



الائتلاف الإسلامي العسكري لمحاربة الإرهاب
ISLAMIC MILITARY COUNTER TERRORISM COALITION

Planning and Coordination Department



Spotlight
On

FATF Report

The Rich Voices of Terrorist Financing Risk Assessment Guidance 2019







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**The Rich Voices of
Terrorist Financing Risk
Assessment Guidance 2019**

The Rich Voices of Terrorist Financing Risk Assessment Guidance

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. FATF has released “Terrorist Financing Risk Assessment Guidance” of 2019 to assess and mitigate terrorist financing risks faced by governments, and to dismantle and disrupt terrorist networks. The FATF Recommendations are recognized as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

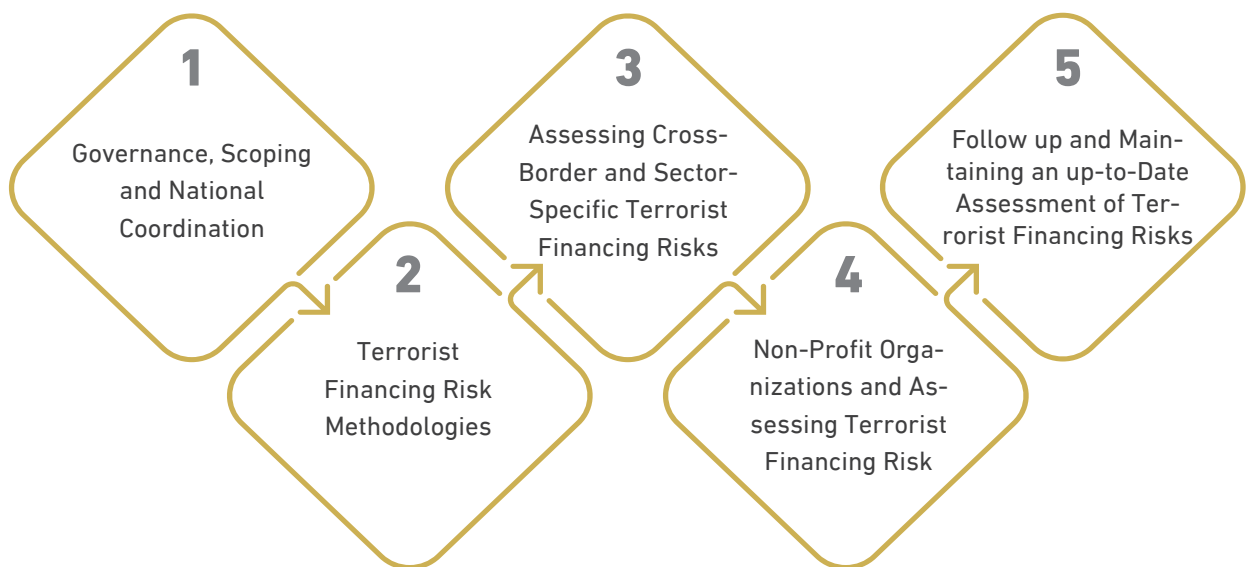
Countries often face particular challenges in assessing terrorist financing risks due to the low value of funds or other assets used in many instances, and the wide variety of sectors misused for terrorist financing purposes. The cross-border nature of terrorist financing can pose additional challenges for identification of risk. Moreover, the operational needs for attacks can include routine transactional activity (e.g. car rental, purchasing goods and tools).

Lower capacity jurisdictions often face further challenges due to a lack of terrorist financing expertise or personnel, and information gaps on unregulated or unsupervised activities. Terrorists regularly adapt how and where they raise and move funds and other assets in order to circumvent safeguards

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that jurisdictions have put in place to detect and disrupt this activity. Terrorist organizations such as Daesh, Al-Shabaab and Al-Qaeda have relied on natural resources in their area of control (oil, gold, charcoal, talc, lapis-lazuli, etc.) as a source of income, in addition to other challenges, such as “Lone wolves” raising funds from legal or apparently lawful activities that are too hard to be anticipated.

The FATF 2019 Report reveals five key sections:





1-Governance, Scoping and National Coordination

The objectives of the risk assessment should tie into broader national CTF objectives and activities, and build on existing domestic and regional threat and risk assessments. The required scope of a TF risk assessment will vary between jurisdictions, but may be impacted by: (i) the unique national and regional TF threat profile, (ii) the importance and materiality of different sectors, and (iii) the jurisdiction's geographic location and demographics.

