation of rules "on paper," and their implementation at a basic level. Reflecting this trading-off of coding nuance to gain coding temporal precision, indicators are scored on a simple three-level rubric wherein: 0 represents the total or nearly total absence of a particular area of regulation/reform; 0.5 represents a "partial" level of reform with significant gaps or contradictions at the level of statute or basic implementation; and 1 represents "full" implementation for a particular indicator according to the basic parameters of its definition. Crucially, this simplified indicator coding scheme, with its emphasis on formal statutory change, allows for relatively precise pinpointing of historical reform event timing—which would be impractical to meaningfully achieve for a more finely grained indicator scoring of historical policy effectiveness.

Indeed, *the RIFF does not attempt to build fine-grained assessments of policy rigor or effectiveness into the coding of regulatory indicators themselves*. The primary goal is rather to provide a dataset that can support empirical assessments of the impact of historical policy changes on the international organization of various types of illicit financial activities, structures, and relationships—when used in conjunction with other sources of data on the latter. Notably, in this respect, while the following sections use numerical indicator scorings for the purpose of mapping and aggregating broad international regulatory trends, these three-level indicator scoring categories should be conceptualized as essentially qualitative rather than quantitative in nature. This is particularly true in the context of time series statistical modeling of regulatory change impacts, wherein the conversion of indicators into binary dummy variables—capturing either indicator change events or indicator scoring categories—may be advisable.

The RIFF is comprised of 23 indicators covering the period 1990-2020 (see table 1). As shown in table 1, 11 of these indicators can be classified as falling into the domain of AML/CFT compliance and enforcement. These indicators cover: general as well as PEPs enhanced client due diligence; the institutional infrastructure of financial intelligence units and domestic inter-agency cooperation, as well as non-tax-related on-request international information sharing; rules concerning the reporting of suspicious transactions, and the restriction of client tipping-off in the context of this reporting, as well as the protection of whistleblowers; and the definition of the basic legal concepts of terrorist financing and money laundering, including in relation to different predicate offenses (table 1).

Meanwhile, the remaining 12 RIFF indicators capture the broader legal and infrastructural underpinnings of financial secrecy and transparency, including in relation to taxation. These indicators encompass: statutory banking secrecy (at a formal or de facto legal level); beneficial ownership registration, updating, and transparency requirements, including in relation to trusts, the limitation of instruments such as bearer shares, and the public scope of beneficial ownership data accessibility; restrictions on shell bank formation and correspondent relationships; on-request tax-related international information exchange, and automatic information exchange as governed by the EU Savings Directive, OCED Common Reporting Standard (CRS), and US Foreign Tax Account Compliance Act (FATCA) (table 1).

Table 1. Summary of RIFF indicators (see Appendix A for details)

Category	Indicator		Availability
AML/CFT compliance and enforcement	Client Due Diligence (CDD)		1990-2020
	Enhanced Due Diligence (ECDD) on Politically Exposed Persons (PEPs) (PEPsECDD)		1990-2020
	Obligation to report suspicious transactions (STRoblig)		1990-2020
	Legal protection for whistleblowers (Whistleblowers)		1990-2020
	No client tipping-off (TippingOff)		1990-2020
	Domestic cooperation (Domestic_coop)		1990-2020*
	Non-tax-related Information Exchange (on demand) (OthInfoEx)		1990-2020*
	Money laundering criminalisation (drugs) (MLcrim_drugs)		1990-2020
	Money laundering criminalisation (predicate offences other than drugs) (MLcrim_oth)		1990-2020
	Terrorist financing criminalisation (TFcrim)		1990-2020
	Financial Intelligence Unit (FIU)		1990-2020
Financial transparency	Banking Secrecy (BankingSecrecy)		1990-2020
	Shell Banks (ShellBanks)		1990-2020
	Beneficial Ownership (BO): Central Register (BORegistr)		1990-2020
	Beneficial Ownership (BO): Update of information (BOUpdate)		1990-2020
	Beneficial Ownership (BO): Public Access to Central Register (BOPublicAccess)		1990-2020
	Trust Registration (TrustRegistr)		1990-2020
	Trust Ownership Registration (TrustOwn)		1990-2020
	Bearer Shares (BearerShares)		1990-2020
	Tax Information Exchange (on demand) (TaxInfoEx)		1990-2020*
	Automatic Exchange of Information (AEOI)	EU Savings Directive (EU_SD)	1990-2020
		US FATCA (FATCA)	1990-2020
		OECD Common Reporting Standard (CRS) (OECD_CRS)	1990-2020

*limited pre-2000 coverage

The main data-sources used for indicator construction were TJN's FSI archives (dataset notes), as well as FATF, MONEYVAL and FATF-Style Regional Bodies (FSRBs) reports, IMF/OECD reports, and US INCSRs. We have also drawn on an array of additional data sources to complement these, including national legal repositories, various websites (e.g. lowtax.net), and consultancy firm publications (e.g. PWC AML 2016) to fill in missing data for particular indicators in particular jurisdictions, and extend historical coverage backwards to 1990. Additional information on indicator scoring can be found in Appendix A, and the methodological paper.

3. Characterizing long-term change in the global IFF regulatory landscape

Taken together, the RIFF indicators allow us to construct the most detailed picture to date of worldwide IFF regulatory change, across key jurisdictions, since 1990. To describe the overall reform trajectory, we have conducted factor analysis on all RIFF indicators across all jurisdictions from 1990 to 2020. This allows us to extract the key underlying statistical dimensions of IFF regulatory reform over this period (see Appendix B, Table B1). Factor analysis shows that international reforms have been implemented in statistically distinct bundles—with three dimensions of temporally and geographically correlated reform (factors) explaining the majority of indicator variation over time, across all jurisdictions.[1] The first factor is dominated by AML/CFT compliance and enforcement—with the legal obligation to report suspicious transactions having the strongest (81%) correlation with factor 1, followed by Client Due Diligence (CDD) (78%), no client tipping off (75%), PEPs enhanced CDD and whistleblower protection (both 74%), and terrorist financing criminalization (70%). Meanwhile, the next two factors capture two apparently distinct dimensions of financial transparency. Factor 2 is dominated by beneficial ownership registration and automatic information exchange indicators (and particularly OECD CRS adoption). Meanwhile, factor 3 is defined by the combination of banking secrecy and trust registration requirements—with the latter only weakly related, statistically, to the company beneficial ownership registration requirements associated with factor 2 (see discussion below).

Crucially, all RIFF indicators are positively correlated with factor 1, which has a greater overall explanatory power than the next two factors combined. This makes it possible to use factor 1 construct an overarching RIFF "composite regulatory score"—albeit one that is most strongly weighted towards AML/CFT as opposed to financial transparency indicators. As shown in table A2, to construct RIFF composite score we use a truncated list of 11 indicators that closely replicates the variation in factor 1 in table B1, while omitting variables with a large amount of missing data (which would prevent the scoring of a country in a particular year). To avoid automatically penalizing countries which are either not EU members, or that are on poor political terms with the USA, we have combined the EU Savings Directive and OECD CRS automatic information exchange indicators, and omitted the US FATCA indicator. As shown in Table B2 (Appendix 2), RIFF composite score explains more than half of all temporal and geographic variation in the 11 indicators from which it is constructed. Although most strongly dominated by the AML/CFT indicators, RIFF composite score is also 52% correlated with the merged EU-OECD automatic information exchange indicator, and 26% correlated with beneficial ownership registration requirements.

[1] All three of these factors have eigenvalues greater than 1, indicating that each has a greater statistical explanatory power than any one of the underlying variables from which they are generated. A fourth factor was also identified with a borderline eigenvalue of 1.13, which was deemed insufficiently meaningful for inclusion in table 1.

[2] 2018 is mapped in figure 5, rather than 2020, due to the increase in missing data post-2018.

Figures 3 and 7 show the changing world map of RIFF composite regulatory scores in 1990, 2000, 2010, and 2018.[2] RIFF composite score units are standardized factor scores, with zero representing the mean for all countries and years. Figure 2 shows the evolution of mean RIFF composite score over time for 1) OECD member states, 2) non-OECD offshore jurisdictions, and 3) non-offshore jurisdiction developing (non-OECD) countries. The dashed red line in figure 2 shows the evolution of the mean OECD-offshore regulatory gap, with positive values indicating higher average performance in the OECD, and negative values indicating higher average performance in non-OECD offshore jurisdictions. Figures 4 and 8 decompose these trends into greater detail, showing the trajectories of average change, across different groups of jurisdictions, for selected "early reform" (figure 4) and "late reform" (figure 8) indicators. Figures 5-6 and 9-10 plot the overall distributions of, and relationships between, indicator mean scores, standard variations, and mean OECD-offshore regulatory gaps for 1990, 2000, 2010, and 2020 respectively.

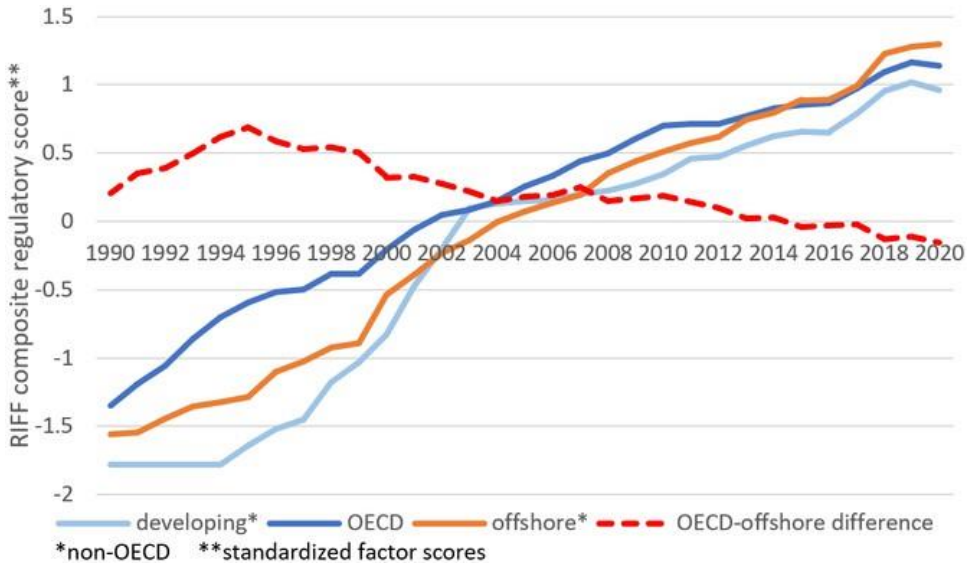

Figure 2. Average RIFF composite score by category of jurisdiction, 1990-2020

As shown in figures 2 and 3, as of 1990 all jurisdictions had very low RIFF composite scores by present-day standards. However, developed (OECD) countries, as a group, scored somewhat more highly than either (non-OECD) developing countries or offshore jurisdictions, due to their generally earlier adoption of a basic AML/CFT framework. The 1990s saw the spread of early AML/CFT measures concentrated in the developed world, and a few developing countries—largely reflecting the influence of the US-led war on drugs, and subsequent efforts at combatting terrorist financing, which were the most prominent early foci of the international IFF regulatory (Reuter and Truman 2004; Sharman 2011). Initial reforms centered on the adoption of the basic legal concepts of money laundering and terrorist financing (see "early reform" RIFF indicators in figure 4). As the 1990s progressed, this was increasingly followed by the building of an AML/CFT institutional infrastructure of Financial Intelligence Units (FIUs) and Suspicious Transaction Reporting (STR) (figure 4).

These pre-2000 AML/CFT reforms (figure 4) were concentrated in OECD members, with the OECD-offshore regulatory gap thus widening during the 1990s (dotted red lines). The overall OECD-offshore gap in RIFF composite score peaked in 1995 (figure 2). However, as of 2000 it had narrowed only slightly from this peak, with most offshore jurisdictions appearing as weakly regulated 'red dots' in figure 3 bottom.

