



ORIGINAL ARTICLE

received 9.04.2024; accepted w9.07.2024; published 30.09.202

Citation: Hrytsyshen, D., Sergiienko, L., Hrabchuk, I., Zakharov, D., & Ksendzuk, V. (2024). Evaluation of financial monitoring systems effectiveness in its relationship to the country's security indicators.

Ekonomia i Prawo. Economics and Law, 23(3): 519–533

doi:10.12775/EiP.2024.026

Evaluation of financial monitoring systems effectiveness in its relationship to the country's security indicators

DYMYTRII HRYTSYSHEN

Doctor of Economics, Doctor of Public Administration
Zhytomyr Polytechnic State University, Ukraine

✉ gritsishen.do@gmail.com

 ORCID: <https://orcid.org/0000-0002-1559-2403>

LARYSA SERGIENKO

Doctor of Public Administration
Zhytomyr Polytechnic State University, Ukraine

✉ sergiienko.lv@gmail.com

 ORCID: <https://orcid.org/0000-0003-3815-6062>

IRYNA HRABCHUK

PhD in Economics
Zhytomyr Polytechnic State University, Ukraine


✉ grabchuk0208@gmail.com

 ORCID: <https://orcid.org/0000-0003-3664-7765>

DMYTRO ZAKHAROV

PhD in Economics
Zhytomyr Polytechnic State University, Ukraine

✉ dima.zakharov@ztu.edu.ua

 ORCID: 0000-0003-3423-0093



VALENTYNA KSENDZUK

Doctor of Public Administration, PhD in Economics
Zhytomyr Polytechnic State University, Ukraine

✉ valentynaksendzuk@gmail.com

 ORCID: <https://orcid.org/0000-0001-7670-7350>

Abstract

Motivation: The motivation for this research work is its potential to identify critical issues with far-reaching implications for economic security, governance and development, and to contribute to more informed decision-making in the area of countering the financing of terrorism.

Aim: The purpose of this research paper is to analyse the impact of the FATF (Financial Action Task Force) standards on crime and anti-corruption efforts and the effective implementation of the legal framework in countries.

Results: The article examines the relationship between crime, corruption, terrorism and FATF standards in 54 countries. Based on the regression analysis, the influence of crime, terrorism and perception of corruption on the effectiveness and compliance with FATF standards is investigated. The specific coefficients show that the perception of terrorism and corruption have a statistically significant negative and positive impact on the dependent variable, respectively, while the impact of the crime index is not statistically significant. By examining the impact of crime rates and anti-corruption efforts on FATF standards and the effective implementation of legal frameworks in countries, the study aims to provide information that can inform decision-making. Understanding how these factors interact can help to improve anti-money laundering and counter-terrorist financing strategies at both the national and international levels, including the improvement of financial monitoring systems. Understanding the relationship between crime, corruption and terrorism can have practical implications for various stakeholders, including law enforcement, government officials and international organisations. The findings are important for the implementation of effective measures to combat money laundering and terrorist financing, improve governance, security and overall socio-economic stability.

Keywords: financial monitoring, FATF, corruption perceptions, economic security, global terrorism

1. Introduction

Effective efforts to combat money laundering and terrorist financing go beyond the detection and prosecution of financial crimes. They encompass preventive measures to deter these crimes and assist in the development of preventive strategies. Fighting corruption is essential not only for good governance, but also for global peace and security. This requires concerted efforts at the local and international levels to prevent the corrosive effects



of corruption from undermining the well-being and security of people and nations around the world.

Corruption, terrorism and crime perception indices are an integral part of a holistic understanding of the financial monitoring landscape and anti-money laundering and counter-terrorist financing measures. These indicators serve as key tools for risk assessment, regulatory focus and resource allocation. Research on the quality of these indicators allows for the adjustment of policies, regulatory decisions and practices of financial institutions in terms of anti-money laundering and countering the financing of terrorism and contributes to global efforts to combat financial crime and terrorist financing. Ultimately, it is through this multidimensional approach that we can hope to create a safer and more transparent global financial system.

Risks associated with money laundering and terrorist financing, as well as various criminal activities, are among the most serious challenges faced by many countries. Overcoming these risks requires immediate attention and decisive action to protect not only the economy but also the well-being of citizens. Since its founding in 1989, the Financial Action Task Force (FATF) has assumed the role of the global authority on money laundering and terrorist financing and periodically updates its recommendations to adapt to changing risks. These recommendations are the basis for each country's anti-money laundering and counter-terrorist financing framework.

