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The
G20 Research Group
at Trinity College at the Munk School of Global Affairs
in the University of Toronto
presents the

2016 G20 Hangzhou Summit Interim Compliance Report

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“The University of Toronto ... produced a detailed analysis to the extent of which each G20 country has met its commitments since the last summit ... I think this is important; we come to these summits, we make these commitments, we say we are going to do these things and it is important that there is an organisation that checks up on who has done what.”

— *David Cameron, Prime Minister, United Kingdom, at the 2012 Los Cabos Summit*

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12. Financial Regulation: Terrorism

“In confronting terrorism, we remain committed to effectively exchanging information, freezing terrorist assets, and criminalizing terrorist financing.”

G20 2016 Hangzhou Leaders’ Communiqué

Assessment

Country	Lack of Compliance	Work in Progress	Full Compliance
Argentina			+1
Australia			+1
Brazil	-1		
Canada			+1
China			+1
France			+1
Germany			+1
India		0	
Indonesia			+1
Italy			+1
Japan		0	
Korea			+1
Mexico		0	
Russia			+1
Saudi Arabia			+1
South Africa		0	
Turkey			+1
United Kingdom			+1
United States			+1
European Union			+1
Average		+0.70	

Background

G20 members are united in principle against any form of terrorism or terrorist activity. G20 leaders believe a concerted effort is required by governments to deter terrorism and terrorist activity. At G20 leaders’ summits to date, the group has specifically dealt with the issues of illicit financial activities (that may support terrorist activities), and terrorist financing.

At the first leaders’ level summit in 2008, the G20 committed to addressing the fight against terrorism and declared that “National and regional authorities should implement national and international measures that protect the global financial system from uncooperative and non-transparent jurisdictions that pose risks of illicit financial activity.” The G20 also affirmed its support for the Financial Action Task Force (FATF) and the organisation’s important work against money laundering and terrorist financing, as well as supporting the efforts of the World Bank and United Nations (UN) Stolen Asset Recovery Initiative (StAR).¹⁷⁷⁰

At the 2009 Pittsburgh Summit, the G20 committed to “clamping down on illicit outflows,” as well as welcoming the progress made by the FATF in the fight against money laundering and terrorist

¹⁷⁷⁰ G20 Leaders Statement: The Pittsburgh Summit, The G20 Information Centre (Toronto). Access Date: 24 January 2017. <http://www.g20.utoronto.ca/2009/2009communiqu0925.html>

financing and calling upon the FATF to issue a public list of high risk jurisdictions by February 2010.¹⁷⁷¹

At the 2010 Toronto Summit, G20 leaders declared, “We fully support the work of the FATF and FATF-Style Regional Bodies in their fight against money laundering and terrorist financing and regular updates of a public list on jurisdictions with strategic deficiencies. We also encourage the FATF to continue monitoring and enhancing global compliance with the anti-money laundering and counter-terrorism financing international standards.”

The G20 leaders continued to support the FATF, and at the 2015 Antalya Summit, issued the ‘G20 Statement on the Fight Against Terrorism’ reaffirming the G20’s solidarity and resolve in the fight against terrorism in all its forms and wherever it occurs. The Statement reiterated the G20’s resolve for cooperation and recognized the UN’s central role in the fight against terrorism. The G20 also declared, “We also remain committed to tackling the financing channels of terrorism, particularly by enhanced cooperation on exchange of information, freezing of terrorist assets, criminalization of terrorist financing, robust targeted financial sanctions regimes related to terrorism and terrorist financing, including through swift implementation of Financial Action Task Force (FATF) standards in all jurisdictions.”¹⁷⁷²

At the 2016 Hangzhou Summit, the G20 strongly condemned terrorism in all forms and manifestations, The G20 declared, “We will tackle all sources, techniques and channels of terrorist financing, including extortion, taxation, smuggling of natural resources, bank looting, looting of cultural property, external donation, and kidnapping for ransom.” The G20 called for the swift, effective and universal implementation of the FATF standards and of the provisions of the UN Security Council Resolution 2253 worldwide. The G20 requested the FATF by March 2017 to review on ways to strengthen its traction capacity and enhance effectiveness of its network and FATF-style regional bodies. The G20 also endorsed the FATF’s Consolidated Strategy on Combating Terrorist Financing (CSCFF).¹⁷⁷³ The CSCFF calls for:

- Identifying the risks of terrorist financing with focus on the channels used by the Islamic State of Iraq and Levant (ISIL)/Da’esh;
- Ensuring that the FATF’s provision of tools like enforcement measures and targeted sanctions are up to date and employed efficiently and effectively;
- Identifying countries with deficiencies of combating terrorist financing. In 2015, the FATF conducted a Fact Finding Initiative to establish which countries have deficiencies with regards to legal frameworks and targeted financial sanctions.
- Promoting international cooperation between member countries and domestic cooperation between law enforcement bodies.¹⁷⁷⁴

At the 2016 FATF XXVIII Plenary meeting held in Paris under the Spanish presidency, 190 delegates from the FATF membership and other organisations discussed working on terrorist financing, improving transparency and improving exchanging useful information.¹⁷⁷⁵

¹⁷⁷¹ G20 Leaders Statement: The Pittsburgh Summit, The G20 Information Centre (Toronto). Access Date: 24 January 2017. <http://www.g20.utoronto.ca/2009/2009communique0925.html>

¹⁷⁷² The 2015 G20 Antalya Summit Commitments, the G20 Information Centre (Toronto). Access Date: 22 January 2017. <http://www.g20.utoronto.ca/analysis/commitments-15-antalya.html>

¹⁷⁷³ 2016 Leaders’ Communique: Hangzhou Summit, G20 Information Centre (Toronto), 5 September 2016. Access Date: 28 October 2016. http://www.g20.org/English/Dynamic/201609/t20160906_3396.html

¹⁷⁷⁴ Consolidating FATF Strategy on Combatting Terrorist Financing, Financial Action Task Force (Paris). Access Date: 28 October 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/FATF-Terrorist-Financing-Strategy.pdf>

Commitment Features

This commitment consists of three parts. It requires G20 members to 1) effectively exchange information, 2) effectively freeze terrorist assets, and 3) effectively criminalize terrorist financing.

Part I: Effectively Exchange Information

The effective exchange of information calls for G20 members to work toward removing barriers to information sharing domestically between public and private sectors as well as externally with other members, countries, international organisations as well as specially developing countries.

The 2016 Hangzhou Leaders' Communiqué specifically calls for financial transparency with regard to the beneficial ownership of legal persons and legal arrangements. In the 2014 G20 High-Level Principles on Beneficial Ownership Transparency, the G20 highlighted the need for effective information exchange in the following ways regarding beneficial ownership:

Countries should ensure that competent authorities (including law enforcement and prosecutorial authorities, supervisory authorities, tax authorities and financial intelligence units) have timely access to adequate, accurate and current information regarding the beneficial ownership of legal persons. Countries could implement this, for example, through central registries of beneficial ownership of legal persons or other appropriate mechanisms.

Countries should ensure that trustees of express trusts maintain adequate, accurate and current beneficial ownership information, including information of settlors, the protector (if any) trustees and beneficiaries. These measures should also apply to other legal arrangements with a structure or function similar to express trusts.

Countries should ensure that competent authorities (including law enforcement and prosecutorial authorities, supervisory authorities, tax authorities and financial intelligence units) have timely access to adequate, accurate and current information regarding the beneficial ownership of legal arrangements.

Countries should ensure that their national authorities cooperate effectively domestically and internationally. Countries should also ensure that their competent authorities participate in information exchange on beneficial ownership with international counterparts in a timely and effective manner.

Countries should support the G20's efforts to combat tax evasion by ensuring that beneficial ownership information is accessible to their tax authorities and can be exchanged with relevant international counterparts in a timely and effective manner.

Countries should address the misuse of legal persons and legal arrangements which may obstruct transparency, including:

- a) Prohibiting the ongoing use of bearer shares and the creation of new bearer shares, or taking other effective measures to ensure that bearer shares and bearer share warrants are not misused; and
- b) Taking effective measures to ensure that legal persons which allow nominee shareholders or nominee directors are not misused.

¹⁷⁷⁵ Media Release: Outcomes from the Meeting of the Financial Action Task Force, Paris 19 to 21 October 2016. Access Date: 1 February 2017. <https://www.fic.gov.za/Documents/Media%20Release%20-%20Outcomes%20from%20the%20Meeting%20of%20the%20Financial%20Action%20Task%20Force%20Paris%2019%20to%2021%20October%202016.pdf>

Therefore, G20 members must act in accordance with G20 High-Level Principles on Beneficial Ownership Transparency as well as exchange information both domestically and externally.