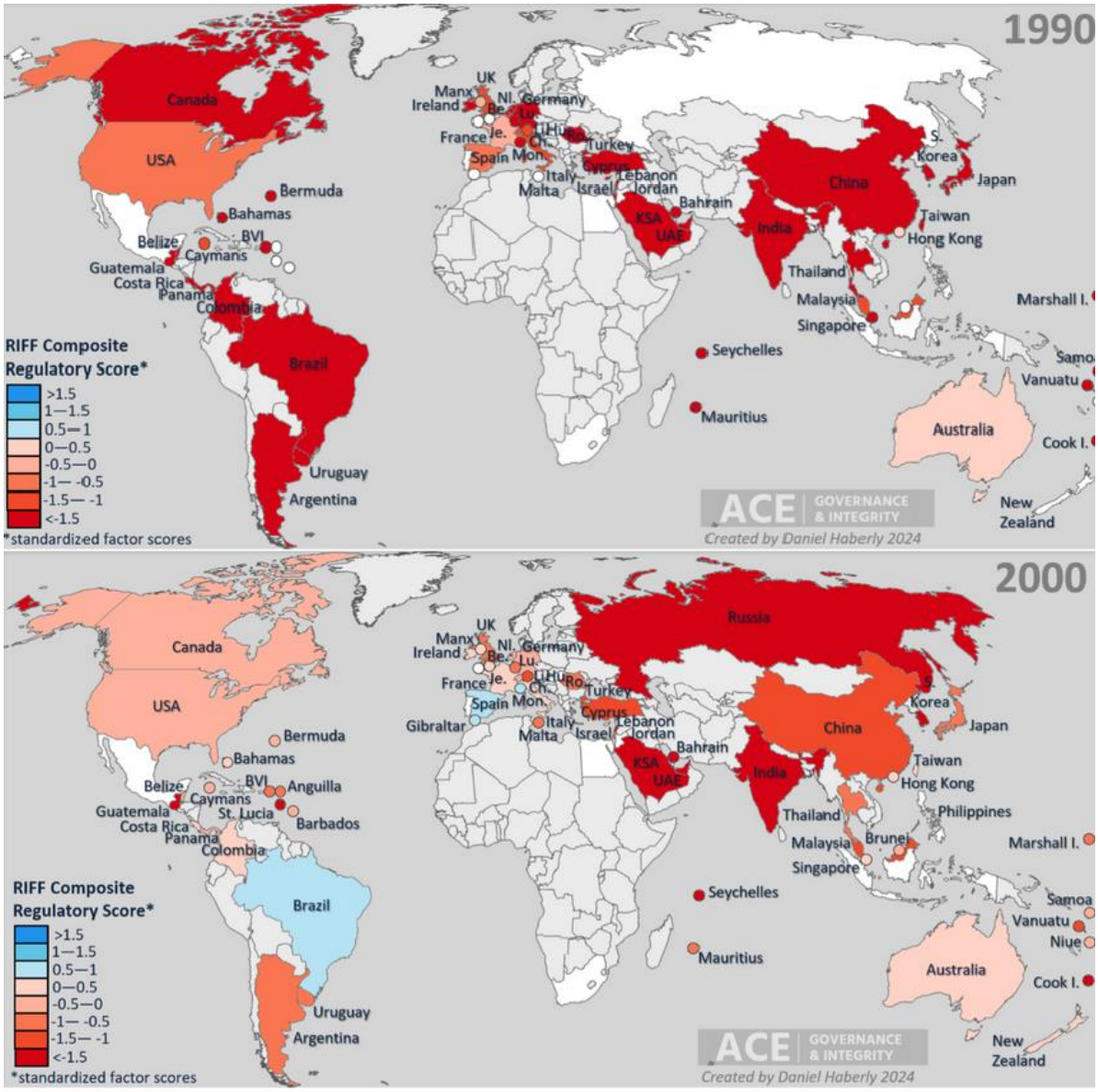

Figure 3. RIFF Composite Regulatory score in 1990 and 2000

Figures 5 and 6 summarize the overall relationship between regulatory progress (indicator mean score) and international regulatory variation (standard deviation) (left panels), and between OECD-offshore gap and international regulatory variation (right panels), for all RIFF indicators with score greater than zero in 1990 (figure 5) and 2000 (figure 6). There is a strongly positive relationship between indicator mean scores and standard deviations in both figures 5 and 6—implying that international regulatory variation from 1990 to the turn of the millennium was chiefly defined by the uneven progress of the leading edge of reforms. Moreover, as shown by the strongly positive relationship between indicator-level OECD-offshore score gaps and indicator standard deviations in figure 6, this international variation in regulatory progress was clearly aligned, in both 1990 and 2000, with the divide between reform-leading OECD countries on the one hand, and laggard (non-OECD) offshore jurisdictions on the other. As of 2000, a particularly large OECD-offshore regulatory gap, coupled to high international regulatory variability, can be seen for terrorist financing criminalization, banking secrecy, trust registration requirements (excl. beneficial ownership), legal protections for whistleblowers, restrictions against client tip-offs in the context of suspicious transaction reporting, and the establishment of Financial Intelligence Units (FIUs) (figure 6). This indicates that offshore jurisdictions generally lagged behind OECD

members, as a group, in the implementation of even basic AML/CFT compliance. Notably, however, the developing and transition economies tracked here appear to have lagged even further behind–with most making little progress across any indicators until the late 1990s.

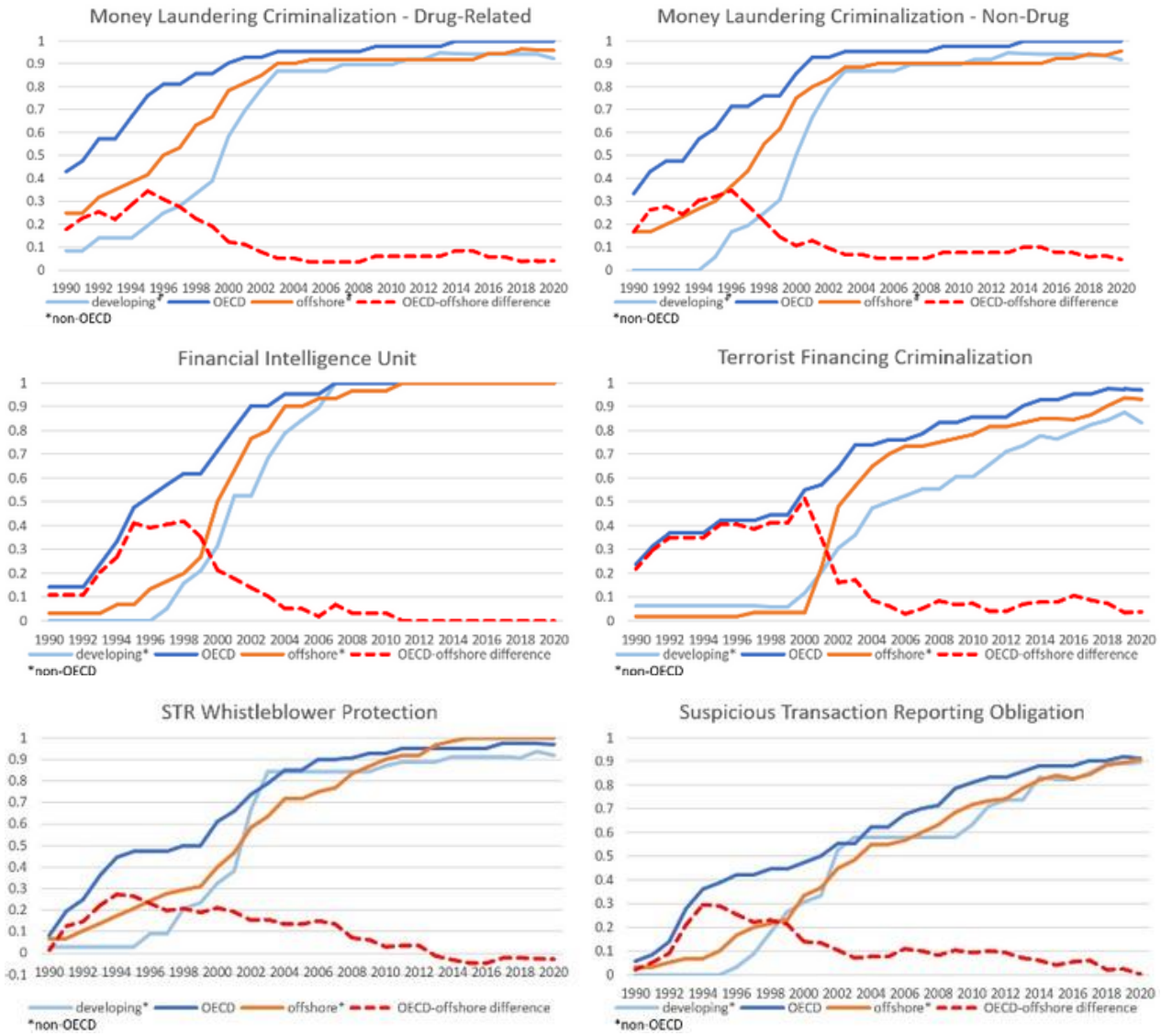

Figure 4. Selected early reform RIFF indicators by jurisdiction category 1990-2020

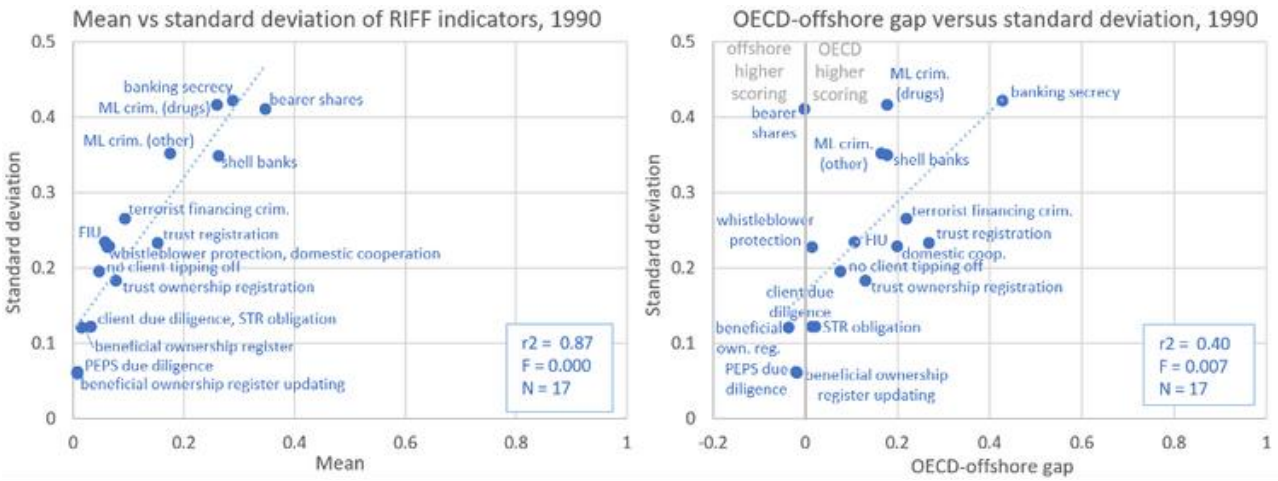

Figure 5. RIFF indicator mean score versus standard deviation (left) and OECD-offshore gap versus standard deviation (right), 1990