The study aims to inform decision-making by examining how crime rates and anti-corruption efforts affect FATF standards and legal frameworks. Understanding these interactions can improve anti-money laundering (AML) and counter-terrorist financing (CFT) strategies, benefiting law enforcement, government officials, and international organizations.

2. Literature Review

In the current discourse on the effectiveness of the financial monitoring system, money laundering and terrorist financing are the main issues that need to be addressed. It should be noted that the existing literature has not yet comprehensively established the complex relationship between anti-money laundering regulations and an effective financial monitoring system. Anti-money laundering regulations play a key role in building confidence in the soundness and resilience of the financial system, while also acting as a safeguard against the infiltration of illicit elements. This dual function enhances the stability and soundness of the financial system, which is a critical element in promoting economic and financial market development.

An analysis (Jayasekara, 2020) of financial anti-money laundering measures and countries' compliance with national anti-money laundering legislation found a significant correlation between the level of compliance with

anti-money laundering and counter-terrorist financing legislation in a country and its impact on economic development and investment attractiveness. Another study (Seo et al., 2019) explains the link between anti-money laundering regulations and financial market accessibility. Below a certain AML threshold, regulations in the study area promote financial inclusion, while above these thresholds, AML regulations tend to hinder financial inclusion.

A separate study (Esoimeme, 2020) assessing anti-money laundering and counter-terrorist financing measures in the UK provides an insight into the extent to which the implementation of strict rules supports or hinders financial inclusion and investment attractiveness. The findings of this study, based on a thorough analysis of documentary sources, reveal an important balance that countries must strike. Anti-money laundering controls help to balance the openness of the financial system with anti-money laundering measures. In other words, the forms and means of money laundering detection controls do not create additional obstacles to investment and financial inclusion in the country.

Global efforts to combat money laundering and terrorist financing began with the establishment of the Financial Action Task Force (FATF) in 1989. Since then, the recommendations have been expanded to include measures to prevent the financing of the spread of terrorism. The current comprehensive structure of financial monitoring in the world must be effective and comply with all the norms and principles of the global recommendations on combating money laundering and terrorist financing.

A UN report by the UNODC (Office on Drugs and Crime, 2020) states that the estimated amount of money laundered globally in one year ranges from about 2% to 5% of global GDP, which is approximately \$800 billion to \$2 trillion. US DOLLARS. Even the lower end of this estimate underscores the severity of the problem that governments and international organizations must address.

The FATF Recommendations provide for specific categories of offences that each country should include as predicate offences in its national legislation to prevent money laundering and terrorist financing. As a result, jurisdictions should design their anti-money laundering and counter-terrorist financing systems in accordance with the FATF recommendations and ensure effective implementation to achieve both the FATF's core objectives and their own national goals.

The 2020 INTERPOL report defines organized crime networks as multi-billion dollar enterprises that operate across a wide range of criminal activities. Money laundering and terrorist financing activities pose significant challenges to global financial monitoring systems and global partnership development goals.

These criminal networks engage in a wide range of illegal activities, usually involving multiple jurisdictions. Terrorist financing thus poses a global



threat not only to national security, but also undermines economic development and the stability of financial markets. Over the past decade, an average of 21,000 deaths caused by acts of terrorism have been recorded annually (Herre et al., 2023). In most countries, terrorism accounts for less than 0.01% of the total number of victims (Seo et al., 2019). However, in regions characterised by high levels of conflict, this percentage can reach several per cent.

Corruption and bribery have become an urgent threat to sustainable development on a global scale. These unethical practices not only impede economic progress, but also undermine the social fabric of countries, posing serious challenges to the achievement of vital development goals. The World Bank Group in its report (World Bank Group, 2023) highlights the grave consequences of corruption, in particular its detrimental impact on the organisation's goals of eradicating extreme poverty by 2030 and promoting shared prosperity among the least privileged 40 per cent of the population in developing countries. This report highlights that corruption disproportionately affects impoverished and vulnerable communities, exacerbating their struggles and the cycle of poverty. The harmful impact of corruption cuts across sectors, inflating costs and limiting access to basic services, including health, education and access to justice. A case study in the report (World Bank Group, 2023) highlights the impact of corruption, including counterfeit medicines and fake vaccinations, on children's health outcomes. Such fraudulent activities not only jeopardise the immediate well-being of young people, but also have a lifelong impact, hindering their growth and development.

