



## CONSOLIDATED FATF STRATEGY ON COMBATTING TERRORIST FINANCING

### I. INTRODUCTION

1. In 2014, the FATF agreed an overall AML/CFT Strategy, which set out the challenges and the priorities that faced the FATF for period 2014-16, and set out how the FATF planned to achieve its objectives. Combatting terrorist financing has been a priority for the FATF since 2001, however, in 2015, the scope and nature of terrorist threats globally intensified considerably, with terrorist attacks in many cities across the world, and the terrorist threat posed by the so-called Islamic State of Iraq and the Levant (ISIL/Da'esh), and by Al-Qaeda and their affiliated terrorist organisations, and by other terrorist organisations also becoming more significant. In December 2015, the FATF agreed that further concerted action urgently needs to be taken to strengthen global counter-terrorist financing regimes to combat the financing of these serious terrorist threats, and contribute to strengthening the financial and economic system, and security.

2. A range of areas were identified where more work needs to be done and the international community needs to take stronger and more effective action, in particular by enhancing co-operation and co-ordination, both domestically and internationally. This consolidated FATF Strategy paper lays out comprehensively but concisely:

- the framework, mechanisms and actions that are already in place;
- the current threats that are faced; and
- the key policy objectives and the priority actions the FATF and the global network will take in this fight against terrorism and terrorist financing.

### II. EXISTING FATF ACTIONS TO COMBAT TERRORIST FINANCING

3. Combatting and disrupting terrorist financing creates a hostile environment for terrorism. Lack of money limits the capability of terrorist groups to prepare or carry out attacks; and financial intelligence can reveal the structure of terrorist groups, the activities of individual terrorists, and their logistics and facilitation networks. Financing is important for all terrorists - from large terrorist organisations which control territory to small terrorist cells.

4. The FATF has put in place a global framework of standards since 2001 to combat the financing of terrorism, complementing the UN Security Council Resolutions. The FATF Recommendations set out a comprehensive and consistent framework of measures which countries should implement in order to effectively combat money laundering and terrorist financing, while still implementing national measures adapted to their particular circumstances. The Recommendations provide a complete legal and institutional framework that gives jurisdictions the tools needed to combat TF, including requirements to:

- identify, assess and understand TF risks (R.1);
- comprehensively criminalise TF as a distinct offence (R.5);

- have targeted financial sanctions and terrorist asset freezing (R.6);
- equip law enforcement agencies and financial intelligence units (FIUs) with all necessary powers and resources (R.29-31);
- detect and prevent illicit cross-border transportation of cash (R.32);
- ensure prompt and constructive international and domestic cooperation (R.2, R.37-40); and
- take preventive measures to protect sectors that could be misused (financial, non-financial, non-profit organisations (NPOs)) (R.8-23).

5. To help jurisdictions implement the standards, the FATF has also issued Guidance and Best practices papers, including on the implementation of targeted financial sanctions, the abuse of NPOs, detecting terrorist financing and other issues related to combating terrorist financing. A robust assessment Methodology is used in a comprehensive peer review and follow-up process applied by FATF and all FATF-Style Regional Bodies (FSRBs), and this helps to ensure not only technical compliance with the standards, but also their effective practical implementation. The International Cooperation Review Group (ICRG) process helps to apply additional pressure on jurisdictions that are not making enough progress.

6. Considerable work has been done to assist jurisdictions in identifying and understanding the TF threats and vulnerabilities on both global and regional scales. The FATF has published nearly a dozen reports on general TF methods in the period between 2008 and 2015, as well as dedicated studies on individual terrorist organisations such as Al-Qaeda and associated groups in Western Africa (2013), Taliban in Afghanistan (2014), and Islamic State in Iraq and the Levant (2015). The FATF also works to keep abreast of current developments in this field, and published a report on Emerging Terrorist Financing Risks in late 2015. The FATF reports usually contain specific red flag indicators to help financial institutions identify suspicious activity and report it to the authorities.

7. Additionally, in 2015 the FATF conducted an urgent Fact Finding Initiative in more than 190 jurisdictions which identified jurisdictions which do not have adequate legal frameworks for implementing key elements of Recommendations 5 and 6. A few jurisdictions lack legal powers to prosecute terrorist financiers or to apply targeted financial sanctions, while others have significant gaps or weaknesses in their measures to combat TF. This initiative is ongoing, but 36 jurisdictions - including 40% of the countries that lacked legal powers - have already taken remedial action.