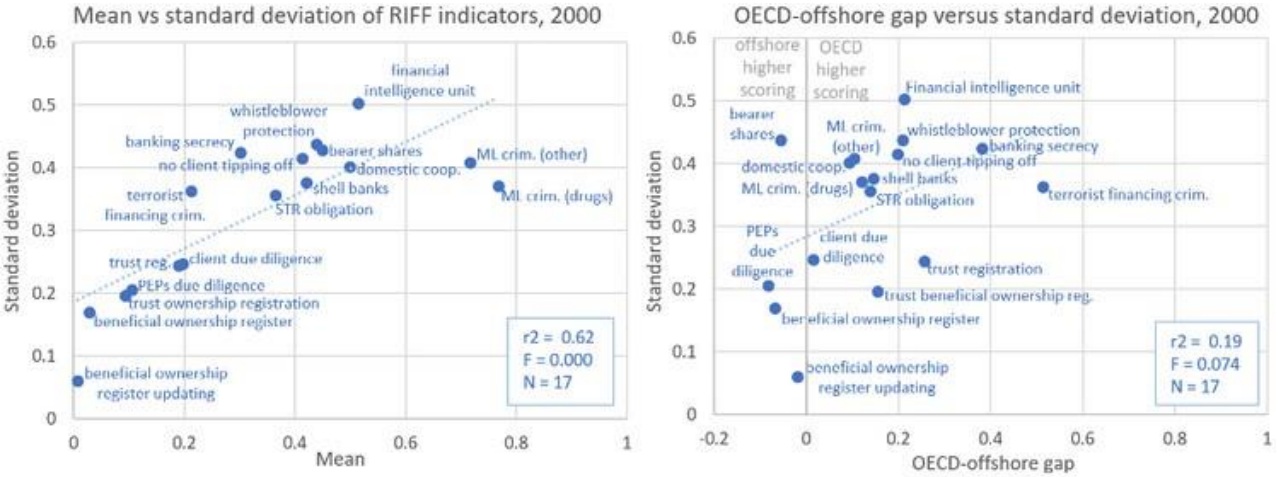

Figure 6. RIFF indicator mean score versus standard deviation (left) and OECD-offshore gap versus standard deviation (right), 2000

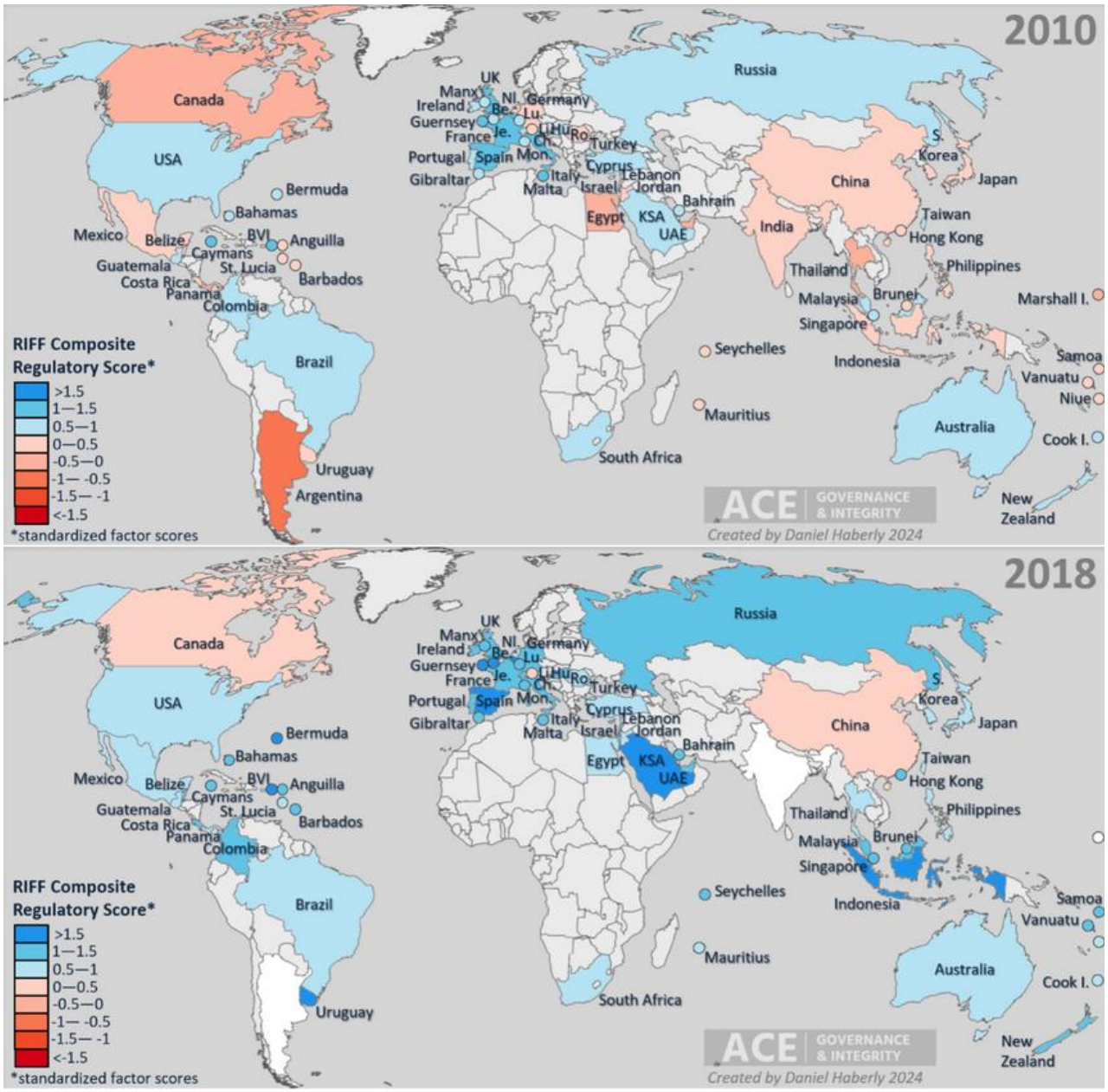

Figure 7. RIFF Composite Regulatory score in 2010 and 2018

As seen in figures 2 and 7, the first two decades of the 21st century were characterized by broad international IFF regulatory progress as well as convergence. Notably, the OECD-offshore gap in RIFF composite score had nearly disappeared by 2010 (figure 2)—with only with only a few traditional offshore secrecy jurisdictions such as Panama retaining conspicuously low scores (figure 7 top). The previously strong indicator-level relationship between international regulatory variation, and OECD-offshore regulatory gap, also lost statistical significance by 2010 (figure 9 right). Moreover, from 2016 onwards, the OECD-offshore gap as benchmarked here actually became inverted, with the mean composite score of non-OECD offshore jurisdictions overtaking the OECD members tracked here. Most non-OECD developing and transition economies tracked here also follow this trend towards global regulatory convergence. However, as of 2020, they still lagged as a group slightly behind both OECD member states, and non-OECD offshore jurisdictions.

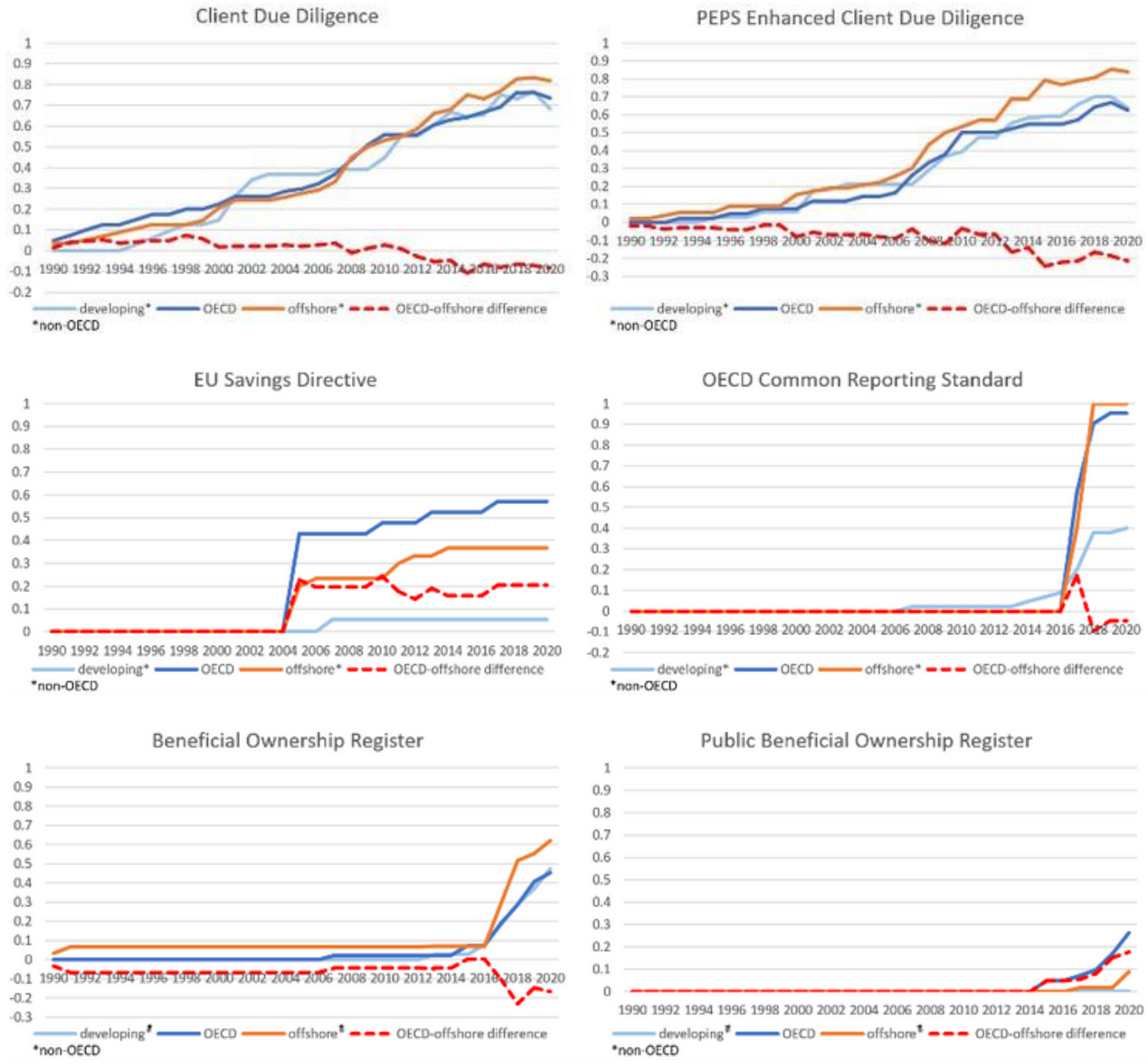

Figure 8. Selected late reform RIFF indicators by jurisdiction category, 1990-2020

Examining specific indicators (figures 4 and 8), the period after 2000 has been characterized by 1) the rapid closing of gaps in the basic AML/CFT legal framework, with particularly rapid progress in terrorist financing criminalization post-2001, 2) the more gradual post-2000 spread of enhanced standards of client due diligence (CDD), including for politically exposed persons (PEPs), 3) the spread of automatic information exchange, as governed by the EU savings directive (post-2003), FATCA (post-2010), and OECD common reporting standard (post-2014), and 4) the rapid albeit uneven adoption, following ca. 2016, of entity beneficial ownership reporting requirements. Notably, in contrast to the early reform indicators in figure 4, which were spearheaded in the 1990s by the OECD, and only subsequently adopted by offshore jurisdictions and developing countries, the spread of most late-reforming RIFF indicators was relatively synchronized globally from the outset (figures 8). Consequently, no substantial OECD-offshore regulatory gap ever emerged for most of the late-reforming indicators—although crucially, as shown below, this is not the case for all of these indicators.

Figures 9 and 10 summarize the overall relationship between international regulatory progress (indicator mean score) and international regulatory variation (standard deviation) (left panels), and

between OECD-offshore gap and international regulatory variation (right panels), for all RIFF indicators with mean score greater than 0 in 2010 (figure 9) and 2020 (figure 10). As can be seen, the previously strong positive relationship between indicator score means and standard deviations had broken down by 2010 (figure 9 left), and by 2020 had become inverted (figure 10 left)—with overall international regulatory variation concentrated in indicators with the lowest, rather than the highest mean scores. What this means is that international IFF regulatory variation had, in contrast to the 1990s and early 2000s, become defined primarily by localized gaps at the *lagging* edge of reform, in the context of broad international regulatory convergence.