Corruption is closely linked to bribery, a system that exacerbates inequalities in income and access to services. A World Bank Group report (World Bank Group, 2023) highlights the fact that the poor bear the brunt of corruption, paying a disproportionate percentage of their low incomes in bribes. In Paraguay, for example, the poorest segment of society has to spend 12.6 per cent of their income on bribes, while the wealthier segments of the population spend only 6.4 per cent. A similar contrast exists in Sierra Leone, where the poor spend 13 per cent of their income on bribes compared to 3.8 per cent paid by high-income households.

Preventing counterfeiting and piracy of products is another major challenge that many countries are struggling with. A comprehensive anti-corruption study by the International Chamber of Commerce (2020) examines the consequences of counterfeiting and piracy, shedding light on their socio-economic impact. The results of this study show that these illegal actions can lead to large losses, with estimated costs reaching USD 1.9 trillion by 2021. By 2022, the study estimates that the costs could reach USD 1.9 trillion. In addition, the study estimates that the detrimental effects of counterfeiting and piracy could take \$4.2 trillion from the global economy, while putting the global economy at risk. USD from the global economy, while jeopardizing an estimated 5.4 million legitimate jobs by 2022.

In fact, these complex interrelationships highlight the urgent need for a multifaceted approach that combines a strong legal framework, international cooperation and public awareness campaigns to combat not only the threat of counterfeiting and piracy, but also the alarming rise in environmental crime and its links to corruption and tax evasion.

3. Methods

The novelty and originality of this research paper lie in its comprehensive analysis of the interplay between perceptions of terrorism, corruption, and FATF compliance across 54 countries. Unlike previous studies that may have focused on these factors in isolation, this paper integrates these elements to explore their combined effects on anti-money laundering (AML) and counter-terrorist financing (CFT) compliance. The use of regression analysis to identify statistically significant relationships provides a robust methodological approach that enhances the reliability of the findings.

The dependent variables are chosen based on the availability of country-level data on predicate crimes, which include the Corruption Perceptions Index, the Global Terrorism Index, and the Crime Index.

The Corruption Perceptions Index (CPI), created by Transparency International (2022), is a tool for assessing corruption. The CPI is a globally recognised benchmark for measuring corruption in the public sector. Our analysis uses the 2022 CPI, which combines data from 13 surveys and expert assessments to measure public sector corruption in 180 countries and territories. In the CPI, higher scores indicate countries with low levels of corruption, while lower scores indicate higher levels of corruption. Thus, we use this index as a proxy to measure the level of corruption in countries.

Terrorism is another variable that is estimated based on the Global Terrorism Index (GTI) to assess its impact in the model. The GTI (2022) relies on the Global Terrorism Database, which is widely recognised as the most authoritative study on terrorism. Through the composite score, the GTI creates an ordinal ranking of countries, offering insight into the relative importance of the impact of terrorism on each country.

The last variable in the analysis is the crime index presented by the analytical agency NUMBEO (2022). The crime index is used to measure the overall level of criminal activity in a particular city or country. By using the crime index, we can estimate the extent of criminal activity in different places, helping to determine its impact on the dependent variable in the analysis.



4. Results

To measure the level of counteraction to money laundering and terrorist financing in the country, the assessment of the implementation of FATF recommendations, namely 11 direct results of the performance assessment, is used. The FATF index is expected to show a negative correlation with the level of terrorism and the crime index, as high values of the FATF composite score increase the fight against crime. However, a positive correlation is expected with the Corruption Perceptions Index, as high values of this index are obtained by “clean” countries.

These regression statistics provide additional information about the overall performance and fit of the regression model. Multiple R is 0.6727, indicating a moderately strong positive linear relationship between the factors and the dependent variable. The R-squared of 0.4526 means that approximately 45.26% of the variance in the dependent variable can be explained by the factors in the model. This indicates that the model explains a moderate amount of the variability in the dependent variable (table 1).

Overall, the R-squared value of 0.4526 indicates that the model explains a moderate amount of variance in the dependent variable, and the adjusted R-squared value takes into account the complexity of the model. The multiple R value of approximately 0.6727 indicates a moderate positive linear relationship between the factors and the dependent variable (Figure 1).