8. The FATF has also now started a number of other initiatives, including a global process to assess TF risks; a process to address the issues that jurisdictions are facing in accessing and sharing information; and further work on the FATF Standards relating to NPOs.

9. Under its mandate, the FATF is not only the international standard setter, but also monitors and oversees effective implementation of those standards at the national level, and takes a lead role and co-ordinates actions with many partner organisations, such as the FSRBs, the Egmont Group of Financial Intelligence Units, relevant UN bodies and committees, and the IMF and World Bank. At a national level, FATF and FSRB members ensure that they take comprehensive and effective action to combat terrorist financing.

10. However the threat from terrorism and its financing is always changing. This consolidated strategy sets out how the FATF will increase the relevance and effectiveness of the tools used to combat terrorist financing, to address the threat.

### III. CURRENT TERRORIST/TERRORIST FINANCING THREATS

11. Large terrorist organisations, particularly ISIL/Da'esh, as well as foreign terrorist fighters and small terrorist cells pose significant threats to members and the international community as a whole. Terrorist groups such as ISIL/Da'esh and Al Qaida have developed links to many different countries by supporting rebels or extremists to organise themselves or as a result of existing terrorist groups pledging their allegiance to them. Groups such as Boko Haram or ISIL/Da'esh in Libya have sought ISIL/Da'esh affiliation in order to gain notoriety, financial support and to attract recruits. These affiliates also attract foreign terrorist fighters from around the world as well as inspiring small terrorist cells or individual terrorists to commit acts of terror in countries all over the world, and establishing facilitation networks. The different terrorist financing risks associated with each of these threats are set out below.

#### TERRORIST ORGANISATIONS WHICH CONTROL TERRITORY

12. Terrorist organisations such as ISIL/Da'esh, which control territory or conduct military-like operations require significant funds to maintain their infrastructure, personnel, and activities and a large stable income to support their operations. ISIL/Da'esh's finances are highly centralised, with a governing body controlling all revenues and expenses. ISIL/Da'esh's strategy has been to rely on funds generated within the territory it controls including the sale of oil and extortion from individuals and businesses. This income is supplemented by the proceeds of smuggling of cultural artefacts, sale of gas and other natural resources, bank looting and robbery, kidnapping for ransom and donations. In response to actions to stop it from exploiting the formal financial sector, ISIL/Da'esh to a certain extent has had to rely on money remitters and money exchangers to move money within its territory and across the region. There are concerns about whether this allows ISIL/Da'esh to transfer funds internationally.

13. ISIL/Da'esh's influence and presence has also expanded globally with recognised affiliates in North and West Africa (including Boko Haram), Pakistan and Afghanistan and the Arabian Peninsula. It is likely that some of these groups have pledged allegiance to ISIL/Da'esh for financing purposes. These developments may see an increase in the movement of funds to or from ISIL/Da'esh or through affiliates that act as regional hubs to transfer funds.

#### FOREIGN TERRORIST FIGHTERS (FTFS)

14. The issue of FTFs is not a new phenomenon, but the recent scale of the issue in relation to the conflict in Syria and Iraq, as well as the role they have played in recent terrorist attacks around the world are disturbing. While FTFs are not presently considered to be a significant source of funding for ISIL/Da'esh or Al-Nusra Front (ANF), they contribute to the larger TF threat posed by these groups. More importantly, FTFs are considered one of the main forms of material support to terrorist groups, and thus remain a significant TF threat. Self-funding by individuals and funding by

recruitment/facilitation networks are the two most common methods used to raise funds for FTFs. Funds are moved to the conflict zone in cash, use of ATMs to access funds from bank accounts neighbouring the conflict zone and the use of MVTs.

### SMALL TERRORIST CELLS

15. The Paris attacks in November 2015 revealed the deadliness of attacks perpetrated by small terrorist cells. In contrast to large terrorist organisations, small cells and individual terrorists have much lower financial needs since the costs of planning and executing a terrorist attack are lower than maintaining a fighting force, engage in recruitment or propaganda operations, operating checkpoints or deliver social services. Often these cells rely on funding from the cell members' own salaries or welfare payments. Recent attacks have highlighted the misuse of prepaid cards to make payments associated with the attacks. In the ISIL/Da'esh context, there may be links between the small terrorist cells and the facilitators of FTFs that travel to or from the conflict zone.