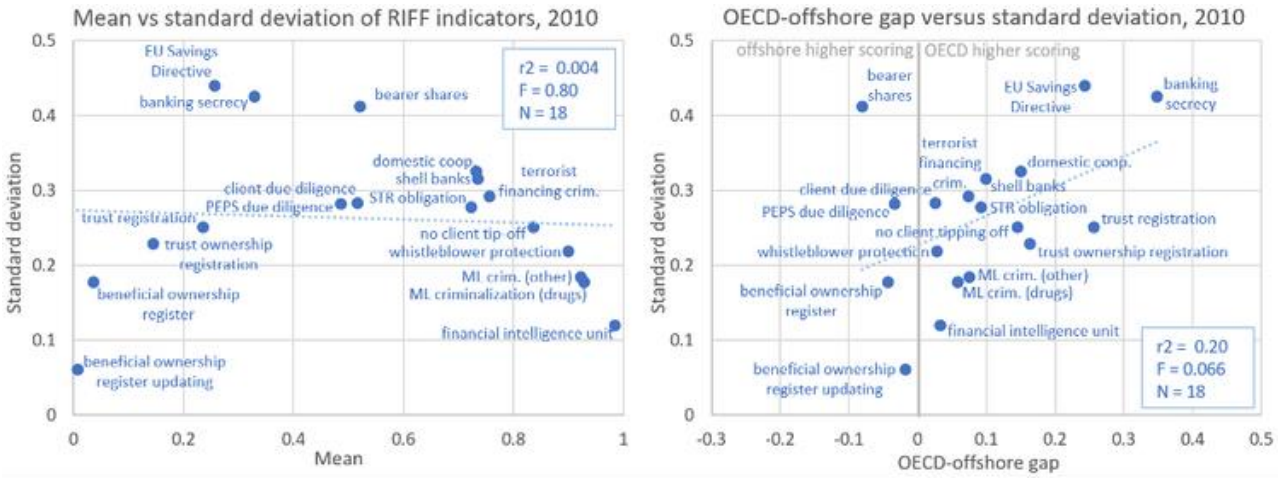

Figure 9. RIFF indicator mean score versus standard deviation (left) and OECD-offshore gap versus standard deviation (right), 2010

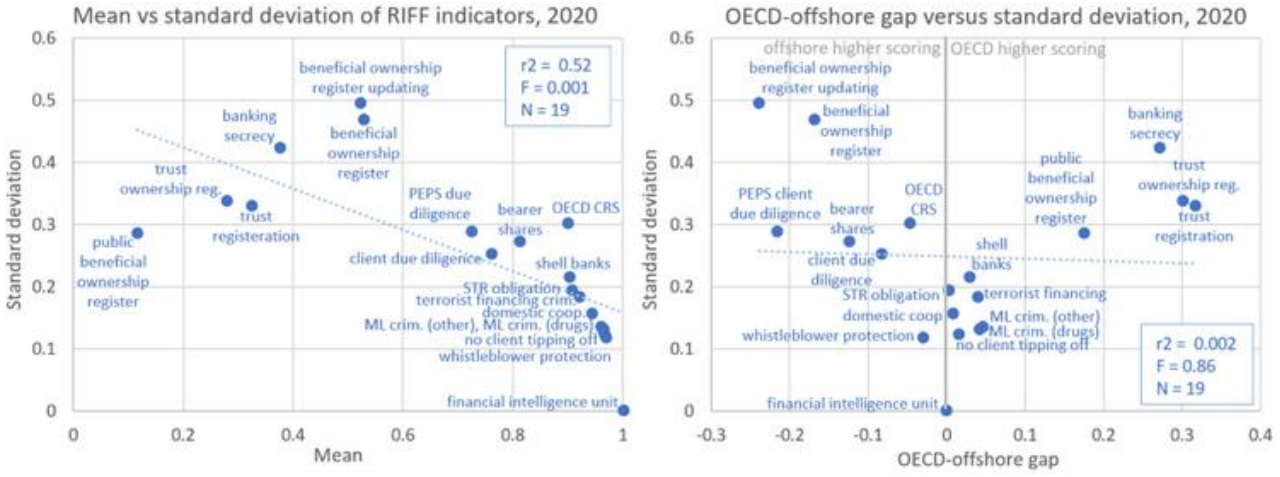

Figure 10. RIFF indicator mean score versus standard deviation (left) and OECD-offshore gap versus standard deviation (right), 2020

4. AML/CFT, financial transparency, and the new onshore-offshore divide

Figures 9 and 10 also show that the international landscape of IFF regulatory variation has, in recent years, become increasingly multidimensional—in contrast to the one-dimensional axis of regulatory variation, dominated by the onshore-offshore divide, seen in the 1990s and early 2000s. In figure 10 (left), all AML/CFT compliance indicators are clustered in the lower right corner of the chart (high mean, low standard deviation), indicating strong global regulatory convergence as of 2020—with only client due diligence, and PEPs enhanced client due diligence,

among AML/CFT indicators, exhibiting even moderate international regulatory variation. As it is the AML/CFT indicators which most strongly define overall RIFF composite score, this explains most of the latter's overall pattern of international convergence.

This convergence, however, does not extend nearly as strongly to indicators of underlying financial *transparency*—covering the domains of banking secrecy, bearer shares, automatic information exchange (OECD CRS), and beneficial ownership registration requirements for companies and trusts—which continue to exhibit much greater international variation. Indeed, as of 2020, the scores of all of the indicators of financial transparency had a standard deviation above 0.27, while all of the indicators of AML/CFT compliance, apart from PEPS enhanced CDD, had a standard deviation below 0.27 (figure 10).

As seen in figure 10 (right), all of the most internationally uneven RIFF indicators, in 2020, also show an OECD-offshore regulatory gap. However, in contrast to the historical definition of this gap by poor performance offshore, there is no longer any consistency, across indicators, in the relative performance of OECD members as opposed to non-OECD offshore jurisdictions. Rather, the OECD-offshore gap operates in different directions for different indicators. In fact, offshore jurisdictions now appear to outperform the OECD members tracked here on most high variation indicators—including beneficial ownership registration and updating, bearer shares, and OECD CRS adoption. However, four transparency-related indicators—banking secrecy, trust registration, trust ownership registration, and *public* beneficial ownership register—diverge from this pattern, with traditional offshore jurisdictions scoring much more poorly on average than OECD members, as of 2020 (see figures 8 and 10-12).

These emerging discrepancies in the OECD-offshore regulatory gap present something of a paradox. On the one hand, it seems that offshore jurisdictions have caught up with, and perhaps even overtaken major OECD countries, in not only key areas of AML/CFT compliance, but also in specific areas of financial transparency (also see Findley et al. 2012). However, offshore jurisdictions seem to have, more often than not, adopted financial transparency reforms in a rather internally contradictory way. With respect to beneficial ownership recording, offshore jurisdictions are now more likely than the OECD members tracked here to maintain a centralized beneficial ownership register, and moreover seem to be more diligent in keeping registers up to date. However, our findings indicate that they nearly always exclude non-corporate entities such as trusts (figure 9) from the scope of beneficial ownership registration requirements (including via trust beneficiary taxpayer reporting in addition to entity beneficial ownership registers themselves), and in most cases restrict the accessibility of beneficial ownership data to only limited categories of official users and purposes. In contrast, OECD member states, as a group, are more likely to make beneficial ownership registers publicly available, and to extend ownership registration requirements to trusts (either directly or via beneficiary taxpayer reporting)—although there are also some important beneficial ownership registration laggards within the OECD such as the USA and Switzerland.