For example, in the Philippines – Regional Scoping and Assessment of TF Risks – Due to common TF threats facing South East Asia (SEA) and Australia, jurisdictions have found benefit in carrying out a number of joint initiatives to assess TF risk at the regional level, which then feeds into national risk assessments. During the Counter-Terrorism Financing (CTF) Summit in Bali in August 2016, members established the Financial Intelligence Consultative Group (FICG), which aims to develop a mechanism for regional financial intelligence analyst exchanges among the ASEAN and close partner FIUs.

In a similar vein, the Dutch authorities conducted both an explanatory study and a contextual analysis to gain insight on the methods and data available and applicable, and the unique domestic characteristics that may affect the prevalence for TF. The explanatory study drew on NRA methodologies applied in five countries, additional methods useful for NRAs, and risk valuations that are done. It concluded that due to the lack of quantitative data, the first NRA should adopt a growth model and should not only analyze the risk of TF, but also identify blind spots, incompleteness and vulnerabilities within the data, TF methods and other information. For the context analysis, the Netherlands drew on contextual factors from earlier research and the FATF methodology, and found that the Netherlands' open economy, internationally oriented financial sector, and the scale of criminal income from fraud and drug-related crime may potentially impact the country's vulnerability to TF.



2- Terrorist Financing Risk Methodologies

This section draws on the different risk methodologies used by over 35 jurisdictions from across the FATF Global Network, and identifies good approaches and relevant information sources.

The FATF Standards do not prescribe a particular risk assessment methodology, and there is no one-size fits all approach. Ideally, a risk methodology should be flexible, practical and take into consideration specific features and characteristics of the jurisdiction. An assessment of TF risks will require collecting a wide range of quantitative and

qualitative information, including the general criminal environment, TF and terrorism threats, TF vulnerabilities of specific sectors and products, and the jurisdiction's general CFT capacity. Based on jurisdiction experience, collection techniques may include: gathering of aggregate statistics or information from government sources (whether classified or unclassified), use of domestic and regional questionnaires, online surveys, interviews, working groups and seminars, and gathering open source information.

3- Assessing Cross-Border and Sector-Specific Terrorist Financing Risks

This presents some relevant information sources when assessing cross-border TF risks, TF risks within the banking and Money or Value Transfer Services (MVTs) sectors, and TF risks linked to exploitation of natural resources.

Cross-border TF risks may relate to the physical transportation of funds or other assets into or outside a country to support terrorist activities (e.g. cross-border smuggling), the flow of funds, or goods into or out of the jurisdiction via the financial or trade sector, or the cross-border provision of material support (recruitment, training and facilitation).

When assessing cross-border TF risks, jurisdictions would typically consult: information on cross-border elements from existing TF information or intelligence, customs/border experience and confiscations, analysis of cross-border declarations/disclosures or cross-border wire transfers, and information on international cooperation related to terrorism and TF. Other relevant sources include: information on inflows/outflows of funds, goods and

people, intelligence relating to smuggling networks and the capacity of cross-border controls.

The FATF Standards require that all countries implement a declaration or disclosure system for incoming and outgoing cross-border transportation of currency and bearer negotiable instruments (CBNIs) with a maximum threshold of USD/EUR 15 000. The low volume of funds often used by terrorists presents challenges for detection in a threshold-based system. The FATF Standards require that all financial institutions and DNFbps should be required to notify the FIU if they suspect or have reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to TF.

The value of STRs for strategic analysis purposes is likely to vary between countries depending on the quality and volume of STRs filed. Nevertheless, when assessing cross-border risks, countries to date have found value in analyzing STRs for cross-border elements.





4- Non-Profit Organizations and Assessing Terrorist Financing Risk

Recognizing the requirements under Recommendation 8 (R.8) to assess TF risks facing those NPOs that fall within the FATF definition, this chapter provides some considerations and good approaches based on jurisdiction experience. In June 2016, FATF re-

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vised Recommendation (8) to ensure its implementation is in line with the risk-based approach and does not disrupt or discourage legitimate non-profit activities.

