

The Basel Institute on Governance

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Few cities can claim an institution devoted entirely to the study and prevention of corruption and financial crime. Basel can. The Basel Institute on Governance was founded in 2003 as an independent non-profit organisation associated with the University of Basel. Its establishment is closely linked to Mark Pieth, professor of criminal law at the University of Basel, who for many years chaired the OECD Working Group on Bribery in International Business Transactions and became one of the best-known voices of the international anti-corruption movement.¹

The Institute works in several fields. It conducts research on governance and corruption, advises governments and international organisations, and supports companies in so-called collective action, in which competitors in a sector agree on common standards of integrity. Its best-known unit is the International Centre for Asset Recovery, established in 2006 with the support of Swiss and other donors. The Centre trains investigators, prosecutors and financial intelligence analysts from many countries and places specialists in national authorities to assist them in concrete cases of tracing and recovering stolen assets.²

For the financial industry, the most visible product of the Institute is the Basel AML Index. First published in 2012 and updated annually since then, it ranks countries according to their risk of money laundering and terrorist financing. The index combines publicly available data from sources such as the evaluations of the Financial Action Task Force, indices of corruption and financial transparency and indicators of the rule of law. The result is a single score for each jurisdiction, together with a more detailed expert edition for subscribers. Banks, regulators and researchers use the index as one of several inputs for their country risk assessments.³

The index must be read with care. It measures the risk of a jurisdiction on the basis of indicators of the quality of its framework and does not measure the volume of money actually laundered there. A country with a large

financial centre and a strong framework may therefore obtain a moderate score although considerable amounts of illicit money pass through its banks, while a small country with weak institutions may score poorly although little money flows through it. The Institute itself stresses these limits. For a practitioner, the index is useful as a starting point for a risk assessment, provided it is supplemented by an analysis of the concrete client and transaction.

The presence of the Institute gives Basel a role in the international debate on financial integrity that goes beyond the size of its banking sector. Together with the Bank for International Settlements and the Basel Committee on Banking Supervision, which earlier chapters described, it makes Basel a place where standards are discussed, formulated and evaluated. It also illustrates a paradox that runs through this book. The country whose financial centre was long criticised for accepting illicit assets has become one of the centres of expertise in recovering them.

1 Notes

1. On the foundation of the Basel Institute on Governance in 2003 as an independent non-profit organisation associated with the University of Basel, and the role of Mark Pieth (professor of criminal law at the University of Basel, long-time chair of the OECD Working Group on Bribery), see the publications of the Basel Institute on Governance. To be verified. ↩
2. On the fields of work of the Basel Institute on Governance (research, public governance, collective action) and the International Centre for Asset Recovery (ICAR), established in 2006, its training programmes and its case support for partner countries, see the publications of the Basel Institute on Governance. Date of establishment of ICAR to be verified. ↩
3. On the Basel AML Index (first edition 2012, annual updates; composite risk score based on public sources including FATF mutual evaluations, Transparency International and World Bank indicators; public and expert editions), see the publications of the Basel Institute on Governance. Methodology and dates to be verified. ↩

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