Part II: Effectively Freezing Terrorist Assets

Identifying suspicious entities by established law enforcement or combatting the financing of terrorism (CFT) bodies, effective use of FATF sanctions/regional FATF bodies/national CFT laws, collecting evidences of terrorism/terrorist financing and as well “robust identifying information”¹⁷⁷⁶ are crucial steps for freezing terrorist assets. This includes investigating the channels employed by terrorist organisations to raise funds to swiftly respond, block and remove terrorist financing sources. Monitoring borders for suspicious transfer of funds require cooperation with bordering neighbour countries and ties in with the first area of information sharing on an international and a domestic scale. The FATF’s Targeted Financial Sanctions Related to Terrorism and Terrorist Financing (Recommendation 6) document outlines methods by which member countries can proceed with the freezing of terrorist assets.¹⁷⁷⁷

Part III: Effectively Criminalize Terrorist Financing

G20 members must be committed to criminalizing terrorist financing. Criminalizing terrorist financing includes any action that define terrorist financing as a distinct legal offence. This may be achieved by including such clause within the national legal code. The FATF’s 2015 Terrorist Financing Report indicates that terrorist financing includes the financing of a terrorist organisation or an individual terrorist, disregarding whether or not the funding is intended for carrying out terrorist attacks. The report also finds that “almost all jurisdictions” criminalised terrorist financing, and 33 out of 194 jurisdictions in the world have secured convictions against financiers of terrorism. However, many have yet to criminalize financing individual terrorists for purposes unrelated to terrorism. This part calls for G20 members to ensure effective implementation of FATF instruments like the United Nations Targeted Financial Sanctions to prevent and discourage terrorist financing. They should also ensure that financial institutions are subject to adequate regulation and in compliance with FATF recommendations. Further, G20 members have committed to effectively criminalize terrorist financing. In October 2016, the FATF issued a report entitled Guidance on Criminalising Terrorist Financing, providing several recommendations for effective implementation of terrorist financing (TF) requirements:

1. The offence must cover all types of wilful TF activity.
2. The offence must cover the financing of terrorist acts with an unlawful intention to do so.
3. The offence must cover the financing of terrorist organisations and individual terrorists with an unlawful intention to do so.
4. The offence must cover financing the travel of foreign terrorist fighters.
5. Terrorist financing should be criminalised as a stand-alone offence.
6. The offence should cover the broadest possible definition of funds or other assets, regardless of their origin.
7. TF offences must include a broad range of circumstances.
8. The terrorist financiers’ intent and knowledge may be inferred.
9. Sanctions should apply to natural persons.
10. Sanctions should apply to legal persons.

¹⁷⁷⁶ Consolidating FATF Strategy on Combatting Terrorist Financing, Financial Action Task Force (Paris). Access Date: 28 October 2016. <http://www.fatf-gafi.org/media/fatf/documents/recommendations/BPP-Fin-Sanctions-TF-R6.pdf>

¹⁷⁷⁷ Targeted Financial Sanctions Related to Terrorism and Terrorist Financing (Recommendation 6), Financial Action Task Force, June 2013. Access Date: 30 October 2016. <http://www.fatf-gafi.org/media/fatf/documents/recommendations/BPP-Fin-Sanctions-TF-R6.pdf>

11. There should be a full range of ancillary offences to the TF offence.¹⁷⁷⁸
12. Jurisdictional issues: Offences should apply, regardless of whether the person alleged to have committed the offence(s) is in the same country or a different country from the one in which the terrorist(s)/terrorist organisation(s) is located or the terrorist act(s) occurred/will occur.
13. TF should be a predicate offence for money laundering.

Therefore, to be compliant, G20 members must act in accordance with FATF recommendations when applicable and criminalize terrorist financing for both individuals and organisations.

To receive full compliance, the G20 member must comply with all three parts of the commitment. The G20 member must effectively exchange information, effectively freeze terrorist assets, and effectively criminalize terrorist financing. Partial compliance is achieved if the G20 member complies with one or two parts of the commitment but not all three. No compliance is achieved if the G20 member complies with none of the requirements.

