Report

State of Global AML Compliance

Why Laws Are No Longer Enough: A Global Analysis of FATF Data & The RegTech Imperative

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VÉRIFICATION D'ÂGE KJM

PCI DSS

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Table of

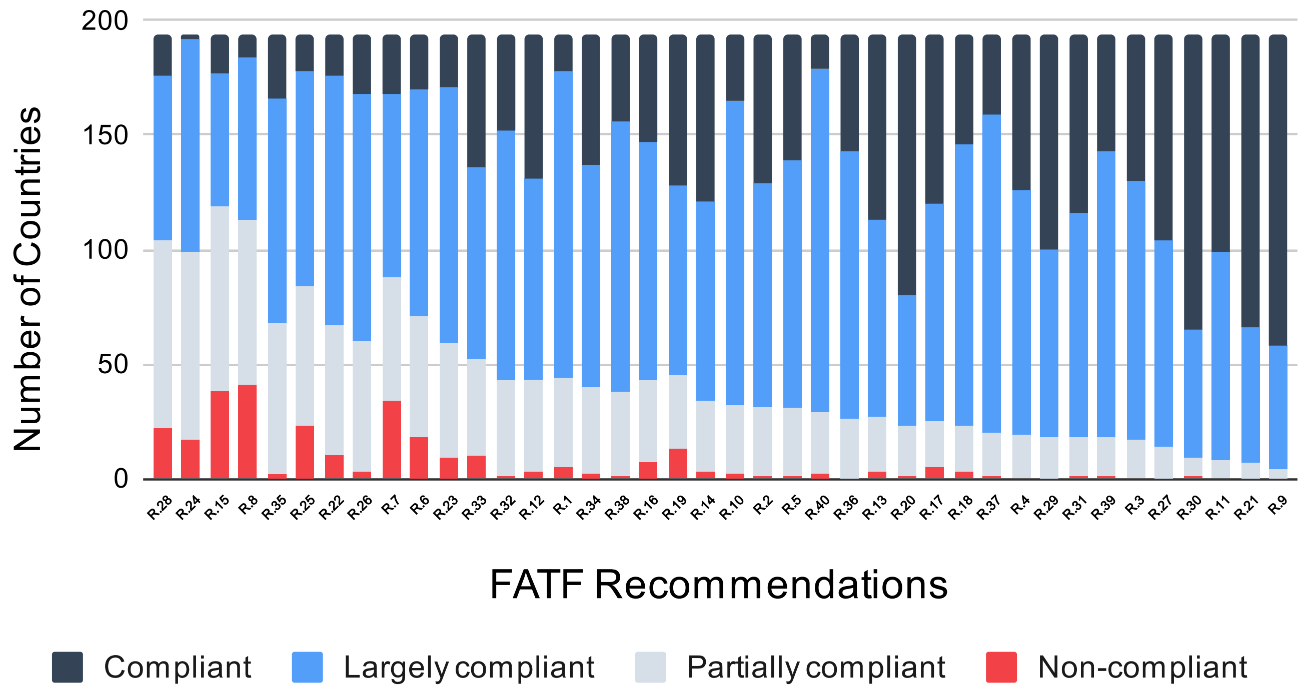
Contents

Executive Summary

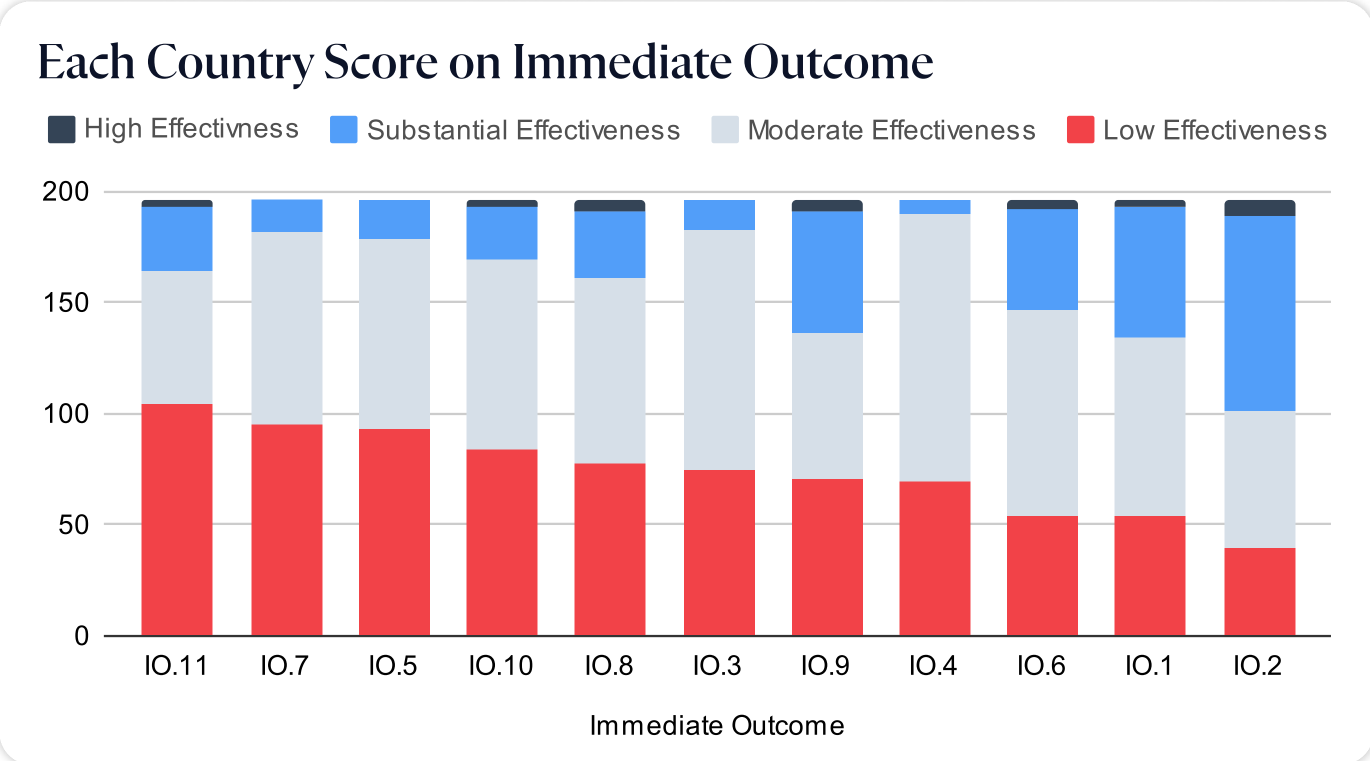
The Global Effectiveness Gap: Bridging Policy and Performance

The global fight against financial crime has reached a critical paradox. As of October 2025, a forensic review of the Financial Action Task Force (FATF) 4th Round Mutual Evaluation data reveals that the international community has successfully bureaucratized compliance. Over the last three decades, regulatory frameworks have tightened, and most jurisdictions have dutifully adopted the necessary laws, achieving a global average score of **78.28%** on Technical Compliance. On paper, the global financial system has never been more secure.

Global Scores on Each FATF Recommendation



However, a closer examination of the data reveals a massive "Operational Lag." While the laws are technically in place, the practical results—the seizure of illicit assets, the successful prosecution of professional money launderers, and the disruption of terrorism financing networks—are largely missing. The global score for Immediate Outcomes (effectiveness) sits at a very low global average of **19.02%**.



This creates an Effectiveness Gap of nearly 60%.

This report argues that the root cause of this disparity is not a lack of political will, but a **Scalability Crisis**.

The most strongest evidence lies in **Immediate Outcome 3 (IO3): 94.33%** of jurisdictions fail to demonstrate effective preventive measures within their banking and crypto sectors. This statistic proves that Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs)—the gatekeepers of the global economy—are overwhelmed. Human analysts cannot keep pace with the volume and speed of modern digital finance. Fraud patterns such as deepfakes and synthetic identities add another layer of complexity that manual reviews cannot absorb at scale.