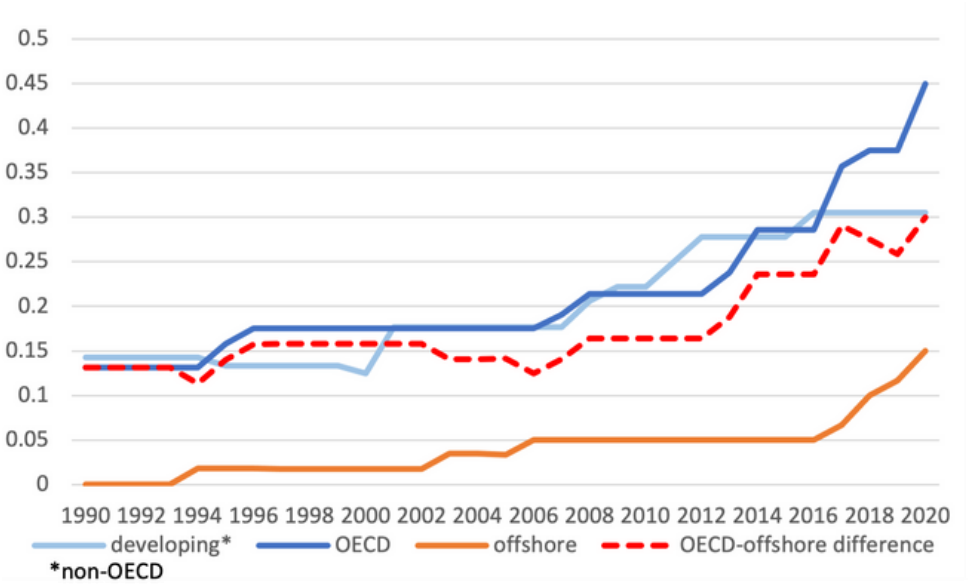

Figure 11. Trust ownership by jurisdiction category, 1990-2000

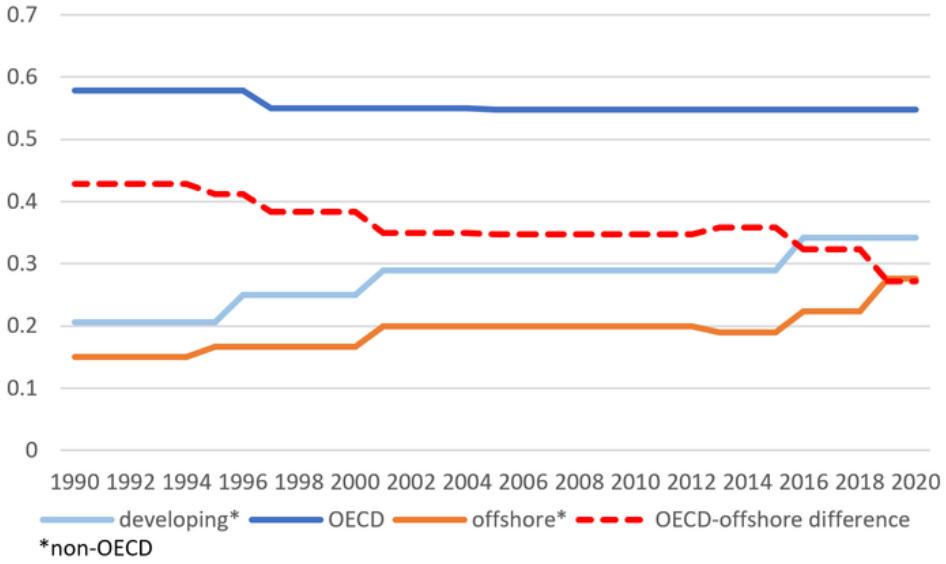

Figure 12. Banking Secrecy by jurisdiction category, 1990-2020

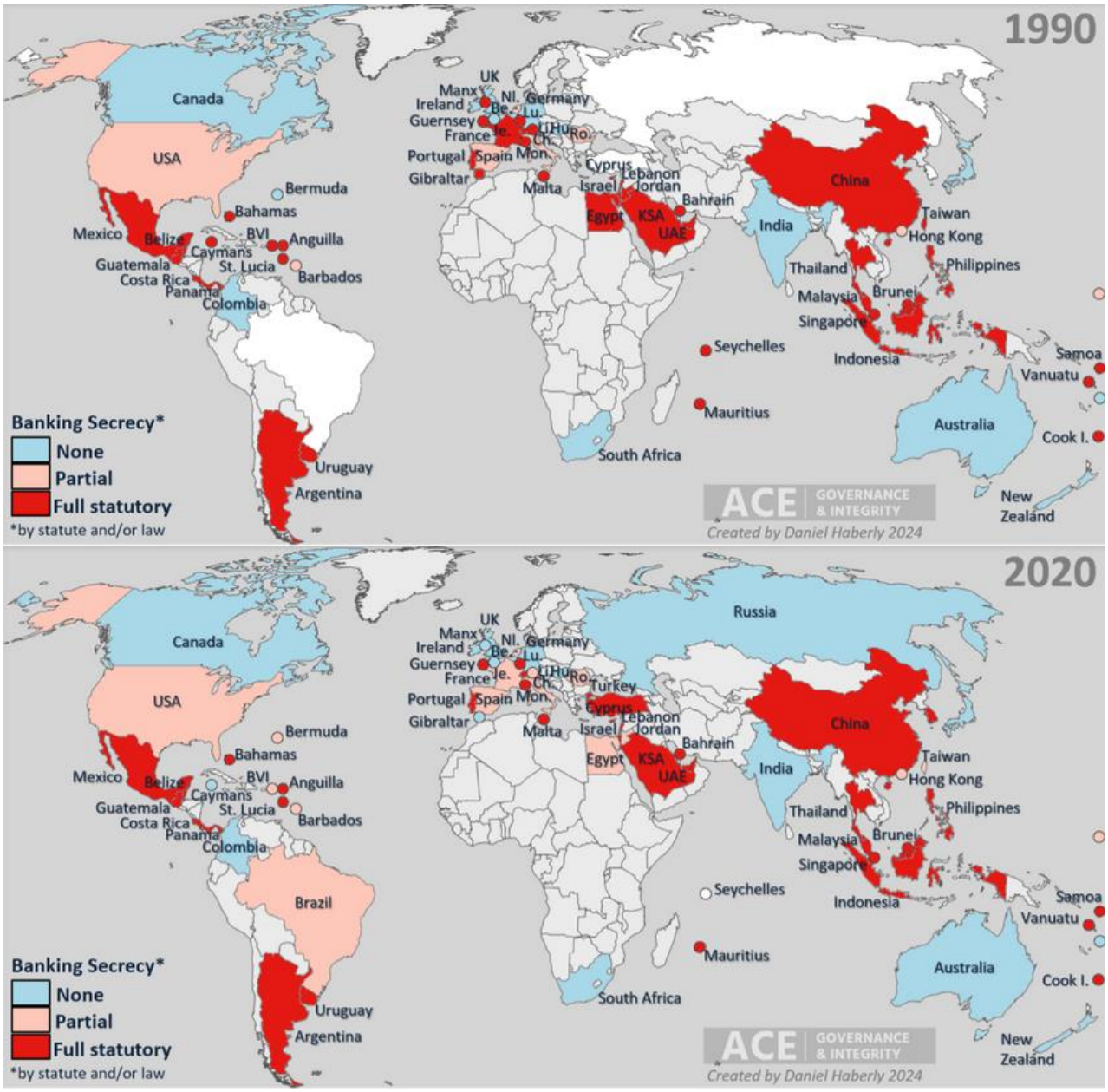

Figure 13. Banking Secrecy in 1990 and 2020

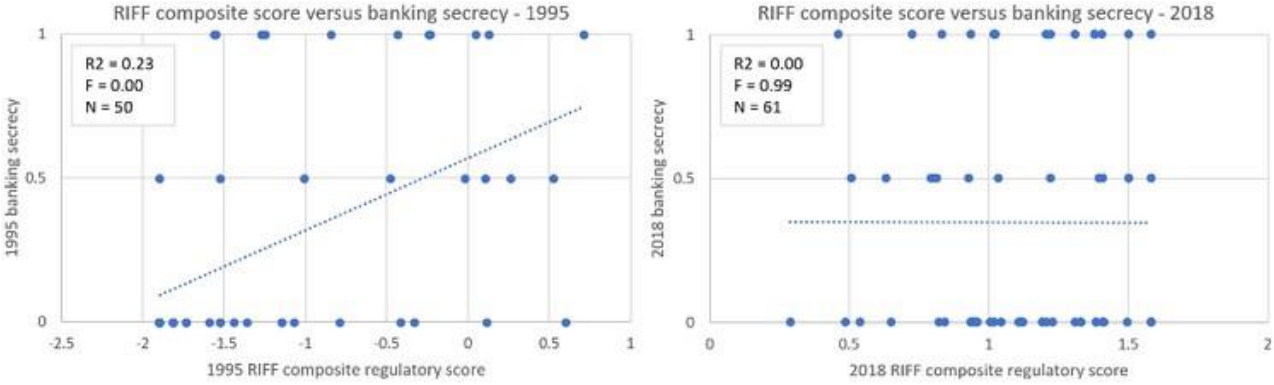

Figure 14. Relationship between RIFF Composite Regulatory Score and Banking Secrecy in 1995 and 2018

Meanwhile, non-OECD offshore jurisdictions were actually more likely than the OECD states tracked here, as of 2020, to have adopted the OECD Common Reporting Standard (CRS) for automatic international information exchange (figure 8). However, our results indicate that these information exchange mechanisms have usually been layered on top of the existing landscape of offshore statutory banking secrecy, without the latter actually being repealed. Indeed, as shown in figures 12-14, the world map of statutory banking secrecy barely changed between 1990 and 2020. It also remained firmly rooted in traditional offshore secrecy jurisdictions, with banking secrecy showing the widest OECD-offshore gap of any indicator in 1990, and the third largest gap after trust registration and trust ownership registration in 2020 (figure 5 right and figure 10 right). As highlighted in figure 14—which plots banking secrecy against RIFF composite score in 1990 and 2018[3]—this incongruous persistence of statutory offshore banking secrecy, in the midst of broader OECD-offshore regulatory convergence in most areas, has destroyed the historically strong correlation between banking secrecy and overall RIFF composite score. These are now completely unrelated to one another statistically.

These widening discrepancies between different domains of IFF regulatory reform appear to have at least two potentially important implications. First, they appear to have the potential to encourage new strategies of secrecy-seeking arbitrage. These are particularly likely to exploit the widening gap between the beneficial ownership transparency requirements imposed on corporate entities, and the widespread absence of such measures for other entities such as trusts. Given the central role played by trusts in obscuring beneficial ownership in complex financial structures, including in the context of illicit activities, this could seriously undermine the overall effectiveness of international beneficial ownership reporting (see Knobel and Lorenzo 2022).

Second, the apparently self-contradictory nature of many financial transparency reforms, seems likely to reduce the chances that the increasing volumes of client data that are being collected, and theoretically being made available to law enforcement, will actually be used to hold wealthy and powerful financial wrongdoers to account. What is particularly important, in this context, is that the initial exposure of illicit financial activities is frequently driven by the investigations of *non-governmental* actors—such as journalists, civil society organizations, or academics—which are only subsequently followed-up by governmental investigations and enforcement actions. As noted by Dávid-Barrett and Tomić (2022), the role played by journalists in initially uncovering wrongdoing tends to be especially crucial in anti-corruption investigation and enforcement, wherein the integrity of states themselves, or various actors therein, is directly compromised.

What is especially notable, from this standpoint, is that the scope of financial secrecy reform in offshore jurisdictions nearly always excludes non-governmental actors, with information access rather usually limited to only official governmental users and purposes. This emerging discrepancy between *governmental* versus *non-governmental* financial transparency is most evident in the tendency of offshore jurisdictions to tightly restrict beneficial ownership register accessibility (also see Freigang and Martini 2023). However, it also arises in relation to banking secrecy. In this context, most traditional banking secrecy centers have adopted international information exchange mechanisms that allow banking secrecy laws to be overridden in the context of official intergovernmental investigations. However, some of these same traditional banking secrecy jurisdictions have continued to apply statutory banking secrecy laws to prosecute

[3] [4] This relationship is examined for 2018 rather than 2020 here, due to the increased incidence of missing data for RIFF composite scores after 2018.

whistleblowers and investigative journalists, including in relation to the publication and analysis of leaked data (European Federation 2022). This geography of persistent offshore statutory banking secrecy also appears to be strongly correlated with trust secrecy (see Appendix B, table B1), raising the possibility that these may reinforce one another.

Figure 15 attempts to summarize, at the jurisdiction level, this emerging *multidimensional* landscape of contemporary global IFF regulation. In the left panel of figure 15, we have plotted 2018[4] RIFF composite regulatory score for all jurisdictions (with available data), against a 2020 RIFF "transparency score." This has been extracted through factor analysis of the 2020 scores for the banking secrecy, trust ownership registration, beneficial ownership registration, public beneficial ownership register, bearer shares, and OECD CRS indicators (see Appendix B, table B3). Meanwhile, in the right panel, we have plotted 2018 RIFF composite score against a narrower RIFF 2020 "public transparency score," constructed as an average of the public beneficial ownership register and statutory banking secrecy indicators. This is intended to capture the favorability of the regulatory and legal environment for investigations by non-governmental actors, of illicit financial activity. Jurisdictions have been color coded into the same categories of OECD member, non-OECD offshore jurisdiction, and other jurisdictions used in earlier figures. Trendlines are shown, for reference, for OECD and non-OECD offshore jurisdictions respectively.

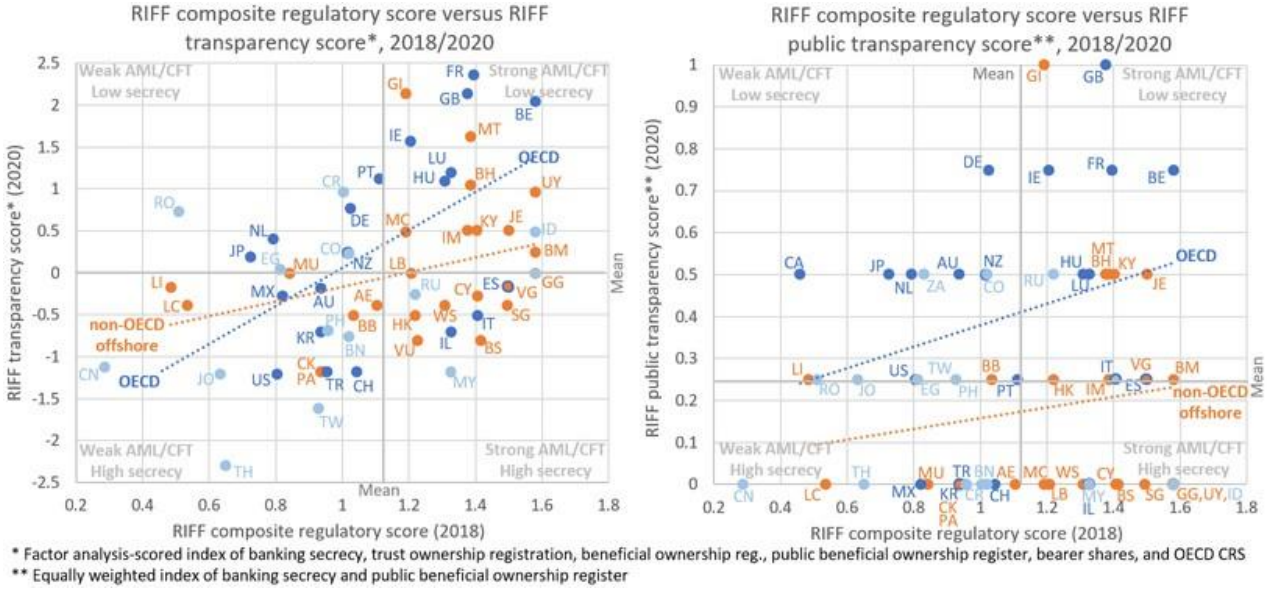

Figure 15. RIFF composite regulatory score versus financial transparency, 2018/2020

Figure 15 highlights the emerging discrepancy between international onshore-offshore regulatory convergence in AML/CFT (as captured by RIFF composite score), and the persistent onshore-offshore divide in financial transparency—and in particular public financial transparency. Importantly, this new offshore-onshore divide is not universal, with the world's two largest economies—the United States, and Mainland China—both showing a combination of weak AML/CFT, *plus* low financial transparency. Moreover, a few offshore jurisdictions, such as Jersey or the Cayman Islands, score at least moderately well in both AML/CTF and transparency, while some other traditional offshore jurisdictions, such as Panama, continue to score poorly in both. However, a clear tendency can nevertheless be observed for offshore jurisdictions to cluster in the lower right quadrant of both panels in figure 15—indicating a combination of strong AML/CFT on the one hand, and disproportionately low financial transparency on the other. This discrepancy

is most striking in the right panel, capturing public financial transparency, wherein several offshore jurisdictions that are at the very top of the global rankings for RIFF composite score, have a public financial transparency score of zero.

