



**Financial Action Task Force on Money Laundering**  
**Groupe d'action financière sur le blanchiment de capitaux**

Washington, 31 October 2001

## **FATF Cracks Down On Terrorist Financing**

At an extraordinary Plenary<sup>1</sup> on the Financing of Terrorism held in Washington, D.C. on 29 and 30 October 2001, the Financial Action Task Force (FATF) expanded its mission beyond money laundering. It will now also focus its energy and expertise on the world-wide effort to combat terrorist financing. "Today the FATF has issued new international standards to combat terrorist financing, which we call on all countries in the world to adopt and implement," said FATF President Clarie Lo. "Implementation of these Special Recommendations will deny terrorists and their supporters access to the international financial system."

During the extraordinary Plenary, the FATF agreed to a set of Special Recommendations on Terrorist Financing<sup>2</sup> which commit members to:

- Take immediate steps to ratify and implement the relevant United Nations instruments.
- Criminalise the financing of terrorism, terrorist acts and terrorist organisations.
- Freeze and confiscate terrorist assets.
- Report suspicious transactions linked to terrorism.
- Provide the widest possible range of assistance to other countries' law enforcement and regulatory authorities for terrorist financing investigations.
- Impose anti-money laundering requirements on alternative remittance systems.
- Strengthen customer identification measures in international and domestic wire transfers.
- Ensure that entities, in particular non-profit organisations, cannot be misused to finance terrorism.

In order to secure the swift and effective implementation of these new standards, FATF agreed to the following comprehensive Plan of Action:

- By 31 December 2001, self-assessment by all FATF members against the Special Recommendations. This will include a commitment to come into compliance with the

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<sup>1</sup> Attended by representatives of the 31 FATF members and 18 FATF-style regional bodies and observer organisations. Regional bodies and observer organisations included the Asia/Pacific Group on Money Laundering, the Caribbean Financial Action Task Force, the Eastern and Southern Africa Anti-Money Laundering Group, the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures of the Council of Europe, the Asian Development Bank, the Commonwealth Secretariat, the European Central Bank, Europol, the Inter-American Development Bank, the International Monetary Fund, the International Organisation of Securities Commissions, Interpol, the Offshore Group of Banking Supervisors, OAS/CICAD, the United Nations Office on Drug Control and Crime Prevention, the World Bank, and the World Customs Organisation.

<sup>2</sup> See the text of the Special Recommendations in Annex.

Special Recommendations by June 2002 and action plans addressing the implementation of Recommendations not already in place. All countries around the world will be invited to participate on the same terms as FATF members.

- By February 2002, the development of additional guidance for financial institutions on the techniques and mechanisms used in the financing of terrorism.
- In June 2002, the initiation of a process to identify jurisdictions that lack appropriate measures to combat terrorist financing and discussion of next steps, including the possibility of counter-measures, for jurisdictions that do not counter terrorist financing.
- Regular publication by its members of the amount of suspected terrorist assets frozen, in accordance with the appropriate United Nations Security Council Resolutions.
- The provision by FATF members of technical assistance to non-members, as necessary, to assist them in complying with the Special Recommendations.

In taking forward its Plan of Action against terrorist financing, the FATF will intensify its co-operation with the FATF-style regional bodies and international organisations and bodies, such as the United Nations, the Egmont Group of Financial Intelligence Units, the G-20, and International Financial Institutions, that support and contribute to the international effort against money laundering and terrorist financing.

FATF also agreed to take into account the Special Recommendations as it revises the FATF 40 Recommendations on Money Laundering and to intensify its work with respect to corporate vehicles, correspondent banking, identification of beneficial owners of accounts, and regulation of non-bank financial institutions.

The FATF is an independent international body whose Secretariat is housed at the OECD. The twenty nine member countries and governments of the FATF are: Argentina; Australia; Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; Hong Kong, China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Turkey; United Kingdom and the United States. Two international organisations are also members of the FATF: the European Commission and the Gulf Co-operation Council.

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## **FATF Special Recommendations on Terrorist Financing**

Recognising the vital importance of taking action to combat the financing of terrorism, the FATF has agreed these Recommendations, which, when combined with the FATF Forty Recommendations on money laundering, set out the basic framework to detect, prevent and suppress the financing of terrorism and terrorist acts.

### ***I. Ratification and implementation of UN instruments***

Each country should take immediate steps to ratify and to implement fully the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism.

Countries should also immediately implement the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly United Nations Security Council Resolution 1373.

### ***II. Criminalising the financing of terrorism and associated money laundering***

Each country should criminalise the financing of terrorism, terrorist acts and terrorist organisations. Countries should ensure that such offences are designated as money laundering predicate offences.

### ***III. Freezing and confiscating terrorist assets***

Each country should implement measures to freeze without delay funds or other assets of terrorists, those who finance terrorism and terrorist organisations in accordance with the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts.

Each country should also adopt and implement measures, including legislative ones, which would enable the competent authorities to seize and confiscate property that is the proceeds of, or used in, or intended or allocated for use in, the financing of terrorism, terrorist acts or terrorist organisations.

### ***IV. Reporting suspicious transactions related to terrorism***

If financial institutions, or other businesses or entities subject to anti-money laundering obligations, suspect or have reasonable grounds to suspect that funds are linked or related to, or are to be used for terrorism, terrorist acts or by terrorist organisations, they should be required to report promptly their suspicions to the competent authorities.

### ***V. International Co-operation***

Each country should afford another country, on the basis of a treaty, arrangement or other mechanism for mutual legal assistance or information exchange, the greatest possible measure of assistance in connection with criminal, civil enforcement, and administrative investigations, inquiries and proceedings relating to the financing of terrorism, terrorist acts and terrorist organisations.

Countries should also take all possible measures to ensure that they do not provide safe havens for individuals charged with the financing of terrorism, terrorist acts or terrorist organisations, and should have procedures in place to extradite, where possible, such individuals.

#### **VI. *Alternative Remittance***

Each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions.

#### **VII. *Wire transfers***

Countries should take measures to require financial institutions, including money remitters, to include accurate and meaningful originator information (name, address and account number) on funds transfers and related messages that are sent, and the information should remain with the transfer or related message through the payment chain.

Countries should take measures to ensure that financial institutions, including money remitters, conduct enhanced scrutiny of and monitor for suspicious activity funds transfers which do not contain complete originator information (name, address and account number).

#### **VIII. *Non-profit organisations***

Countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused:

- (i) by terrorist organisations posing as legitimate entities;
- (ii) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; and
- (iii) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.