The FATF and the perception of corruption are strongly interconnected. The common goals of both the FATF and organisations that measure perceptions of corruption, such as Transparency International’s Corruption Perceptions Index (CPI), are to promote transparency and integrity in the public and financial sectors. Efforts to combat money laundering, terrorist financing and corruption often overlap. Countries that actively cooperate with international bodies such as the FATF and follow their recommendations are likely to be recognised for their commitment to improving their financial systems. This recognition can lead to a positive perception of their efforts to fight corruption.

Countries with comprehensive anti-corruption measures and active engagement with the FATF have more reliable and transparent data. The availability and transparency of this data can lead to more accurate and favourable assessments of organisations that measure corruption. High scores or good ratings in one area (e.g., FATF compliance) can have a positive impact on perceptions in other areas (e.g., perceptions of corruption). A country that actively tackles financial crime may also be perceived as having lower levels of corruption, and vice versa.

The results of the analysis demonstrate the relationship between FATF scores and corruption perceptions for a sample of countries. The FATF scores in this dataset range from a low of 25 (Uganda) to a high of 77.27 (UK). The average FATF score for all countries is approximately 52.06.

The corruption perception scores in this dataset also vary, with countries such as Denmark having a corruption perception score of 90 (indicating a low level of corruption perception) and countries such as Nicaragua having a score of 19 (indicating a high level of corruption perception).

There is a positive correlation between FATF scores and corruption perceptions with a correlation coefficient of approximately 0.579. This positive correlation suggests that countries with higher FATF scores, which indicate greater compliance with anti-money laundering and counter-terrorist financing standards, tend to have lower perceptions of corruption. This correlation implies that countries that are well compliant with FATF requirements may be more successful in reducing corruption, or at least improving the perception of corruption within their borders.

Thus, FATF standards and compliance with these regulatory requirements have a positive impact on reducing corruption. Strengthening measures to combat money laundering and terrorist financing can not only enhance the integrity of a country's financial system, but also improve the fight against corruption, which is crucial for attracting foreign investment and ensuring good governance.

Governments and relevant authorities in countries with high levels of perceived corruption may consider aligning their anti-corruption efforts with measures that promote compliance with anti-money laundering and counter-terrorist financing requirements to address both financial and governance concerns.

An analysis of the data presented in Figure 2 shows how these countries are assessed in terms of compliance with FATF requirements and their risk of terrorism.

The FATF scores in this dataset range from a high of 77.27 (UK) to a low of 25 (Uganda). The average FATF score for all countries in the dataset is approximately 55.13. Terrorism scores in the dataset range from 15 (Colombia) to 93 (several countries). The average terrorism score for all countries in the dataset is approximately 66.88.

The United Kingdom and the United States have robust anti-money laundering and counter-terrorist financing mechanisms in place. Their financial institutions and regulators are well equipped to detect and prevent illicit financial activity. This strong regulatory environment is intended to deter terrorists from using these countries as financial centres. Countries such as the United Kingdom and the United States have highly effective intelligence and security services that actively monitor and respond to potential terrorist threats. Their ability to detect and prevent terrorist activity can help reduce



terrorism. Geopolitical factors also play an important role. These countries have a different geopolitical context than countries in regions with more active terrorism. This may make them less attractive as operational bases for terrorist organisations. Both countries are actively involved in international counter-terrorism cooperation. They share intelligence with other countries and contribute to global efforts to combat the financing of terrorism.

The regression analysis revealed a link between the level of perceived corruption and crime in the countries in the sample. The crime index scores in the dataset vary, with countries such as Colombia and Peru having high scores, indicating higher crime rates, and countries such as Bahrain and Saudi Arabia having lower scores, indicating lower crime rates.

The analysis of the data reveals a moderate negative correlation between corruption perceptions and the crime index, with a correlation coefficient of approximately -0.443 . This negative correlation indicates that, in general, countries with higher levels of corruption perception tend to have higher crime rates. In other words, the perception of corruption is associated with higher crime rates.

At the same time, the high level of financial markets makes economically developed countries attractive for terrorist activities. Thus, a certain paradox arises, where high-quality anti-terrorism regulations and procedures do not fully reduce the level of terrorist threats and money laundering, but only contain it. In other words, high FATF scores and low terrorism scores indicate a strong anti-money laundering and counter-terrorist financing framework, and no country is immune to the threat of terrorism. In this case, effective financial monitoring systems and strict regulatory frameworks in developed countries only minimise the risks of terrorist threats.