5. Comparing AML/CFT compliance on paper and in practice

While the RIFF provides an unprecedented window into the long-term evolution of the global IFF regulatory landscape, it primarily scores regulations at the level of formal legislation, and its implementation at a basic level. However, many areas of AML/CFT compliance, such as client due diligence or suspicious transaction reporting, rely heavily on private sector service providers and intermediaries, which may be more-or-less fastidious in the implementation of laws regulations as they exist on paper. Doubts might be raised, in particular, about the extent to which the apparent outperformance of traditional offshore jurisdictions in AML/CFT, as compared to OECD member states, reflects actual practice at the service provider level.

By comparing RIFF-derived scores, to data on actually observed service provider behavior collected by Global Shell Games (GSG) study (Findley et al. 2012), it is possible to at least partially assess the extent to which AML/CFT rules are operationalized on the ground. Drawing on data collected between 2010 and 2011, the Global Shell Games study used a “mystery shopper” approach to experimentally evaluate the thoroughness of client due diligence (CDD) conducted by service providers in over 180 jurisdictions—including nearly all scored by the RIFF.

In figure 16 we have plotted the 2010-2011 Global Shell Games compliance scores of jurisdictions against their 2010 RIFF composite regulatory scores, to gauge the rigor of AML/CFT implementation at the service provider level. The pattern in figure 16 is striking, as it suggests that the RIFF may actually underestimate the extent to which offshore jurisdictions have, as a group, pulled ahead of the OECD in AML/CFT compliance. Whereas non-OECD offshore jurisdictions only show a modest lead over OECD states in RIFF composite score, figure 16 shows a much wider gap between the two groups of jurisdictions in observed service provider compliance—with offshore jurisdictions showing disproportionately high Global Shell Games compliance, for any given RIFF composite regulatory score. In this respect, offshore jurisdictions also appear to markedly outperform non-OECD developing and transition economies.

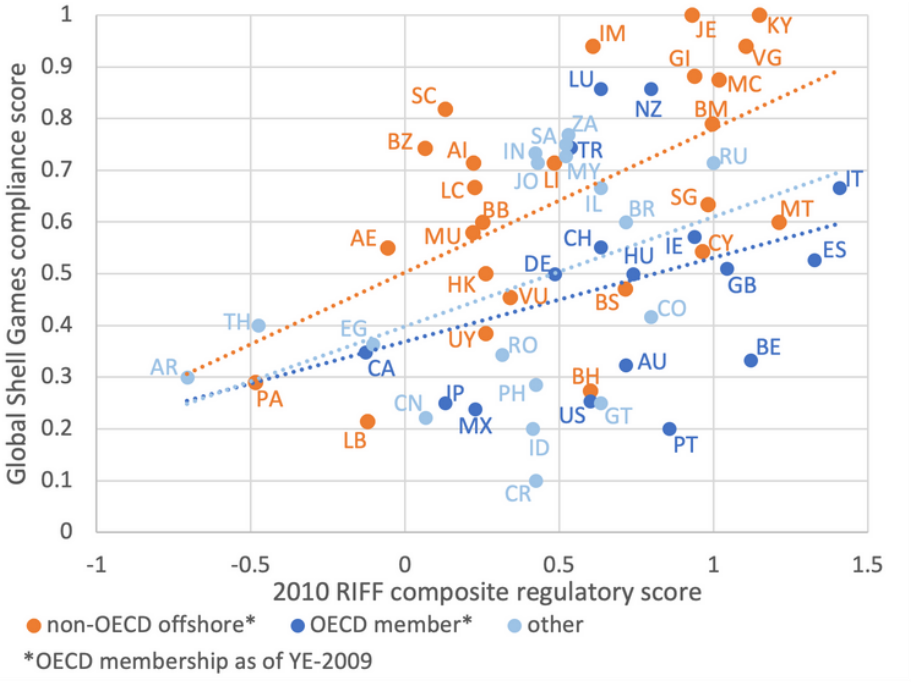

Figure 16. Global Shell Games compliance score versus RIFF composite regulatory score 2010-2011

Source: authors & Findley et al. (2012)

Although the results here are based on 2010 data, and thus do not reflect the most recent regulatory and compliance situation, they nevertheless have implications for our understanding of the global IFF regulatory landscape. Taking into account outliers such as the US (see below), it seems that two qualitatively different patterns of IFF regulatory reform have emerged. On the one hand, traditional offshore secrecy jurisdictions appear to be taking disproportionate care to ensure that their service providers are adhering to the letter of AML/CFT compliance procedures, even while seeking to restructure rather than abandon many of the institutional underpinnings of broader financial secrecy. On the other hand, most of the OECD states tracked here have made greater progress than non-OECD offshore jurisdictions in the institutionalization of financial transparency, even while their service providers appear to have retained a somewhat more lax approach to AML/CFT compliance.

One possibility is that the apparent overperformance of offshore jurisdictions in AML/CFT compliance implementation, as compared to other countries, is a direct result of the political pressure that has historically been applied to them by organizations such as the OECD and the FATF (Eden and Kudrle 2005; Sharman 2009). Table 2 shows the results of multivariate regression analysis assessing the potential impact of such pressure. This models global shell games compliance scores (observed service provider behavior) as a function of RIFF composite regulatory score, and OECD and FATF membership, as well as black/grey listing. Log 2010 per capita GDP is also included as a control variable. Meanwhile, table 3 models RIFF composite score itself as a function of the other independent variables.

The results show, to a high degree of significance, that OECD and FATF members had, as of 2010, disproportionately lax service provider-level AML/CFT compliance in relation to both RIFF composite score and per capita GDP. Meanwhile, jurisdictions previously placed on the OECD's original 2000 uncooperative list–which in practice overlaps closely with the list of non-OECD offshore jurisdictions in earlier figures–had disproportionately high observed service provider

AML/CFT compliance in 2010, in relation to both RIFF composite score and per capita GDP. Notably, this apparent compliance boosting effect of historical placement on the OECD's uncooperative list, only applies to jurisdictions on the OECD's original 2000 list, with more recent listing associated with lower compliance scores (albeit not to a statistically significant extent). The log 2010 per capita GDP control variable is also consistently significant throughout the models, with higher per capita strongly predicting both the stringency of the AML/CFT framework on paper (as gauged by RIFF composite score; table 3), and observed service provider AML/CFT compliance (both independently, and controlling for RIFF composite score and other variables; table 2). Notably, when one controls for the effect of per capita GDP, RIFF composite score itself (i.e. AML/CFT reforms on paper) appears to be unaffected by either OECD or FATF membership, or uncooperative listing by these organizations (table 3). Rather the effect of either membership in or uncooperative listing by these organizations is only visible at the level of observed service provider compliance, as gauged by the Global Shell Games study.

Table 2. Impact of RIFF composite score and OECD and FATF membership and listing on Global Shell Games Compliance score, 2010

Model	1.1	1.2	1.3
Dependent variable	GSG score†	GSG score	GSG score
Adj. r2	0.37	0.39	0.36
RIFF score 2010‡	0.21***	0.20***	0.17**
log GDP/cap 2010	0.14**	0.16**	0.12*
OCED mem. 2009	-0.16**	-0.19***	
FATF mem. 2009	-0.054		-0.17***
OECD 2000 uncooperative list	0.16**	0.17**	
OECD 2000-2010 listed	-0.083	-0.071	
FATF 2000 uncooperative list	0.099		0.14
FATF 2000-2010 listed	-0.13		-0.21*
constant	-0.094	-0.19	0.020

*<10% significance **<5% significance ***<1% significance
† Global Shell Games compliance score (assessed 2010-2011)
‡ RIFF composite regulatory score (2010)

Source: authors & Findley et al. (2012)

While limited by their reliance on 2010-2011 data, these findings have potentially important implications for our understanding of the international logic of IFF regulatory reform. On the one hand, they support the idea that the "naming and shaming" approach used by international organizations to push for IFF regulatory reform, in offshore secrecy jurisdictions in particular, has prompted tangible action towards improved AML/CFT compliance (Sharman 2009). In this respect, the fact that this positive relationship between compliance and uncooperative listing only exists for jurisdictions placed on the earliest lists—with more recently listed jurisdictions actually showing weaker compliance than other jurisdictions—could reflect the time that reforms take to implement in the initially laggard jurisdictions targeted by such lists. Importantly, however, the results also appear to support the accusations of hypocrisy which are often leveled against the member states of the organizations doing the naming and shaming—which, by this metric at least, seem to be systematically underperforming the jurisdictions that were named and shamed on the earliest black or grey lists.

Some results are also counterintuitive. While both the OECD and FATF have played a leading role in driving the global IFF regulatory reform push, FATF's mandate—and the criteria it applies to determine uncooperative listing—is more directly relevant to AML/CFT compliance. However,

the analysis finds that OECD membership and uncooperative listing actually have a substantially stronger statistical relationship with observed AML/CFT compliance. The negative effect on compliance of FATF membership is substantially weaker than the negative effect of OECD membership, and loses statistical significance controlling for the latter. Furthermore, whereas historical OECD uncooperative listing is associated with a highly significant increase in subsequent Global Shell Games compliance score, this effect is insignificant for FATF listing.

Table 3. Determinants of RIFF composite regulatory score, 2010

Model	2.1	2.2	2.3
Dependent variable	RIFF score 2010‡	RIFF score 2010‡	RIFF score 2010‡
Adj. r2	0.19	0.22	0.20
log GDP/cap 2010	0.41***	0.38***	0.47***
OCED mem. 2009	0.096	0.12	
FATF mem. 2009	0.026		0.037
OECD 2000 uncooperative list	-0.15	-0.17	
OECD 2000-2010 listed	0.19	0.18	
FATF 2000 uncooperative list	-0.20		-0.21
FATF 2000-2010 listed	0.18		0.22
constant	-1.32**	-1.19***	-1.49***

*<10% significance **<5% significance ***<1% significance
† RIFF composite regulatory score (2010)

An investigation of this finding is beyond the scope of this paper. However, it may be more strongly related to the differing memberships of these two organizations, and the types of jurisdictions they have targeted in their uncooperative lists, than to their respective organizational mandates. With respect to uncooperative listing, the focus of the OECD on tax avoidance and information exchange has tended to lead it to target small offshore tax haven states (Eden and Kudrle 2005; Sharman 2009). These are, in general, likely to be particularly responsive to external political pressure for reform, due to the threat of reputational damage to highly mobile international financial services sectors. In contrast, FATF's uncooperative lists are more frequently targeted at rogue/pariah regimes, and/or countries with severe political and institutional problems that undermine their ability to effectively police problems such as organized crime, drug trafficking, or terrorist financing. Such countries appear less likely to be either inclined or able to implement AML/CFT compliance reforms, in response to external political pressure. Meanwhile, with respect to organizational membership, it is notable that FATF has sought to bring in a number of large developing and transition economies as member states–including, by 2010, all of the BRICS. However, with a few exceptions (mostly in Latin America), the OECD has remained mostly a club of wealthy developed countries. It may be that the widest discrepancies between AML/CFT regulation on paper versus in practice are confined to such wealthy developed countries.

6. Conclusions and Implications for Policy

The new picture of long-term regulatory change provided by the RIFF suggests that the global IFF regulatory landscape has become increasingly complex over the past three decades.

Throughout the 1990s and early 2000s, the global IFF regulatory landscape was dominated by the traditional "onshore-offshore" divide—with the proviso that developing and transition economies broadly lagged behind not only OECD countries, but also non-OECD offshore jurisdictions, in adopting reforms. Within the old offshore-onshore divide, observed through the 90s and early 2000s, the geography of key reforms in AML/CFT compliance on the one hand, and financial secrecy / transparency on the other, essentially overlapped with each other along a single dimension—with OECD states taking the initial lead in reforms, and offshore jurisdictions lagging. Meanwhile, international regulatory variation, in general, was primarily defined by the uneven adoption of reforms at the leading edge.

Today the global IFF regulatory landscape looks very different than 20 or 30 years ago. There has a been an overriding tendency towards global IFF regulatory progress as well as convergence, across both new and longstanding areas of the IFF regulatory reform. In the context of this convergence, the international landscape of IFF regulatory variation has come to be primarily defined by the uneven geography of gaps at the *lagging* edge of reform, rather than the geographically uneven advance of the leading edge of reform. Importantly, this contemporary geography of international regulatory variation remains largely defined by the onshore-offshore, or at least OECD-offshore, regulatory divide. However, the nature of this divide is now multidimensional rather than one dimensional.