The bottleneck is no longer legislative; it is technological. To close this gap, the industry must pivot from manual "Check-Box" compliance to automated "Risk-Based" execution.

The State of Global AML: The Data Reality

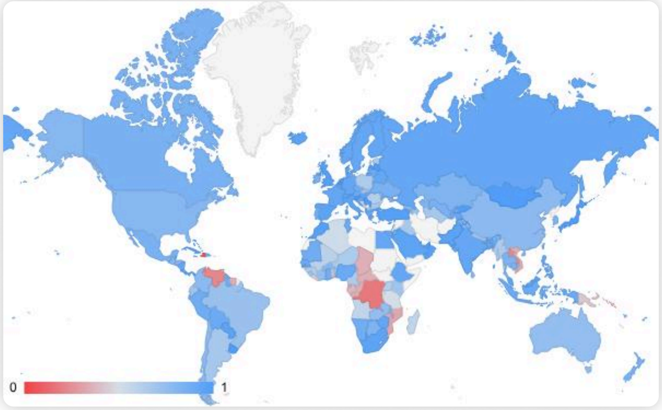
The Adoption vs. Implementation Divide

Since 1989, the FATF has led the development of global standards. A detailed review of 196 jurisdictions reveals a systemic pattern: most countries have built formal AML/CFT frameworks, establishing the legal "skeleton," but the operational "muscle" required to enforce them is lagging behind.

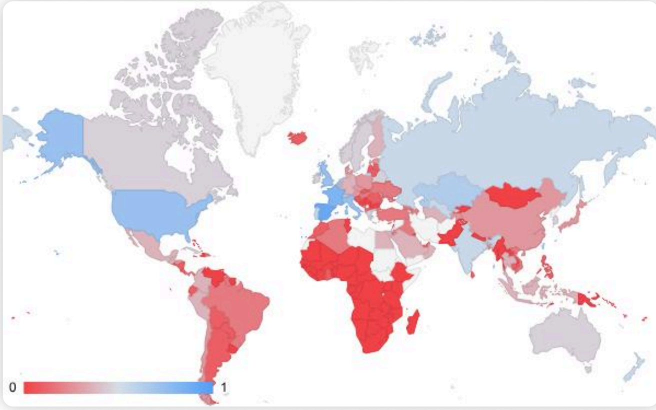
The following heatmaps draw a side-by-side comparison of global standing on Technical Compliance and the effectiveness of AML laws. Each country was scored on a scale of 0 to 1 for both ratings.

Map 1 shows that most of the world has adopted strong AML laws (indicated by widespread blue). However, the second map tells a different story, revealing that the majority of jurisdictions (in red) received poor scores when measured for effectiveness of those laws.

Map 1: Technical Compliance (Adoption)



Map 2: Immediate Outcomes (Enforcement)



Global Averages derived from FATF evaluations:

- **Technical Compliance (Adoption of Laws): 78.28%**

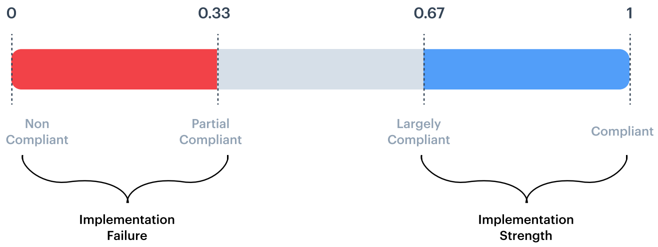
  Interpretation: Nearly 80% of necessary statutes are on the books worldwide. Legislatures have done their job.

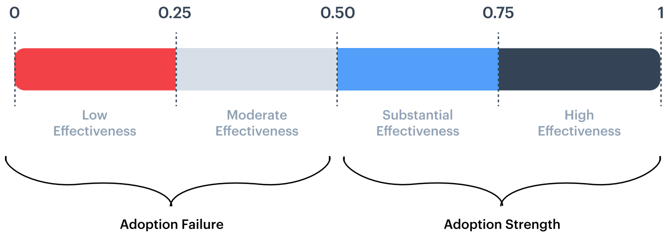
- **Immediate Outcomes (Effectiveness of Laws): 19.02%**

  Interpretation: Only one in five of these laws translates into tangible crime reduction.