Although there is no direct linear correlation, countries with high FATF scores tend to have lower crime index scores. In other words, countries with strong FATF compliance and regulatory frameworks tend to have lower crime rates. This correlation can be explained by the effectiveness of measures to combat money laundering and terrorist financing. Countries with strong anti-crime and anti-terrorism systems are better equipped to combat financial crime, including money laundering, which often contributes to lower overall crime rates.

It is important to note that this correlation is not absolute, as other factors can influence crime rates, such as socio-economic conditions, governance and the effectiveness of law enforcement.

The data analysed suggests that countries with lower crime rates may have effective financial monitoring measures and systems in place that contribute to the prevention of financial crime. The data analysis highlights the importance of strong legal and regulatory frameworks and international standards, such as those set by organisations such as the FATF, in the fight against money laundering and related crimes. Countries seeking to reduce

their crime index may consider strengthening their anti-money laundering and counter-terrorist financing measures, which could lead to a reduction in financial crime and, as a result, a reduction in overall crime.

5. Discussion

Institutional quality can enhance the benefits of financial inclusion in reducing crime and terrorism, which increases country poverty level. Given that poverty encompasses multiple dimensions stemming from various institutional failures (Hickey & Du Toit, 2013), poverty factors should be assessed from a multi-institutional perspective.

The above analysis highlights the paramount importance of the effective implementation of a country's AML/CFT (anti-money laundering and counter-terrorist financing) legal framework to reduce crime and terrorism. It shows that a strong legislative framework alone is not enough to reduce crime if it is not translated into effective action on the ground. Crime has far-reaching, damaging effects on the economy, affecting it from multiple angles.

Financial inclusion and institutional quality, particularly in terms of controlling corruption, are both critical components of poverty alleviation. Corruption hampers the development of other institutions and undermines the overall potential for progress in eradicating poverty (Jetter & Parmeter, 2018). Research (Vision of Humanity, 2022) shows that criminal activity has a negative impact on a country's gross domestic product (GDP). High crime rates also have a negative impact on the cost of living (Ramos & Ashby, 2017). In addition, research shows a clear link between crime and its negative impact on investment, creating a geographic "halo effect" (US SEC, 2020).

Given these implications, the regulatory frameworks of countries need to prioritize the robust and effective implementation of anti-money laundering and counter-terrorist financing regimes. This is important not only for maintaining economic stability and growth but also for enhancing public safety and general welfare. Effective anti-money laundering and counter-terrorist financing measures contribute significantly to the prevention and control of money laundering and terrorist financing, thereby strengthening the overall safety and integrity of financial systems.

Our findings underscore the necessity for policymakers to address the root causes of poverty, crime, terrorism through a comprehensive approach that includes strengthening institutional quality and ensuring financial inclusion. It is imperative to recognize that financial inclusion is not a panacea on its own but must be part of a broader strategy that involves the development of robust institutions capable of controlling corruption and implementing effective legal frameworks. This holistic approach will not only mitigate crime and terrorism but also promote sustainable economic development and reduce poverty.



The research reveals that the benefits of financial inclusion are amplified in environments with high institutional quality. This suggests that efforts to improve financial inclusion should be coupled with initiatives to enhance institutional frameworks, especially in developing countries where the impact of such improvements can be more pronounced. Policymakers should focus on creating an enabling environment where financial services are accessible, corruption is minimized, and legal frameworks are enforced effectively.

Global efforts to combat money laundering and terrorist financing require unified mechanisms and common rules. The FATF plays a crucial role in establishing these standards, promoting international cooperation, and improving financial monitoring systems. These mechanisms help detect and prevent financial crime more effectively, despite challenges such as differing legal frameworks, coordination issues, and data privacy concerns. Strong international collaboration and clear data-sharing protocols can address these challenges, enhancing global AML and CFT efforts.

In conclusion, the interaction between financial inclusion and institutional quality is pivotal in addressing poverty, crime, and terrorism. Our research highlights the need for a multi-institutional perspective in tackling these issues, emphasizing that coordinated efforts across various sectors are essential for achieving comprehensive and sustainable outcomes. The implications for policy are clear: enhancing institutional quality and promoting financial inclusion must go hand in hand to achieve significant progress in poverty alleviation and economic stability.