The revisions clarified that not all NPOs represent the same level of TF risk, and that some NPOs represent little or no risk at all. Experience shows that jurisdictions continue to face challenges in assessing TF risk in this area due in part to: the large and

often diverse nature of the sector, a lack of identification or understanding of those NPOs falling within the FATF definition, and the limited availability of relevant quantitative information or cases.

FATF defines an NPO as: “a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of good works”.

When assessing risk, Recommendation (8) requires jurisdictions to identify the nature of threats posed by terrorist organizations to NPOs deemed to be at risk as well as how terrorist actors abuse those NPOs. Similarly, jurisdictions should review the adequacy of measures, including laws and regulations, which relate to the subset of the NPO sector that may be abused for TF in order to be able to take proportionate and effective actions to address identified risks.



5- Follow up and Maintaining an up-to-Date Assessment of Terrorist Financing Risks

Jurisdictions should ensure that the findings of the TF risk assessment are endorsed by senior officials, and that all key stakeholders have a common understanding of the outcomes and the relative measures of risk (i.e. “low” or “high” across different types of TF risk, and/or compared to other domestic crimes).

The FATF Standards require that jurisdictions have a mechanism to ensure that competent authorities and respective financial institutions, DNFBPs and other relevant sectors are aware of the results of national TF risk assessment(s). An assessment of TF risk should result in clear and practical follow-up actions. Such follow-up actions may include (but are not limited to): amendments in CFT legislation and policies to address identified deficiencies, allocation of resources or training to key authorities, development of platforms or mechanisms to enhance information sharing on TF, enhanced engagement with sectors or institutions identified as

vulnerable to TF, and/or implementation of a more systemic mechanism for collecting and maintaining TF or terrorism related information.

The FATF Standards requires countries to maintain an up to date assessment of their TF risks. An important part of updating any assessment of TF risk will be to critically review the approach taken, and to identify areas for improving the approach

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This report incorporates inputs from a number of delegations within the FATF Global Network that have carried out extensive work on assessing TF risk. Over 35 FATF and FATF Style Regional Body (FSRB) members have submitted information and case studies on their experience in assessing TF risk at the sectoral, national and regional levels, as a means to identify best practice and common challenges.

A TF risk assessment is a product or process based on a methodology, agreed by those parties involved, that attempts to identify, analyze and understand TF risk and serves as a first step in addressing them. While assessments may take different forms, a TF risk assessment should generally cover all aspects of raising, moving, storing and using funds or other assets.

Of the FATF countries that displayed engagement include Argentina, Australia, Belgium, Canada, China, Germany, Hong Kong China, Italy, Ireland, Israel, Malaysia, Mexico, the Netherlands, Norway, Russia, Singapore, Sweden, U.S., U.K., Brunei Darussalam, Macao, China; Papa New Guinea, The Philippines, Vanuatu; Kyrgyzstan; Costa Rica, Colombia, Guatemala, Nicaragua, Peru, Paraguay, Nigeria, Ghana, Armenia, Monaco, Ukraine, Lebanon.

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them. While assessments may take different forms, a TF risk assessment should generally cover all aspects of raising, moving, storing and using funds or other assets (including goods, vehicles, weapons etc.) to meet the needs of a terrorist or terrorist organization. This should go beyond the revenue raising aspects and address terrorist procurement and terrorist facilitation networks, including Foreign Terrorist Fighters (FTFs).

While a risk assessment presents a snapshot in time, this report highlights the importance of establishing regular mechanisms to monitor TF risk on an ongoing basis, taking into account current terrorism and TF threats and developments. In light of the cross-border nature of TF, jurisdictions that face a low domestic terrorism risk may still face significant TF risks.

While all countries should have a holistic understanding of all stages of TF (raising, moving and use of funds or other assets), this report recognizes that there is no one-size fits all approach when assessing TF risk.

This report highlights the importance of continuing to critically reviewing the approach taken to assess TF risk, and identifying blind spots and areas where further information is needed. This report draws on inputs from over 35 jurisdictions from across the FATF Global Network on their extensive experience and lessons learnt in assessing TF risk. While all countries should have a holistic understanding of all stages of TF (raising, moving and use of funds or other assets), this report recognizes that there is no one-size fits all approach when assessing TF risk.

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<http://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-Risk-Assessment-Guidance.pdf>