Scoring Guidelines

-1	The G20 member does not effectively exchange information AND does not effectively freeze terrorist assets AND does not effectively criminalize terrorist financing.
0	The G20 member effectively exchanges information OR effectively freezes terrorist assets OR effectively criminalizes terrorist financing.
+1	The G20 member effectively exchanges information, effectively freezes terrorist assets AND effectively criminalizes terrorist financing.

Argentina: +1

Argentina has fully complied with its commitment to effectively exchange information, freeze terrorist assets, and criminalize terrorist financing.

As of March 2016 Argentina has revised its Anti-terrorism Law to broaden the definition of terrorism and increased monetary fines and prison sentences for crimes associated with terrorist financing.¹⁷⁷⁹ The Argentine Financial Intelligence Unit can freeze assets that are associated with terrorist financing. Additionally, Argentina has criminalized the financing of terrorist organizations, individuals and acts.¹⁷⁸⁰ The FATF has explicitly stated that is satisfied with Argentina's progress in implementing its CTF/AML instruments.¹⁷⁸¹

On 22 November 2016, Argentina and the United States held the inaugural Argentina-US Dialogue on Illicit Finance (AUDIF) in Buenos Aires. During this meeting, "the United States Department of the Treasury and the Finance Ministry of Argentina emphasized the commitment of the United States and Argentina to identify illicit finance threats of mutual concern and develop joint strategies

¹⁷⁷⁸ Guidance on Criminalising Terrorist Financing (Recommendation 5), Financial Action Task Force. <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Criminalising-Terrorist-Financing.pdf>

¹⁷⁷⁹ Country Reports on Terrorism 2013, US Department of State. Access Date: 8 March 2016. <http://www.state.gov/j/ct/rls/crt/2013/224825.htm>

¹⁷⁸⁰ Country Reports on Terrorism 2013, US Department of State. Access Date: 8 March 2016. <http://www.state.gov/j/ct/rls/crt/2013/224825.htm>

¹⁷⁸¹ Improving Global AML/CFT Compliance, FATF 24 October 2014. Access Date: 8 March 2016. <http://www.fatf-gafi.org/countries/a-c/argentina/documents/fatf-compliance-oct-2014.html>

to address these threats.”¹⁷⁸² AUDIF “agreed to pursue a number of initiatives to counter money laundering, terrorist financing and other financial crimes.”¹⁷⁸³

On 4 November 2016, Argentina issued Resolution 141/2016, which amends previously existing ‘know-your-client’ rules for the country’s financial institutions. The introductory paragraphs of the Resolution refer to recommendations by the Financial Action Task Force (FATF), which state that strict documentation requirements to open bank accounts is “one of the principle motives for the exclusion of users from formal financial systems” – conversely making these requirements less onerous would lead to a reduction in the number of operations carried out in the informal system. Specifically, the Resolution amends previous resolutions to the effect that information relating to a client’s tax status is no longer necessary to create a client profile and determine their risk level in compliance with know-your-client policy. The resolution removes the requirement to collect this information. Gabriel Matarasso of Marval O’Farrell & Mairal law firm indicates that, “it is not essential to take into account the tax aspects of the clients, nor is it necessary to require they file tax returns to comply with due diligence, determine their risk level or make up their transactional profile.”¹⁷⁸⁴ Nonetheless, under Article 1 of the Resolution, financial institutions are still obliged to “implement customer due diligence” by monitoring the assigned risk to ensure that operations are consistent with the client’s knowledge and transactional profile, including, if necessary, the origin of the funds.¹⁷⁸⁵

Argentina has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, Argentina receives a score of +1.

Analyst: Motahareh Nabavi

Australia: +1

Australia has fully complied with its commitment to effectively exchange information, freeze terrorist assets, and criminalize terrorist financing.

On 6 September 2016, the Australian Criminal Intelligence Commission (ACIC) issued a media release in response to the Panama Papers, which stated that it is working closely with the Australian Taxation Office (ATO), Australian Federal Police (AFP) and other partners across the Serious Financial Crime Taskforce (SFCT) to analyse data related to the Panama Papers. The ACIC has identified an 8 per cent match between names in the Panama Papers and their existing criminal databases.¹⁷⁸⁶

¹⁷⁸² The United States and Argentina hold Inaugural Argentina-US Dialogue on Illicit Finance, US Department of the Treasury (Washington) 29 November 2016. Access Date: 5 December 2016. <https://www.treasury.gov/press-center/press-releases/Pages/jl0617.aspx>