- **The Gap: 59.26%**

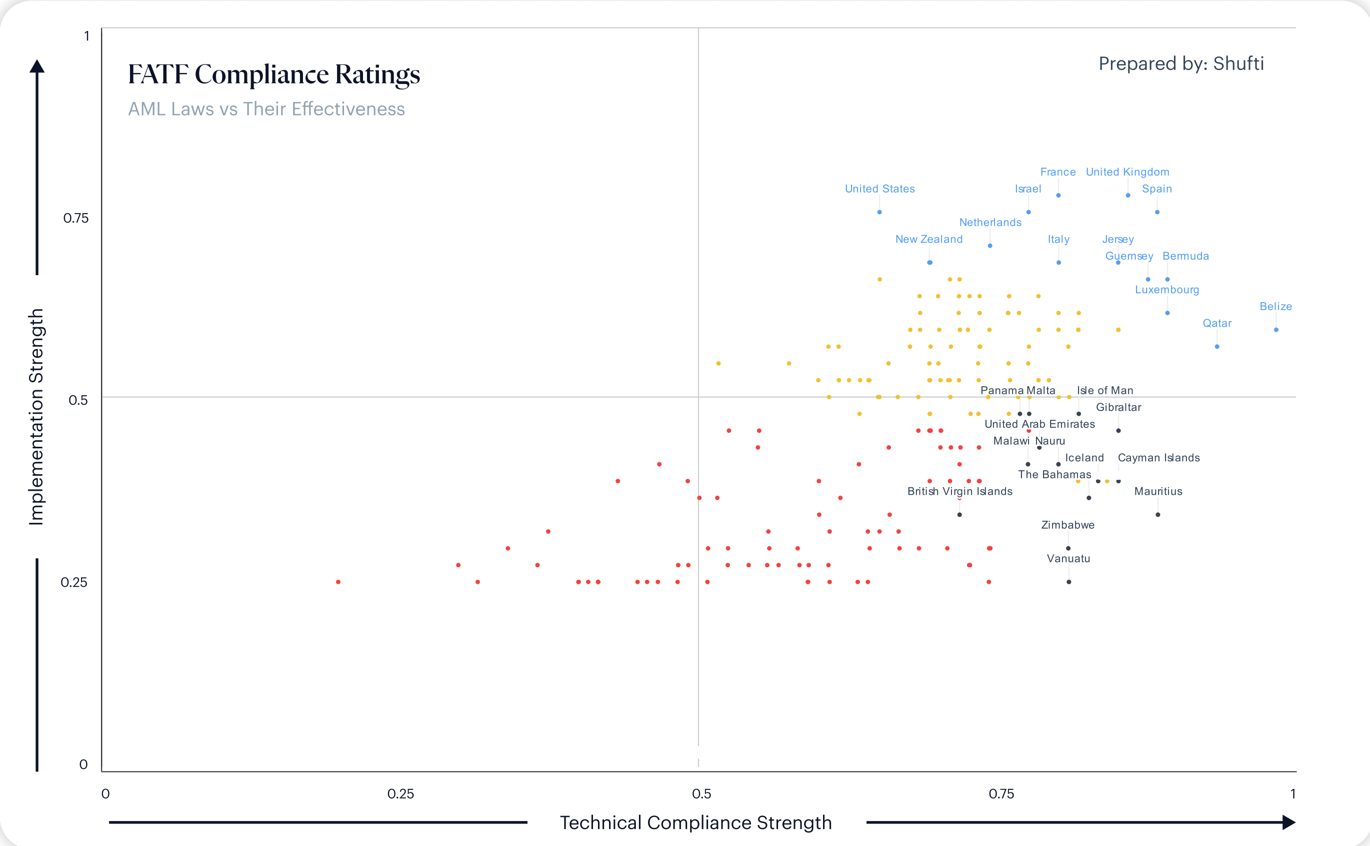
Scoring Methodology:





The Quadrant Analysis: Four Archetypes of Compliance

To diagnose where the system is failing, we mapped jurisdictions based on their Technical Compliance (TC) vs. Immediate Outcomes (IO). This reveals four distinct archetypes in the global landscape.