In most areas of AML/CFT compliance, non-OECD offshore jurisdictions now actually appear to be outperforming OECD states as a group. This is not only true with respect to their AML/CFT laws and regulations on paper, but apparently even more so in their implementation at the service provider level (at least with respect to client due diligence). However, this convergence in AML/CFT compliance does not mean that the OECD-offshore divide in *financial secrecy* has ceased to exist, or become irrelevant. Rather, the geography of financial secrecy, and financial transparency-oriented reforms, appears to have become increasingly decoupled from AML/CFT compliance. To be fair, non-OECD offshore jurisdictions actually outperform in some areas of transparency, being somewhat more likely than the OECD members tracked here to have adopted the OECD's own Common Reporting Standard for automatic information exchange, and more likely to maintain and update company beneficial ownership registers. However, offshore jurisdictions have tended to implement these transparency reforms in a rather self-contradictory manner. New information exchange mechanisms are being incongruously layered on top of persistent offshore statutory banking secrecy laws, that are still in some cases deployed to criminalize whistleblowing and journalism. Meanwhile, the beneficial ownership registers created by offshore jurisdictions are mostly being kept tightly circumscribed with respect to the scope of entity types subject to registration, and the scope of who can access data for what purposes.

These discrepancies may open the door to new types of secrecy-seeking arbitrage—with strategies exploiting the intersection of persistent trust and banking secrecy appearing to be a particular concern based on the data here. However, they also speak to what is arguably a larger issue in the global IFF regulatory agenda not only in relation to offshore jurisdictions, but more broadly. This is the disconnect between the global IFF regulatory agenda's focus on establishing mechanisms for enhanced top-down state surveillance and enforcement, enacted via private sector service provider firms—on the one hand—and the much more decentralized and bottom-up pattern of journalistic and civil-society-led investigation, on the other, that in practice frequently plays a crucial role in actually exposing illicit financial wrongdoing. Above all, this role is crucial in the context of exposing activities such as corruption, wherein the integrity of state actors

themselves is fundamentally comprised. Indeed, far from being used to hold political elites to account, there is an increasingly disturbing tendency for the AML/CFT compliance regime, and IFF regulatory framework broadly, to be directly "weaponized" by autocratic or hybrid regimes to persecute and even prosecute their political opponents (Reimer 2022).

Even beyond such overt state abuses of the IFF regulatory regime, there are arguably basic problems with an IFF regulatory regime that on the one hand imposes increasingly draconian penalties on financial institutions for AML/CFT lapses, and on the other hand fails to create a correspondingly transparent national or international financial information regime. Within this regime, the natural incentives for mainstream financial services providers point towards taking an increasingly paranoid and risk-averse approach to client relations. This can have serious unintended consequences, as manifested, for example, in the growing prevalence of client 'debanking' on the basis of often arbitrary, opaque, and sometimes fundamentally illogical criteria (e.g. debanking of UK Members of Parliament due to their "politically exposed" status, or immigrant households due to residual financial ties to countries of origin; see Brignall 2023). Meanwhile, national financial intelligence units are deluged with hundreds of thousands of suspicious transaction reports—filed by financial institutions on a precautionary basis to shield themselves from potential legal liability—which FIUs often have little capacity to process (Gilmour and Hicks 2023).

What is needed, from this standpoint, is arguably a fundamental shift in the focus of the international IFF regulatory agenda, as coordinated by bodies such as the OECD and FATF, that is oriented towards boosting the basic institutional foundations of liberal democratic accountability. These foundations, above all, need to be understood as being rooted in the public dissemination, analysis, and discussion of information by a diverse array of societal actors *outside of the state itself.* Crucially, the same liberal democratic institutional principles also dictate that the push towards public financial transparency and accountability needs to be tempered by the protection of basic rights of individual privacy. However, these privacy arguments are less convincing in relation to artificial 'legal persons,' i.e. corporate and other entities, which are fundamentally based on a social contract whereby the state grants bundles of legal rights to private actors on the understanding that this will yield a broader public good (Roy 2007). As described by Pistor (2019), this implicit social contract within the basic DNA of financial law itself has in many respects been fundamentally and progressively eroded in recent decades. It does not seem unreasonable that its rehabilitation should include stipulations regarding the public availability of financial information —whether in relation to beneficial ownership, or other areas such as financial reporting. Crucially, such public access requirements are also likely to increase the speed and efficiency with which governments themselves can use data that is already theoretically at their disposal, by eliminating bureaucratic hurdles to cross-border data access (Kiepe 2021). In the context of personal banking, there is a stronger argument in favor of individual financial privacy; however, this should not be imposed in the form of draconian statutory financial secrecy laws which have the effect of criminalizing the investigative efforts of journalists and other non-governmental actors.

Perhaps most importantly, while our analysis has identified elements of financial secrecy which still seem to be disproportionately rooted in offshore jurisdictions, this does not imply that these jurisdictions are the either principal weak points in the global IFF regulatory landscape, or the highest priority sites for ongoing reform. Rather, it is increasingly clear that the key focus here needs to be placed on the largest and most influential developed economies. Indeed, if one

weights the analysis of global IFF regulation by the size of countries' economies, rather than by numbers of jurisdictions, the pattern looks quite different due the fact that the world's two biggest economies—the United States and mainland China—both perform strikingly poorly across AML/CFT as well as financial transparency (see figures 14 and 15).

To be fair, with the 2024 implementation of its first Federal beneficial ownership registration requirements, the scoring of the United States will improve somewhat as compared to the 2020 situation analyzed here. However, the new US Federal beneficial ownership register will still not be publicly available, making it more similar to the registers typically adopted by offshore jurisdictions than those created by most other major developed countries. The unparalleled domestic, as well as global, extraterritorial financial surveillance and law enforcement capacity of the US Federal government can partially compensate for these shortcomings—as highlighted, for example, in the leading role of the US in transnational anti-corruption enforcement actions globally, via the Foreign Corrupt Practices Act (see Haberly et al. 2024). However, there are limits to what this global enforcer role can achieve without the US putting its own house in order domestically. Indeed, this disconnect has the potential to be politically destabilizing to the overall global IFF regulatory agenda. This is due not only to the potential international perception of a regulatory double standard on the part of this agenda's leading state, as well as broader questions about the political motivations behind specific US extraterritorial interventions, but also due to the deepening political instability at the highest levels of the US Federal government itself.

Also concerning, on the other side of the Atlantic, is the backsliding in the EU on public beneficial ownership reporting, following the November 2022 European Court of Justice ruling invalidating the requirement for public access to national beneficial ownership registers, as provided for in the 5th EU Anti-Money Laundering Directive (ECJ 2022). While the legitimate interest access requirements for beneficial ownership registers in the new 6th EU Anti-Money Laundering Directive is an important step forward in overcoming this setback, it still falls short of the scope of public access mandated prior to the ECJ ruling (see Transparency International 2024). From this standpoint it is commendable that the UK has nevertheless forged ahead in adopting a fully public beneficial ownership register. However, this relative success also underscores the scale of the progress that still needs to be made, as the very ambition of the public beneficial ownership reporting project has greatly exceeded the capacity of the British state to verify information (Global Witness and OpenOwnership 2017). Indeed, public beneficial ownership reporting has apparently done little to stop the UK from becoming a crucial jurisdiction for the formation of shell companies used in international Crypto-currency scams (Das and McIntyre 2023). Notably, the case of the UK also highlights the importance of broader domains of private law that apparently have no direct relationship with illicit financial activity. In particular, government attempts to increase the volume of financial data available in the public domain are likely to be of limited use if SLAPP lawsuits continue to obstruct investigations that actually use financial data to expose wrongdoing by powerful actors (Nash 2023). Indeed, the chilling effect of such lawsuits can arguably be compared to that of formal statutory financial secrecy. While the UK's 2023 Economic Crime and Corporate Transparency Act notably includes provisions for both improved beneficial ownership verification, and SLAPP lawsuit reform in relation to the investigation of economic crime, the effectiveness of these measures remains to be seen (Nizzero 2024).

The imperative for the world's largest developed countries to take the lead in advancing global financial transparency agenda is partially a matter of outward-facing global responsibility, due to the fact that they are home to the world's leading financial centers. The financial centers in these

major developed countries serve as the key nodes—at either a formal legal registration level, or a deeper strategic control and asset hosting level—for the intermediation and investment of corruption-linked and other illicit financial flows from the developing world. Developed countries thus enable financial activities that cause major economic as well as political harms in developing countries (Haberly and Wojcik 2022; Haberly, Shipley and Barrington, 2023). However, arguably an even greater imperative for reform, from the standpoint of the citizenry of major developed countries themselves, is the defense of basic institutions of democratic accountability, and open liberal society more broadly, at home. Given the growing scale of the domestic political challenges to such basic institutions, in many developed countries, the implementation of measures to defend them has never been more urgent.

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Appendix A: Scoring Rubrics for RIFF indicators

Indicator	Score	Rubric
Banking Secrecy (BankingSecrecy)	0	Full statutory banking secrecy is in place. Banks and their past and present officers or agents have a legal obligation not to disclose any customer information with third parties (including government authorities, except within limited contexts and mechanisms), with breaches resulting in prison terms or other criminal penalties. This includes jurisdictions that have signed onto international information exchange agreements (e.g. the OECD CRS) that override statutory banking secrecy laws within specific parameters without otherwise altering the broader underlying legal basis of banking secrecy.
	0.5	Banking secrecy exists short of full statutory secrecy. De facto secrecy may exist on the basis of civil liability and/or broader client confidentiality law. Banks are allowed to reveal customer information to authorities in specific circumstances beyond the limited context of e.g. domestic legal proceedings or international information exchange mechanisms. Certain bank officers or agents can be exempted from statutory criminal penalties for secrecy breaches in specific situations.
	1	There are no statutory or de facto banking secrecy provisions, and authorities can easily access and exchange client banking data without being impeded by legal restrictions.
Trust Registration (TrustRegistr)	0	There are no requirements to register information on trusts with either a central trust register or tax authorities, and/or the scope of trust registration requirements is so limited in terms of the categories of trusts covered, and/or so easily evaded through readily available arbitrage strategies, as to be of limited practical utility.
	0.5	Registration requirements exist for a substantial portion of available trust categories, but there are significant gaps in the scope of these requirements (e.g. in relation to different categories of domestic versus foreign law trusts), and/or registration requirements are only with jurisdiction tax authorities rather than a dedicated central trust register.
	1	Registration of both domestic and foreign law trusts is required with a central register maintained by a public authority.
Trust Ownership Registration (TrustOwn)	0	There are either no or highly limited requirements to register trusts with either a central trust register or tax authorities (see trust registration indicator 0 score criteria), or, to the extent that registration requirements exist, no or limited provisions for the effective reporting of trust beneficiaries/settlors. This also includes cases where trustees are only required to share information on trust beneficiaries and settlors with authorities upon request from the latter.

	0.5	Trust beneficiaries/settlors must be identified to a central register and/or tax authorities for a substantial portion of available trust categories, as part of trust registration requirements, but there are either general limitations in the scope and design of reporting requirements (see trust registration 0.5 score criteria), or limitations in these requirements as they apply to beneficiary/settlor reporting specifically. Examples include the exclusion of significant categories of domestic versus foreign law trusts, and/or registration only being required with jurisdiction tax authorities rather than a dedicated central trust register.
	1	Both foreign and domestic law trusts are required to identify beneficiaries/settlors as part of registration requirements with a central register maintained by a public register. Note that trust beneficiary/settlor reporting requirements do not necessarily correspond in substance to ultimate beneficial ownership reporting as defined for companies.
Beneficial Ownership (BO): Central Register (BORegistr)	0	Jurisdiction does not have in place legislation requiring the reporting of company beneficial ownership information to a central register, or has severe shortcomings in beneficial ownership registration requirements (e.g.: excessive scope of exempt company categories; problematic definition of beneficial ownership; seriously inadequate collection of information).
	0.5	Beneficial ownership requirements suffer from only one notable shortcoming mentioned above, in a manner that does not create significant scope for most companies to escape registration requirements.
	1	A central beneficial ownership register exists with at most minimal gaps in reporting requirements or comprehensiveness of coverage. Some lapses may still exist at the level of information verification and/or updating.
Beneficial Ownership (BO): Public Access to Central Register (BOPublicAccess)	0	Company beneficial ownership register is either nonexistent or only accessible for selected official governmental purposes and users.
	0.5	Beneficial ownership register is at least partially accessible to the public, but access is subject to some form of restriction beyond user database registration (e.g. fees, national ID card requirements, need to file official freedom of information requests on a case-by-case basis, or excessively complex and/or time consuming use procedures that severely undermine the practical user-friendliness of registers).
	1	Beneficial ownership data is publicly available with no access restrictions.