6. Conclusions

The findings of the correlation between corruption perception and crime index underline the importance of addressing corruption perception as a potential strategy for reducing crime. Countries with high levels of perceived corruption need to implement anti-corruption measures to mitigate both corruption and its potential impact on crime. Reducing corruption can lead to improved governance, law enforcement and the overall rule of law, which also contributes to lower crime rates.

Thus, the data provide insight into the relationship between corruption perceptions and the crime index. While the negative correlation suggests that countries with higher levels of perceived corruption tend to have higher crime rates, it highlights the complexity of the factors that influence both corruption and crime. Fighting corruption and improving governance can be an important step in reducing crime, but it should be considered alongside other socio-economic and political factors that influence criminal behaviour.

Efforts to combat money laundering and terrorist financing on a global scale require the establishment of common mechanisms and rules. Building a comprehensive financial monitoring system relies on supranational super-

vision and the creation of an integrated framework that consolidates national supervisory authorities. Such initiatives, as exemplified by the FATF, have the potential to significantly strengthen the global fight against financial crime. The study emphasises that the benefits of implementing these mechanisms far outweigh any potential problems. Joint cooperation among countries that follow the FATF rules is key to ensuring effective financial crime prevention. It also serves to protect the reputation of member countries as safe and favourable places to do business, which is essential for sustainable economic growth and prosperity.

Unified mechanisms are a critical component of the anti-money laundering and counter-terrorist financing system. They provide a consistent framework that facilitates the detection and prevention of financial crime on an international scale. Supranational supervision, facilitated by organisations such as the FATF, offers a vital mechanism for harmonising and coordinating the efforts of individual countries. By providing a common platform for setting and enforcing international standards, it creates an environment where financial crime is more difficult to commit and easier to detect. These mechanisms increase the effectiveness of the fight against money laundering and terrorist financing by promoting global cooperation. They also reduce regulatory arbitrage, where criminals exploit gaps and differences in national regulations. While there are significant benefits to implementing unified mechanisms, it is not without its challenges. Some of these include different legal and regulatory frameworks across countries, coordination obstacles, and data privacy concerns. However, these challenges are not insurmountable. Strong international co-operation and diplomatic efforts can help reconcile different national interests and legal systems. Clear protocols for data sharing and protection can address privacy issues.

7. References

- Anti-corruption (2020). International Chamber of Commerce. ICC – International Chamber of Commerce. Retrieved 20.01.2024 from: <https://iccwbo.org/global-insights/integrity-and-good-governance/anti-corruption/>.
- Bastian Herre, Veronika Samborska, Hannah Ritchie, Joe Hasell, Edouard Mathieu and Max Roser (2023) – “Terrorism” Published online at OurWorldInData.org. Retrieved 20.12.2023 from: <https://ourworldindata.org/terrorism>.
- Corruption Perceptions Index 2022. Explore the results. Transparency.org. Retrieved 20.01.2024 from: <https://www.transparency.org/en/cpi/2022>.



- Crime Index by Country (2022). Cost of Living. NUMBEO. Retrieved 20.01.2024 from: https://www.numbeo.com/crime/rankings_by_country.jsp?title=2022.
- Esoimeme, E. E. (2020). Balancing anti-money laundering measures and financial inclusion. *Journal of Money Laundering Control*, 23(1), pp. 64–76. Retrieved 20.12.2023 from: <https://doi.org/10.1108/jmlc-04-2018-0031>.
- FATF Consolidated assessment ratings. 2023. Home. Retrieved 20.01.2024 from: <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Assessment-ratings.html>.
- Global Terrorism Index (2022). Countries most impacted by terrorism. Vision of Humanity. Retrieved 15.12.2023 from: <https://www.visionofhumanity.org/maps/global-terrorism-index/#/>.
- Hickey, S., Du Toit, A. (2007). Adverse incorporation, social exclusion, and chronic poverty. Hickey, Sam and du Toit, Andries, Adverse Incorporation, Social Exclusion and Chronic Poverty (June 1, 2007). Chronic Poverty Research Centre Working Paper №. 81. <http://dx.doi.org/10.2139/ssrn.1752967>.
- Jayasekara, S. D. (2020). Deficient regimes of anti-money laundering and countering the financing of terrorism: agenda of digital banking and financial inclusion. *Journal of Money Laundering Control*, ahead-of-print(ahead-of-print). Retrieved 20.12.2023 from: <https://doi.org/10.1108/jmlc-04-2020-0035>.
- Jetter M., Parmeter C. F. (2018). Sorting through global corruption determinants: Institutions and education matter – Not culture. *World Development*. Vol. 109. pp. 279–294. URL: <https://doi.org/10.1016/j.worlddev.2018.05.013>.
- Office on Drugs and Crime. (2020). Overview. United Nations. Retrieved 15.12.2023 from: <https://www.unodc.org/unodc/en/money-laundering/overview.html>.
- Ramos, M. A., & Ashby, N. J. (2017). The halo effect: violent crime and foreign direct investment. *Multinational Business Review*, 25(4), pp. 287–306. Retrieved 15.12.2023 from: <https://doi.org/10.1108/mbr-04-2017-0020>.
- Seo, M. H., Kim, S., & Kim, Y.-J. (2019). Estimation of dynamic panel threshold model using Stata. *The Stata Journal: Promoting communications on statistics and Stata*, 19(3), pp. 685–697. Retrieved 20.12.2023 from: <https://doi.org/10.1177/1536867x19874243>.
- US SEC (2020). SEC enforcement actions; insider trading. US Securities and Exchange Commission. Retrieved 20.12.2023 from: <https://www.sec.gov/reports>.
- Vision of Humanity. Destination for Peace. Vision of Humanity. Retrieved 20.12.2023 from: <https://www.visionofhumanity.org/>.