1. The Leaders (High Adoption / High Effectiveness)

A select group of nations—including France, the United Kingdom, Israel, and Spain—demonstrate that high effectiveness is achievable. These jurisdictions combine mature legal frameworks with robust supervisory capacity and advanced technology adoption. They prove that the "Effectiveness Gap" is bridgeable.

- **The Insight:** A notable outlier is the United States, which has one of the highest effectiveness scores despite having comparatively lower technical compliance, suggesting a focus on enforcement & implementation.

2. The Technically Compliant (High Adoption / Low Effectiveness)

This quadrant represents the majority of the global financial system, including many established offshore financial centers (e.g., **Isle of Man, Cayman Islands, Malta, Panama**).

- **The Diagnosis:** These jurisdictions possess sophisticated rulebooks and high Technical Compliance scores. However, they struggle to translate rules into results. This is not a failure of policy, but of execution. It indicates a systemic inability to manage the complexity of enforcement manually, suggesting that without the right tools, even the best laws are rendered operational failures.

3. The Developing Systems (Low Adoption / Low Effectiveness)

This group includes emerging economies that are still in the process of building their legal and supervisory infrastructure.

- **The Diagnosis:** These jurisdictions face a dual challenge: they must draft foundational laws while simultaneously building the capacity to enforce them. For these markets, the path forward isn't just policy reform—it is "technological leapfrogging," adopting RegTech to bypass the manual inefficiencies that plague more established markets.

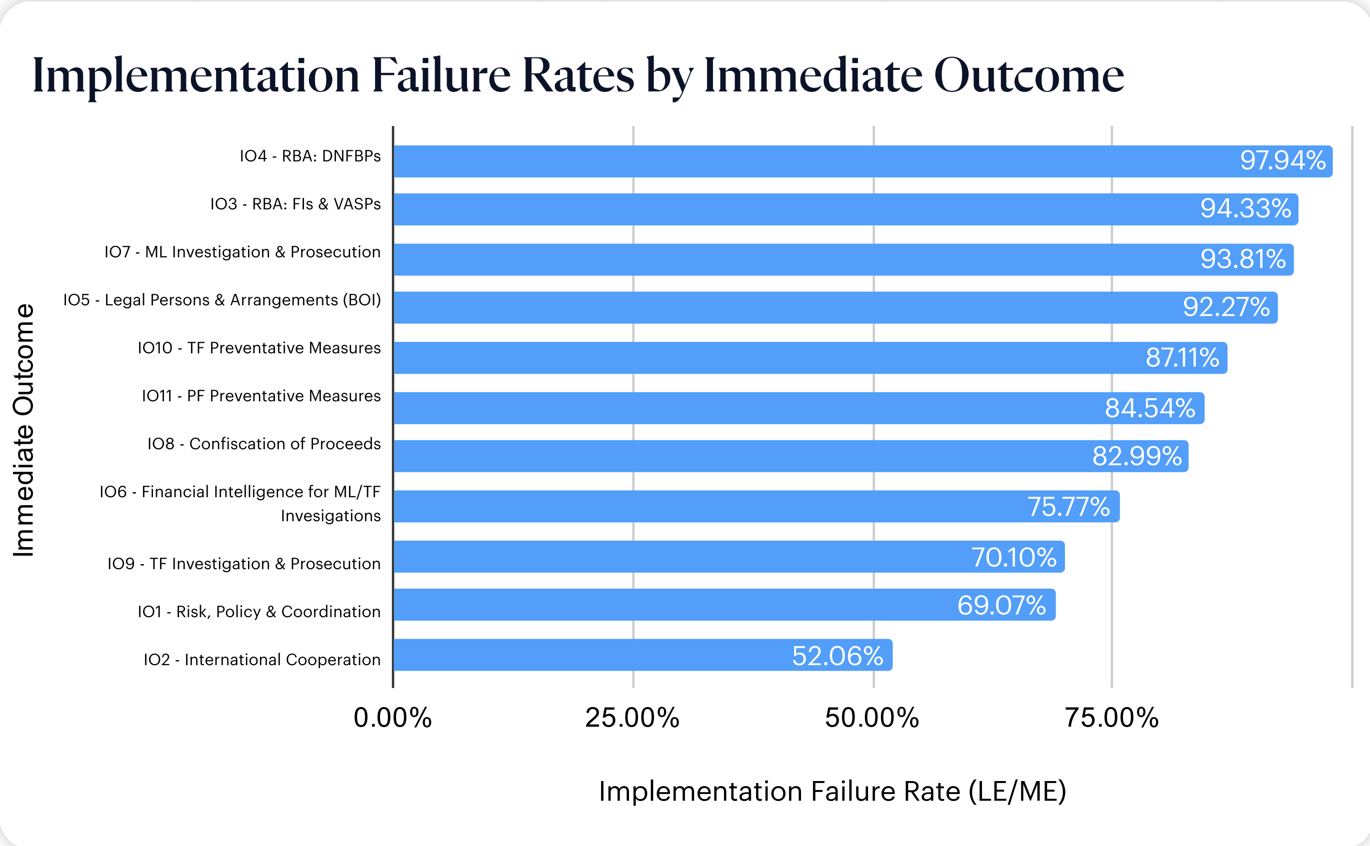
4. The Strivers (Low Adoption / High Effectiveness)