Beneficial Ownership (BO): Update of information (BOUpdate)	0	Company beneficial ownership register is either nonexistent, or there is no compulsory requirement to update of beneficial ownership information.
	0.5	Requirements exist to update beneficial ownership information, however no sanctions apply in the case of non-compliance, and/or updating is carried out with inadequate frequency (less than annual).
	1	Updating of beneficial information is required on at least an annual basis, with sanctions applied in the case of non-compliance.
Bearer Shares (BearerShares)	0	Unregistered bearer shares are widely available and/or circulating.
	0.5	There are laws stipulating bearer share restriction or immobilization, but these may not apply to certain categories of bearer shares and/or instruments such as bearer warrants, and/or bearer shares may in some circumstances remain circulating, or be registered with private custodians with potentially inadequate controls.
	1	It is not possible to issue bearer shares and/or any bearer shares issued, including existing shares, must be registered/immobilized. A score of 1 may still be awarded in cases where selected categories of outstanding shares are still circulating, in cases where this is unlikely to allow for the effective preservation of secrecy, and there are provisions in place that will eventually lead to bearer share elimination or registration/immobilization.
Domestic Cooperation* (Domestic_coop)	0	No national AML/CFT legislation framework is in place, or it has major flaws that prevent effective cooperation and coordination among policymakers, financial intelligence units (FIUs), law enforcement, supervisors, and other relevant authorities to combat money laundering and terrorist financing.
	0.5	There are deficiencies (such as ineffective cooperation, delays, lack of synchronization between some institutions or between different administrative centers of power - regional and federal) in national AML/CFT cooperation and coordination (other than deficiencies linked to AML/CFT risk identification).
	1	Jurisdiction has national AML/CFT policies which are regularly reviewed, and ensure that policymakers, the FIU, law enforcement authorities, and supervisory and other relevant competent authorities have effective powers enabling them to cooperate and coordinate domestically to combat money laundering and terrorist financing.
Tax Information Exchange* (TaxInfoEx)	0	There are severe limitations within any existing mechanisms of international tax information exchange.
	0.5	There are less severe but still significant shortcomings in the scope, speed or effectiveness of information provision, or number of tax information exchange agreements.

	1	Tax information can be easily and effectively exchanged and accessed internationally in an effective manner.
Other Information Exchange* (OthInfoEx)	0	Jurisdiction offers very limited, highly ineffective, or no cooperation with foreign counterparts.
	0.5	While jurisdiction offers some level of cooperation with foreign counterparts, it is not always offered in a timely or rapid manner (no prioritization), and/or is not provided on a spontaneous basis (without a formal request). There may also be a lack of cooperation between agencies such that the law enforcement authorities are not fully authorised to conduct investigations on behalf of foreign counterparts, where permitted by domestic law.
	1	Authorities can rapidly and effectively cooperate on international information exchange and investigations.
Automatic Exchange of Information (AEOI): EU Savings Directive (EU_SD)	0	EU Savings Directive either not adopted, or withholding tax penalty adopted in lieu of AEOI
	1	AEOI provisions of EU Savings Directive fully adopted
AEOI: OECD Common Reporting Standard (CRS) (OECD_CRS)	0	OECD CRS not adopted
	1	OECD CRS adopted
AEOI: US Foreign Account Tax Compliance ACT (FATCA)	0	No FACTA agreement with US in force
	1	FATCA agreement with US in force
Shell Banks (ShellBanks)	0	There is no prohibition of shell bank operation or establishment. Furthermore, financial institutions are not prohibited from entering into or continuing correspondent banking relationships with shell banks.
	0.5	Some regulations exist constraining shell bank formation (e.g. requirements for banks to acquire a license and be physically present in the jurisdiction). However, shell bank establishment, operation, or the maintenance of correspondence relationships with shell banks are not expressly prohibited ("ensured"), leading to gaps in compliance and effectiveness of shell banking restrictions.
	1	Shell banks cannot be established. Furthermore, financial institutions are prohibited from correspondent banking relationships with shell banks.
Client Due Diligence (CDD)	0	There are no provisions for CDD or the gaps in the legal and regulatory framework are so wide-ranging that a CDD regime cannot be reasonably said to exist.

	0.5	There are provisions for CDD, but the regime is incomplete. These gaps relate to important elements of the CDD legal and regulatory framework or significant problems that have been identified in relation to the implementation of this framework.
	1	There is a comprehensive legal and regulatory framework for CDD, and evidence to suggest this is satisfactorily implemented.
Enhanced Due Diligence (ECDD) on Politically Exposed Persons (PEPs) (PEPsECDD)	0	There are no provisions for ECDD on PEPs, or the gaps in the legal and regulatory framework are so wide-ranging that an ECDD regime for PEPs cannot reasonably be said to exist.
	0.5	There are provisions for ECDD on PEPs, but the regime is incomplete. These gaps relate to important elements of the legal and regulatory framework or significant problems in relation to the implementation of this framework.
	1	There is a comprehensive legal and regulatory framework for ECDD on PEPs, and evidence to suggest this is satisfactorily implemented.
Obligation to report suspicious transactions (STRoblig)	0	There are no obligations for financial institutions to report suspicious transactions to the Financial Intelligence Unit (FIU).
	0.5	There are obligations for financial institutions to report suspicious transactions to FIU, but also gaps in the legal framework which mean that some suspicious transactions may not be reported.
	1	There is a clear and enforceable obligation for financial institutions to report suspicious transactions to the FIU.
Legal protection for whistleblowers (Whistleblowers)	0	There is no legal protection for whistleblowers at financial institutions.
	0.5	There are legal protections for whistleblowers at financial institutions who report suspicions in good faith, but some gaps in the legal framework that could lead to whistleblowers being exposed to repercussions.
	1	There is full legal protection for whistleblowers at financial institutions if they report suspicions in good faith.
No client tipping-off provisions (TippingOff)	0	There are no legal provisions which prohibit individuals at financial institutions from 'tipping-off' individuals connected to suspicious transaction reports (STRs).
	0.5	There are legal provisions prohibiting client tipping off, but gaps in the legal framework governing this prohibition.
	1	There are full legal provisions which prohibit individuals at financial institutions from 'tipping-off' individuals connected to STRs.
Money laundering criminalisation (drugs) (MLcrim_drugs)	0	Money laundering in connection with drug-related crime is not explicitly criminalised in law.

	0.5	There is partial criminalisation of money laundering in connection with drug-related crime but gaps in the legal framework which could undermine enforcement.
	1	Money laundering in connection with drug-related crime is fully criminalised in law.
Money laundering criminalisation (predicate offences other than drugs) (MLcrim_oth)	0	Money laundering in connection with predicate offences other than drug-related crime is not explicitly criminalised in law.
	0.5	There is partial criminalisation of money laundering in connection with predicate offences other than drug-related crime, but gaps in the legal framework which could undermine enforcement.
	1	Money laundering in connection with predicate offences other than drug-related crime is fully criminalised in law.
Terrorist financing criminalisation (TFcrim)	0	Terrorist financing is not explicitly criminalised in law.
	0.5	There are provisions criminalising terrorist financing, but significant gaps in the legal framework governing this criminalization.
	1	Terrorist financing is fully criminalised.
Financial Intelligence Unit (FIU)	0	There is no operational FIU.
	1	An FIU exists and it is operational.

*Indicator has limited pre-2000 geographic coverage.

Appendix B: Factor Analysis Results

Table B1. Loadings of top-3 factors defined by shared variation among RIFF indicators

Indicator	Factor Loadings			Uniqueness	Associated Factors
	Factor1 (AML/CFT)	Factor2 (BO & AEOI)	Factor3 (Banking & Trusts)		
STR obligation	0.8122	-0.2202	0.0302	0.2871	AML/CFT
Client Due Diligence (CDD)	0.7788	-0.0422	-0.2119	0.2468	AML/CFT
No client tipping-off	0.7506	-0.2932	0.1734	0.2123	AML/CFT
PEPs enhanced CDD	0.7442	0.0403	-0.2738	0.2912	AML/CFT
Whistleblower protection	0.7422	-0.3391	0.1627	0.2126	AML/CFT
Terrorist Finance criminalization	0.7045	-0.1816	-0.1327	0.3618	AML/CFT
Money Laundering crim. - other	0.7016	-0.4219	0.0448	0.2014	AML/CFT
Financial Intelligence Unit (FIU)	0.6786	-0.3161	0.0409	0.3819	AML/CFT
Money Laundering crim. - drugs	0.6403	-0.3739	0.0481	0.2709	AML/CFT
Shell bank prohibition	0.6337	-0.0192	-0.1455	0.4241	AML/CFT
FATCA participant	0.551	0.4128	-0.079	0.4984	AML/CFT & BO/AEOI
Common Reporting Standard (CRS)	0.5134	0.5941	-0.1018	0.3598	BO/AEOI & AML/CFT
EU Savings Directive	0.4838	0.1521	-0.1717	0.4866	BO/AEOI & AML/CFT
Beneficial Ownership Reg. Updating	0.4764	0.711	-0.1181	0.1802	BO/AEOI & AML/CFT
Beneficial Ownership Register	0.4397	0.6846	-0.1343	0.2678	BO/AEOI & AML/CFT
Bearer Shares banned/immob.	0.367	0.2035	0.1067	0.406	AML/CFT & BO/AEOI
Public Beneficial Ownership Reg.	0.268	0.5114	0.0721	0.5495	BO/AEOI & AML/CFT
Banking Secrecy (inverse)	0.2092	0.0729	0.5699	0.3522	Bank/Trust & AML/CFT
Trust Registration	0.2088	0.1156	0.8621	0.1879	Bank/Trust & AML/CFT
Trust Ownership Reg.	0.1587	0.2945	0.7911	0.2497	Bank/Trust & BO/AEOI
Eigenvalue	6.73559	2.63278	2.01059		
Proportion	0.3368	0.1316	0.1005		
Cumulative	0.3368	0.4684	0.5689		

Table B2. RIFF Composite Score Factor Loadings

Variable	Loading	Uniqueness
STR obligation	0.8686	0.2456
No client tipping-off	0.8478	0.2812
Whistleblower protection	0.8433	0.2888
Money Laundering crim. - other	0.8141	0.3373
Client Due Diligence (CDD)	0.8015	0.3576
Financial Intelligence Unit (FIU)	0.7792	0.3929
Money Laundering crim. - Drugs	0.7601	0.4223
PEPS enhanced CDD	0.7479	0.4406
EU Savings Directive or OECD CRS	0.5241	0.7253
Bearer Shares banned/immob.	0.3884	0.8492
Beneficial Ownership Register	0.2648	0.9299
Eigenvalue	5.72958	
Proportion	0.5209	

Table B3. RIFF Transparency Score (2020) Factor Loading

Variable	Loading	Uniqueness
Banking Secrecy (inverse) (2020)	0.4293	0.8157
Trust Ownership Reg. (2020)	0.674	0.5457
Beneficial Ownership Register (2020)	0.7254	0.4738
Public Beneficial Ownership Reg. (2020)	0.6824	0.5343
Bearer Shares banned/immob. (2020)	0.469	0.7801
OECD CRS (2020)	0.4388	0.8074
Eigenvalue	2.04287	
Proportion	0.3405	

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- Corruption and Anti-Corruption Theory: an introductory guide for students
- A Bibliography for UK Corruption Studies
- Resourcing UK law enforcement to tackle grand corruption and kleptocracy
- Corruption in UK Prisons: A Critical Evaluation of the Evidence Base
- The Role of the G20 Anti-Corruption Working Group in Influencing the Global Agenda

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