World Bank Group. (2023). Combating Corruption. World Bank. Retrieved 12.01.2024 from: <https://www.worldbank.org/en/topic/governance/brief/combating-corruption>.

Acknowledgements

Author contributions: authors have given an approval to the final version of the article.

Authors contributed to this work as follows: Dymytrii Hrytsyshen developed the concept and designed the study, Valentyna Ksendzuk collected the data, Dmytro Zakharov analysed and interpreted the data, Iryna Hrabchuk prepared the draft of the article, Larysa Sergiienko revised the article critically for important intellectual content.

Funding: this research was fully funded by authors.

Supplementary information: authors acknowledge following institution for help with the preparation of the article: Zhytomyr Polytechnic State University.

Note: the results of this study were not presented in another form, such as a poster/abstract at a conference.

Appendix

Table 1. Regression statistics data

	Coefficients	Standard Error	t Stat	P-value
Intercept	58,1216891	9,76670899	5,9510004	2,6081E-07
CrimeIndex	-0,2074912	0,12532029	-1,6556876	0,104049
Terrorism	-0,1663368	0,05230858	-3,1799136	0,0025297
Corruption Preception	0,28457358	0,07428026	3,83107944	0,00035716
Regression Statistics				
Multiple R			0,67272224	
R Square			0,45255522	
Adjusted R Square			0,41970853	
Standard Error			8,73948278	
Observations			54	



Figure 1. Correlation between the FATF composite score and the level of corruption perception

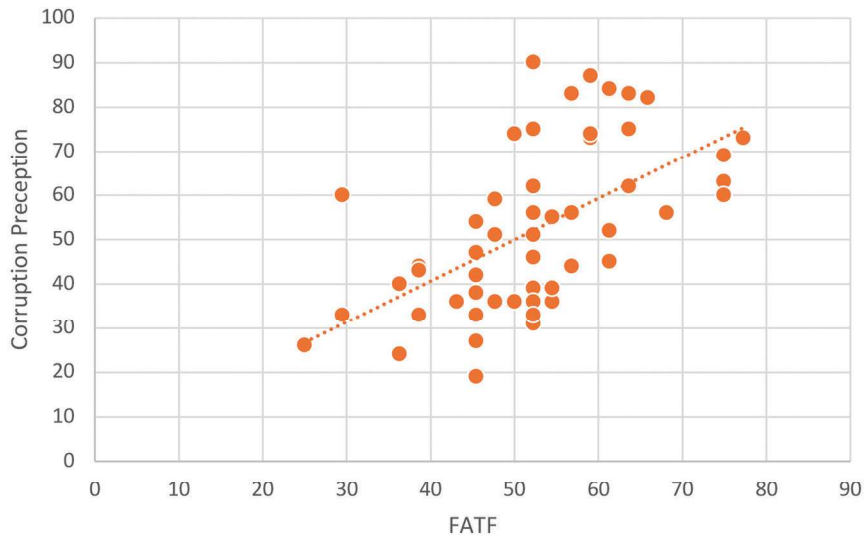


Figure 2. Correlation between the FATF composite score and the level of terrorism