Notably, this quadrant is empty.

- **The Insight:** No country has achieved high effectiveness without strong laws. This confirms that legislation is a prerequisite for success—but as the crowded "Technically Compliant" quadrant proves, legislation alone is insufficient.

Anatomy of Failure: Why The System is Breaking

The failure to translate laws into results is not random. It occurs specifically where the demands of volume, speed, and access exceed human capacity.



A. The Scalability Failure (IO3): The Core Crisis

Immediate Outcome 3 (FIs & VASPs): 94.33% Failure Rate

The most alarming finding in the FATF data is the near-universal failure of preventive measures within Financial Institutions and Virtual Asset Service Providers.

- **The Context:** FIs and VASPs are the primary gatekeepers of the global financial system.
- **The Root Cause:** Volume and Velocity. Banks and crypto exchanges process millions of transactions daily. The traditional "analyst-led" compliance model cannot scale to meet this demand. When compliance teams are buried in false positives or struggle to verify identities manually, risk slips through. The 94% failure rate is a clear signal that the industry has hit the ceiling of what manual processes can achieve.

B. The Accessibility Failure (IO4): The Blind Spot

Immediate Outcome 4 (DNFBPs): 97.94% Failure Rate

Almost every jurisdiction fails to enforce compliance among Designated Non-Financial Businesses and Professions (lawyers, real estate agents, casinos).