## IV. KEY POLICY OBJECTIVES

16. The FATF's role is to support and encourage countries' efforts to combat terrorist financing by understanding the risk, developing CFT Standards and policy responses, and supporting and monitoring implementation, in coordination with wider efforts to fight terrorism through a variety of means and by a range of stakeholders, including the United Nations, the IMF and World Bank, the Egmont Group of Financial Intelligence Units, Interpol and other bodies such as the Counter-ISIL Finance Group (CIFG).

17. In the global effort to cut off the financing of terrorism, particularly for serious terrorist threats such as ISIL/Da'esh, Al-Qaeda and their affiliates, the FATF's objectives are to reinforce the safeguards that will deny terrorists access to the financial system, prevent them from exploiting vulnerable countries, and ensure that financial intelligence is effectively used to identify funds linked to terrorism and to associated facilitation networks.

18. ***Improve and update the understanding of terrorist financing risks, and in particular the financing of ISIL/Da'esh.*** Understanding the techniques which terrorist groups use to raise funds and the channels through which they move, as well as their financial management and support infrastructure, enables countries to take targeted steps to block or disrupt the financial support to terrorism. It will also enable us to identify and work to prevent and reduce any emerging vulnerabilities, to respond to the changing nature of the terrorist financing threat.

19. ***Ensure that the FATF Standards provide up-to-date and effective tools to identify and disrupt terrorist financing activity.*** The FATF standards set out the fundamental tools which all countries should have in order to combat terrorist financing, including criminal justice and law enforcement measures, targeted financial sanctions, and preventive measures by financial institutions and designated non-financial businesses and professions. The FATF keeps these standards under review, and updates them where necessary to ensure they remain adequate to meet the threats, and reflect international obligations, while recognising that the integrity of the FATF standards requires them to be a stable and predictable foundation for national CFT frameworks.

20. **Ensure countries are appropriately and effectively applying the tools, including UN Targeted Financial Sanctions, to identify and disrupt terrorist financing activity.** Through its assessment and follow-up process, the FATF is working to identify and encourage countries which are not using those tools appropriately or effectively, particularly criminal justice and law enforcement measures, the use of financial intelligence, and preventive measures. The FATF will also address how they can be more effectively used to disrupt terrorist financing activity, and to improve and expand the implementation of targeted financial sanctions.

21. **Identify and take measures in relation to any countries with strategic deficiencies for terrorist financing.** Jurisdictions which cannot or do not combat terrorist financing undermine the international community's efforts to combat terrorism and threaten the integrity of the financial system. The FATF identifies countries with strategic deficiencies for terrorist financing through its urgent review of terrorist financing measures. The FATF will also take action to manage the risks they pose.

22. **Promote more effective domestic coordination and international cooperation to combat the financing of terrorism.** Good cooperation and coordination between the different domestic authorities involved in combating terrorism and fighting abuse of the financial system is essential to successfully cutting-off terrorist financing, including between law enforcement authorities, security and intelligence agencies, and financial intelligence units. Cooperation between countries is also essential to investigating and disrupting terrorist networks. Cooperation with private sector partners also enhances the detection of terrorist financing. The FATF will study how to improve access to information and information-sharing.

## V. PRIORITY ACTIONS

### Improve and update the understanding of terrorist financing risks, and in particular the financing of ISIL/Da'esh

23. The FATF will strengthen its work to identify and analyse terrorist/TF threats, the sources and methods of funding and the use of funds, building on existing work. Working closely with FATF and FSRB members, and relevant international partners such as the United Nations, the Egmont Group of Financial Intelligence Units, Interpol and other bodies such as the Counter-ISIL Finance Group (CIFG), as well as with the private sector, the FATF will:

- maintain up to date information and analysis on ISIL/Da'esh, Al Qaeda and their affiliates, the financing, movement and use funds, as well as their financial management and support infrastructure, and identifying the most effective counter-measures;
- as regards affiliates, examine terrorist financing in West/Central Africa in more detail, including groups such as Boko Haram;
- prepare a report for the financial sector setting out potential terrorist financing risk indicators of terrorist financing;

- examine how different types of financial intelligence, combined with other forms of intelligence can be used most effectively to prevent and disrupt terrorist attacks by small terrorist cells and individual terrorists; and
- examine the issue of FTFs – how they fund their travel and other expenses before, during and after they return from the conflict zone, the role of intermediaries, their ‘financial profile’; and how the risks they pose can be mitigated.

