Proposal for evaluation of money laundering and terrorist financing country risk in Latin America

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Today, money laundering is one of the most significant phenomena of economic, political and social. It impacts negatively on financial stability, and macroeconomic development of a country decreasing the welfare, diverting resources from more productive economic activities and even destabilizing spillover effects on the economies of other countries. International institutions recommend the evaluation of country risk by geographical area, as this is the most commonly used criterion for the effectiveness of a risk-based approach. Since there was a gap regarding indicators to assess country risk of money laundering and terrorist financing (ML / FT), Basel Institute on Governance developed the AML Basel Index, using a methodology based mainly on the judgment of a group of experts. This indicator could be extended in dimensions and variables, the technique used in its construction produces no measurable bias in the results, it was decided to supplement this analysis by constructing an alternative compound indicator , adjusted to our realities, to measure the country risk of ML / FT in Latin America and determine the overall risk rating, adding new variables associated with the criminal and financial environment, including the perception of social actors, supported by statistical techniques of factorial analysis that provide a multivariate and multidimensional approach . Creating a standard that captures the complex nature of a phenomenon so important as this, enables financial institutions to optimize their business relationships, while complementing its risk-based approach, meeting their needs and the demands of regulatory institutions and contributes in making government decisions regarding the updating of laws, regulations and other measures relating to these crimes, the allocation and prioritization of state resources for the prevention of ML / FT, to unravel the international money laundering network

Key Words: factor analysis, multidimensional, indicator.