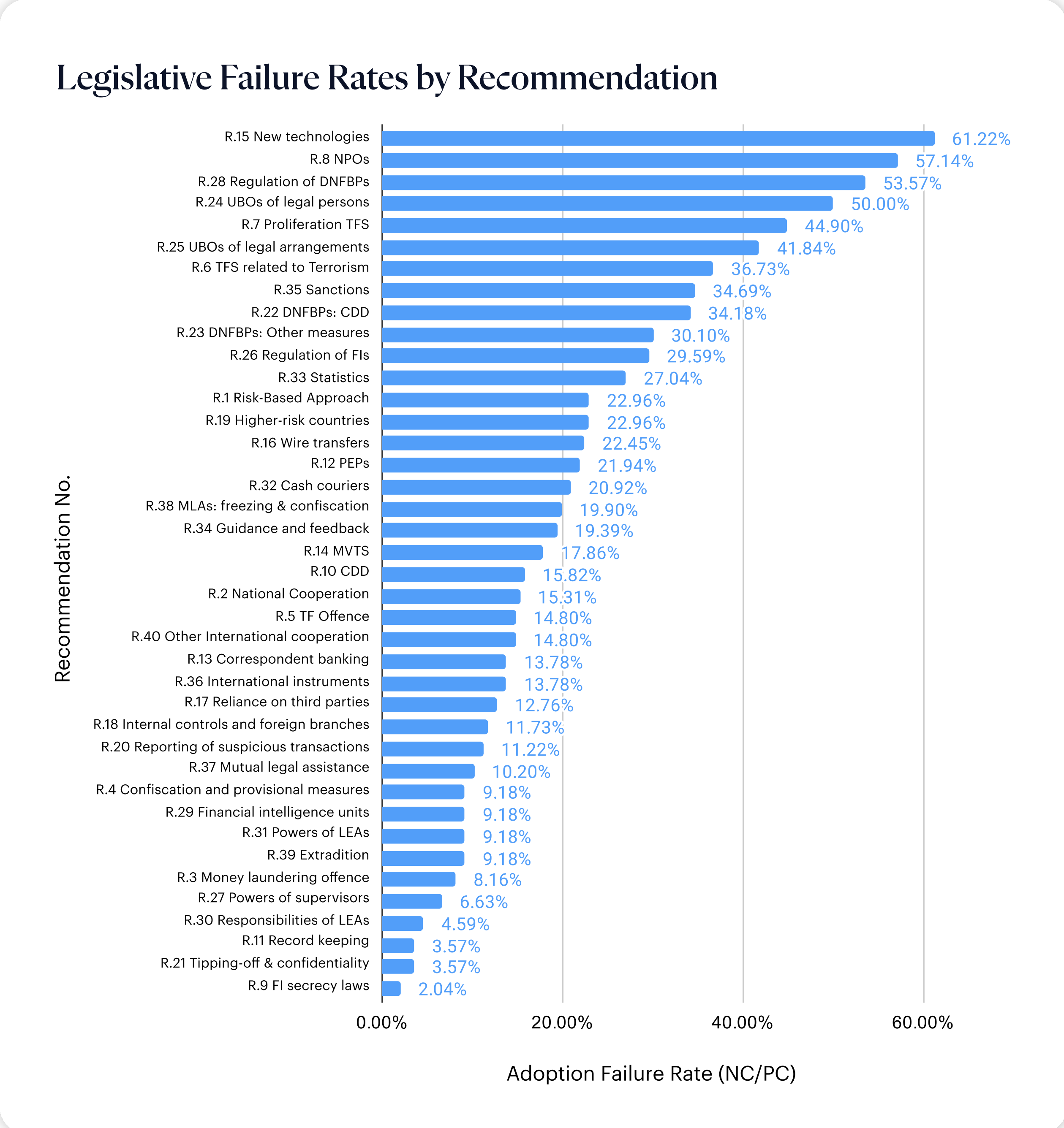
- **The Context:** These sectors are high-risk entry points for laundering proceeds through luxury assets.

- **The Root Cause:** Cost and Resource Constraints. Unlike major banks, a local real estate firm or legal practice cannot afford an enterprise-grade compliance department. The current compliance model is economically unviable for them, creating a massive vulnerability in the global AML shield.

C. The Complexity Failure (R.15 & R.24)

- **Recommendation 15 (New Technologies)**: 61.3% Failure Rate. The speed of crypto innovation is outpacing regulatory adaptation.

- **Recommendation 24 (Beneficial Ownership):** 50% Failure Rate. Manual due diligence rarely pierces the corporate veil deep enough to find the Ultimate Beneficial Owner (UBO), allowing criminals to hide behind shell companies.



The RegTech Imperative

The data present an undeniable conclusion: **We cannot hire our way out of this problem.**

If 94% of FIs and 97% of DNFBPs are failing to be effective, the issue is structural. Institutions are caught in a "Compliance Paradox"—spending more on compliance than ever before, yet achieving less.