### **Ensure that the FATF Standards provide up-to-date and effective tools to identify and disrupt terrorist financing activity**

24. The FATF will review certain specific elements of the Standards and determine if they need to be adjusted to combat the threat from ISIL, Al-Qaeda and affiliates.

25. Reliable and comprehensive information should be collected (including through suspicion-based and intelligence-based disclosure systems) and rapidly accessed, and then shared in a timely way by countries. As part of a review of issues that may inhibit or create barriers to effective information sharing, the FATF will consider data protection & privacy laws, tipping-off requirements, bank secrecy, and the availability of appropriate tools and authorities to share information. As gaps are identified, the FATF will review whether the Standards are adequate to ensure this, and promote effective cooperation/coordination generally.

26. The FATF is also analysing whether revisions to the FATF Standards are necessary to integrate the financial provisions of recent United Nations Security Council Resolutions dealing with terrorism and terrorist financing, such as UNSCR 2199 and 2253.

27. Following further research and analysis, the FATF will consider whether any further changes to the Standards may be necessary. This includes, but is not limited to, the following:

- monetary thresholds that determine whether customer due diligence is conducted on occasional transactions;
- prepaid cards, large denomination banknotes in the context of the misuse of cash, and wire transfers; and
- the requirements that apply regarding the regulation and oversight of MVTs agents.

28. In relation to the issues mentioned above, the FATF may adjust certain elements of the Standards and determine whether it would be appropriate to issue best practices or guidance in relevant areas (either as an alternative or additionally) to support more effective implementation, taking into consideration the effect on financial inclusion and on legitimate business, and the stability of the standards.

### **Ensure countries are appropriately and effectively applying the tools, including UN Targeted Financial Sanctions, to identify and disrupt terrorist financing activity**

29. The FATF and FSRBs have a longstanding process of conducting mutual evaluations of the FATF Standards, assessing both technical compliance and effectiveness. The FATF will use these

evaluations and the associated follow up processes to ensure that jurisdictions across the globe implement the FATF recommendations fully and effectively.

### **Identify and take measures in relation to any countries with strategic deficiencies for terrorist financing**

30. The FATF will continue to identify countries with strategic deficiencies, including those related to terrorist financing, through the regular program of peer reviews or through any other specific processes that may be agreed from time to time:

- the FATF's International Cooperation Review Group will manage the risks these countries pose by providing advice and assistance, and exerting pressure on these countries to remedy the deficiencies; or where they do not deal with them, by calling on countries to apply counter-measures; and
- the FATF will conduct follow-up to the recent FATF Terrorist Fact Finding Initiative, which identified national weaknesses in some key areas, and to encourage and support actions to strengthen national AML/CFT systems.

### **Promote more effective domestic coordination and international cooperation to combat the financing of terrorism**

31. The FATF will as a priority, review all issues that may inhibit or create barriers to effective information sharing, whether internationally, domestically between government agencies, and with/within the private sector, including implementation of current tools and authorities to share information.

32. The FATF will deepen the involvement in its work of operational experts from the widest range of relevant agencies including FIUs, law enforcement, security and intelligence agencies, border control authorities etc., as well as associated international bodies involved in CT/CFT. These experts should focus on and consider recent threats, techniques, tools, processes and mechanisms that are being used nationally or internationally, as well as the results obtained from counter-measures and options to increase effective action. This will include the issue of joint co-ordinated intelligence gathering and investigations. The private sector will be involved in these discussions where relevant.

## **VI. NEXT STEPS**

- The FATF will develop a detailed operational plan to deliver the objectives set out above.
- The FATF will develop measures of success to check whether the strategy is being effectively implemented.
- The FATF will consider how to strengthen its communications policy on terrorist financing.