¹⁷⁸³ The United States and Argentina hold Inaugural Argentina-US Dialogue on Illicit Finance, US Department of the Treasury (Washington) 29 November 2016. Access Date: 5 December 2016. <https://www.treasury.gov/press-center/press-releases/Pages/jl0617.aspx>

¹⁷⁸⁴ Argentina amendments mean tax status is no longer necessary to comply with know-your-client rules, STEP (London) 14 December 2016. Access Date: 13 January 2016. <http://www.step.org/news/argentina-amendments-mean-tax-status-no-longer-necessary-comply-know-your-client-rules>

¹⁷⁸⁵ Argentina amendments mean tax status is no longer necessary to comply with know-your-client rules, STEP (London) 14 December 2016. Access Date: 13 January 2016. <http://www.step.org/news/argentina-amendments-mean-tax-status-no-longer-necessary-comply-know-your-client-rules>

¹⁷⁸⁶ ACIC response to Panama Papers, Australian Criminal Intelligence Commission (Canberra) 6 September 2016. Access Date: 27 November 2016. <https://acic.govcms.gov.au/media-centre/media-releases-and-statements/acic-response-panama-papers>

On 6 September 2016, the Australian Minister for Justice and Minister for Revenue and Financial Services issued a joint media release, stating that the AFP is investigating serious financial crime by presently heading 12 SFCT joint criminal investigations.¹⁷⁸⁷

On 31 October 2016, the Australian Transaction Reports and Analysis Centre (AUSTRAC) published its first assessment on terrorist financing and money laundering risk in Australia's superannuation industry. Based on this report, fraud was identified as the most commonly associated crime affecting super funds. Cybercrime was particularly identified as a rising threat, "with some super funds seeing almost daily attempts to hack accounts for information or funds access."¹⁷⁸⁸ In the two-year sample period, six per cent of reports related to a potential terrorist financing, in relation to amounts worth AUD259,790 in total.¹⁷⁸⁹

On 1 November 2016, AUSTRAC and its Chinese counterpart, the China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC), signed a Memorandum of Understanding (MoU) for the exchange of financial intelligence.¹⁷⁹⁰

On 15 November 2016, Minister for Justice Michael Keenan announced the launch of the Australian Financial Crimes Exchange (AFCX) "to provide real-time alerts of potential threats, so quick action can be taken to protect customers" and to analyse data collected in the industry rather than just their own...¹⁷⁹¹

On 22 November 2016, the Australian parliament passed the Counter-Terrorism Legislation Amendment Bill (No.1) 2016. The Bill reduces the age from 16 to 14 at which a control order can be placed on a person of security concern.¹⁷⁹² The Bill improves control orders by:

- "Creating new targeted physical search, telecommunications interception and surveillance device regimes to help monitor those subject to control orders, and;
- Better protecting sensitive information in control order proceedings."¹⁷⁹³

¹⁷⁸⁷ No one hides outside the tax system, Minister for Justice (Canberra) 6 September 2016. Access Date: 27 November 2016. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/ThirdQuarter/No-one-hides-outside-the-tax-system.aspx>

¹⁷⁸⁸ Working with industry to harden the super sector, Minister for Justice (Canberra) 31 October 2016. Access Date: 28 November 2016. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/Working-with-industry-to-harden-the-super-sector.aspx>

¹⁷⁸⁹ Working with industry to harden the super sector, Minister for Justice (Canberra) 31 October 2016. Access Date: 28 November 2016. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/Working-with-industry-to-harden-the-super-sector.aspx>

¹⁷⁹⁰ China and Australia to exchange financial intelligence, Minister for Justice (Canberra) 1 November 2016. Access Date: 28 November 2016. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/China-and-Australia-to-exchange-financial-intelligence.aspx>

¹⁷⁹¹ Launch of Australian Financial Crimes Exchange, Minister for Justice (Canberra) 15 November 2016. Access Date: 28 November 2016. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/Launch-of-australian-financial-crimes-exchange.aspx>

¹⁷⁹² Parliament passes Counter-Terrorism Legislation Amendment Bill (No. 1) 2016, Minister for Justice (Canberra) 22 November 2016. Access Date: 28 November 2016. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/Parliament-passes-Counter-Terrorism-Legislation-Amendment-Bill-No1-2016.aspx>