Technology offers one of the viable paths to higher effectiveness by addressing the specific root causes identified above:

Hence, a collaboration between RegTech and government agencies will not only improve a country's compliance with FATF standards and enhance its reputation on the international stage, but also help reduce financial crime rates.

1. **For IO3 (FIs/VASPs):** Automation solves the **Volume** problem, allowing institutions to process millions of users with consistent precision.
2. **For IO4 (DNFBPs):** SaaS platforms solve the **Access** problem, making bank-grade tools affordable for smaller entities.
3. **For R24 (UBOs & Public Registries):** Data integration tools help financial institutions and obligated businesses make better use of available corporate and beneficial ownership information. Technology reduces the operational complexity of mapping ownership structures, although the underlying transparency gap can only be closed through legislative reform and high-quality public registries.

In this regard, Hong Kong's experience demonstrates that where regulators promote structured RegTech adoption through guidance, knowledge hubs, and practical training, financial institutions gain clearer direction on how to translate FATF standards into measurable effectiveness.

The same principle applies globally. Closing the enforcement gap requires not only new laws, but sustained investment in RegTech-enabled workflows that allow institutions to detect, manage, and report financial crime risks in a way that matches the scale and speed of modern finance.

Closing the Gap: The Shufti Solution

Shufti is engineered to address the specific failure points identified in the FATF data. We bridge the gap between "Technical Compliance" and "Immediate Outcomes" by replacing human bottlenecks with AI-driven precision.

1. Solving the Volume Crisis for FIs & Crypto (Targeting IO3)

The Challenge: With a 94.33% failure rate, FIs and VASPs are struggling to maintain effectiveness while managing massive customer volumes and sophisticated fraud attempts.

The Shufti Solution:

- **Enterprise-Grade Automation:** Shufti automates the entire onboarding lifecycle. Our **Identity Verification (IDV)** and **Biometric Liveness Detection** handle high-velocity user acquisition without compromising security. Solution identifies synthetic identities, deepfakes, and spoofing attacks in minimal time. These tasks are impossible for human analysts to perform at scale.

- **Continuous Monitoring:** Beyond onboarding, our dynamic AML screening monitors customer risk profiles in real-time, ensuring FIs remain compliant as sanction lists and risk statuses change.

2. Democratizing Compliance for High-Risk Sectors (Targeting IO4)

The Challenge: The 97.94% failure rate in the DNFBP sector is driven by the prohibitive cost of traditional compliance tools.

The Shufti Solution:

- **Modular & Accessible:** Shufti provides a scalable platform that allows real estate firms, legal practices, and casinos to access the same verification technology used by global banks. By lowering the barrier to entry, we turn a "paper policy" into an active defense system, closing the loophole that money launderers frequently exploit.

3. Uncovering Hidden Risks (Targeting R.24 & R.15)

The Challenge: Many jurisdictions still lack comprehensive, accurate, and timely public registries, and supervisory frameworks for new technologies continue to evolve. These structural issues sit primarily with governments and standard setters, yet financial institutions and high-risk sectors must still identify and manage the risks that arise today.

RegTech cannot replace legislation or public registries. It can, however, help obligated entities make the most of the information that is available, connect fragmented data sources, and document their risk-based approach in a way that supervisors can test.

The Shufti Solution:

- **Know Your Business (KYB):** Shufti connects to corporate datasets across many jurisdictions and standardises data retrieval into a single workflow. This improves the practicality of meeting R.24 expectations in environments where registries are uneven, incomplete, or spread across multiple sources.
- **Crypto-Native Compliance:** Designed for the Web3 economy, our solutions integrate wallet screening and transaction monitoring to provide the technological backbone needed to close the gap between "New Tech" laws and operational reality.

Conclusion

Financial institutions and high-risk sectors are under pressure to move from formal compliance to measurable effectiveness. Shufti enables businesses to operationalize FATF-aligned, risk-based workflows and address gaps in identity verification, AML screening, and KYB.

Shufti

Operationalize KYC, KYB & AML Screening with Shufti

Request a demo to see how Shufti's risk-based workflow narrows the Effectiveness Gap in weeks, not years.

Book a Free Demo