¹⁷⁹³ Parliament passes Counter-Terrorism Legislation Amendment Bill (No. 1) 2016, Minister for Justice (Canberra) 22 November 2016. Access Date: 28 November 2016. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/Parliament-passes-Counter-Terrorism-Legislation-Amendment-Bill-No1-2016.aspx>

On 24 November 2016, AUSTRAC and Jordan's Anti Money Laundering Unit (AMLU) signed a Memorandum of Understanding (MoU) "to facilitate the immediate exchange of vital financial intelligence to combat serious financial crime, including money laundering and terrorism financing."¹⁷⁹⁴

On 9 December 2016, the Minister for Justice issued a media release stating the Australian Government has invested AUD127 million in reforming the Australian Securities and Investments Commission to tackle corruption. The Minister for Justice has also "established the Fraud and Anti-Corruption Centre within the Australian Federal Police," towards which it invested AUD15 million.¹⁷⁹⁵

On 21 December 2016, AUSTRAC released a second report assessing money laundering and terrorism financing, the first to assess the financial planning industry. Based on its risk assessment, it found the financial planning industry to be at a "medium" level risk. The report identifies key risks faced by the sector and "found cyber-enabled fraud was the most reported offence" and aims to achieve "greater intelligence to help crack down on financial crime."¹⁷⁹⁶

On 1 February 2017, Indonesia and Australia's financial intelligence agencies, Indonesian Financial Transaction Reports and Analysis Centre (INTRAC) and Australian Transaction Reports and Analysis Centre (AUSTRAC), signed an agreement to target counter-terrorism financing and anti-money laundering. The PPATK-AUSTRAC Partnership Program 2017 builds on a seven year collaboration, and includes almost AUD500,000 in Department of Foreign Affairs and Trade funding for six new projects including:

Deploying IT specialists to strengthen the PPATK's reporting and analysis systems;

Intensive workshops on crimes specific to counter terrorist financing and anti-money laundering to enhance investigative and analytic capabilities within the PPATK; and

Exchange programs to enable PPATK experts to learn first-hand from AUSTRAC.¹⁷⁹⁷

Australia has effectively exchanged information, effectively frozen terrorist assets, and effectively criminalized terrorist financing. Thus, Australia receives a score of +1.

Analyst: Buse Kayar

Brazil: -1

Brazil has not complied with its commitment to effectively exchange information, freeze terrorist assets, and criminalize terrorist financing.

¹⁷⁹⁴ Extending financial intelligence exchange in the Middle East, Minister for Justice (Canberra) 24 November 2016. Access Date: 28 November 2016.

<https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/Extending-financial-intelligence-exchange-in-the-Middle-East.aspx>

¹⁷⁹⁵ Anti-Corruption Day, Minister for Justice (Canberra) 9 December 2016. Access Date: 12 January 2017. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/Anti-corruption-day.aspx>

¹⁷⁹⁶ AUSTRAC Risk Assessment of Financial Planning Industry, Minister for Justice (Canberra) 21 December 2016. Access Date: 12 January 2017. <https://www.ministerjustice.gov.au/Mediareleases/Pages/2016/FourthQuarter/Austrac-risk-assessment-of-financial-planning-industry.aspx>

¹⁷⁹⁷ Australia and Indonesia: new approach to cut financial lifeline to terrorists, Minister for Justice (Canberra) 1 February 2017. Access Date: 3 February 2017.

<https://www.ministerjustice.gov.au/Mediareleases/Pages/2017/FirstQuarter/Australia-and-Indonesia-new-approach-to-cut-financial-lifeline-to-terrorists.aspx>

On 16 March 2016 Law 13.260 was enacted which criminalizes terrorist financing and responds to foreign terrorist financing.¹⁷⁹⁸ This law penalizes anyone, who for the purpose of terrorism, recruits, organizes, carries or equips individuals traveling to a country other than that of their residence or nationality.¹⁷⁹⁹

On 21 October 2016, Financial Action Task Force (FATF) issued a statement on Brazil's progress in addressing its deficiencies in combatting money laundering and terrorist financing. FATF considered that Brazil has addressed its recommendations with regard to the criminalisation of terrorism and terrorist financing sufficiently through the enactment of Law 13.260 in March 2016 – although with “minor deficiencies.” However since June 2016, Brazil has prepared ordinances as additional steps towards improving its counter-terrorism financing regime, but these are yet to be enacted. Therefore, FATF found that “shortcomings remained” which Brazil must address before February 2017 to avoid further action by the organisation.¹⁸⁰⁰

Brazil has not effectively exchanged information, froze terrorist assets or criminalized terrorist financing. Thus, Brazil receives a score of -1.

Analyst: Motahareh Nabavi

Canada: +1

Canada has fully complied with its commitment to effectively exchange information, freeze terrorist assets, and criminalize terrorist financing.

On 30 September 2016, Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) reported an increase of CAD2.1 million in “funding to modernize the analytical system used to detect money laundering and terrorist financing” and “planned expenditures for acquisitions of machinery and equipment” increased by CAD2.3 million.¹⁸⁰¹

On 30 September 2016, FINTRAC reported a CAD2.4 million increase in funding since 2015-16, reporting CAD7.9 million (excluding the Employment Benefit Plan) in 2016-17 for initiatives “supporting the implementation of legislative amendments to modernize the analytics system used to strengthen Canada’s anti-money laundering and anti-terrorist financing regime.”¹⁸⁰²

On 17 November 2016, Finance Minister Bill Morneau discussed in Parliament the 2016 Annual Report of the Financial Transactions and Reports Analysis Centre of Canada, Results in the Fight Against Money Laundering and Terrorism Financing. The report describes operations and activities carried out by Canada’s financial intelligence unit in 2015-16 to protect the integrity of the Canadian financial system and Canadians. Based on this report:

¹⁷⁹⁸ LEI Nº 13.260, DE 16 DE MARÇO DE 2016, Presidência da República 18 March 2016. Access Date: 24 July 2016. http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2016/Lei/L13260.htm

¹⁷⁹⁹ LEI Nº 13.260, DE 16 DE MARÇO DE 2016, Presidência da República 18 March 2016. Access Date: 24 July 2016. http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2016/Lei/L13260.htm

¹⁸⁰⁰ Brazil faces FATF “measures” if standards are not met by February 2017, STEP 2 November 2017. Access Date: 3 February 2017. <http://www.step.org/news/brazil-faces-fatf-measures-if-standards-are-not-met-february-2017>

¹⁸⁰¹ Quarterly Financial Report for the quarter ended September 30, 2016, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) 30 September 2016. Access Date: 4 December 2016. <http://www.fintrac-canafe.gc.ca/publications/finance/fr-rf/20161128-eng.asp>

¹⁸⁰² Quarterly Financial Report for the quarter ended September 30, 2016, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) 30 September 2016. Access Date: 4 December 2016. <http://www.fintrac-canafe.gc.ca/publications/finance/fr-rf/20161128-eng.asp>

“FINTRAC provided 1,655 disclosures of actionable financial intelligence to its police and national security partners to assist their investigations of money laundering, terrorism financing and other threats to Canada’s security.”

“483 financial intelligence disclosures were related to terrorism financing and threats to the security of Canada – a forty-three per cent increase over the previous year.”¹⁸⁰³

As of February 2017, Canada has criminalized terrorist financing in accordance with international standards and freezes and confiscates terrorist assets without delay.¹⁸⁰⁴ The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) in Canada facilitates ‘combating the laundering of the proceeds of crime and the financing of terrorist activities’ by implementing measures to detect, deter and prosecute offenders.¹⁸⁰⁵

As of February 2017, Canada has implemented instruments to address terrorist financing. Canada’s Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime is a ‘horizontal initiative comprising eleven federal partner organizations,’ which is led by the Department of Finance Canada.¹⁸⁰⁶ The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) specifically monitors money laundering and terrorist financing and was developed in conjunction with the PCMLTFA, in order to ‘collect and analyze financial transaction reports and to disclose pertinent information to law enforcement and intelligence

Canada has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, Canada receives a score of +1.

Analyst: Buse Kayar

China: +1

China has fully complied with its commitment to effectively exchange information, freeze terrorist assets and criminalize terrorist financing.

On 1 January 2016, China’s Counter-Terrorism law took effect. This enhanced the existing AML and TF regimes in place. The General Provision of the Law made terrorist financing a distinct legal offence. Article 14 of the Law specifically required “[f]inancial institutions and designated non-financial organizations [to] immediately freeze capital or other assets of terrorist organizations and personnel. This new law provided tougher and more targeted penalties for non-compliance or non-cooperation, including fines and criminal charges, against financial services providers and responsible individuals (Articles 83, 86 and 91).”¹⁸⁰⁷

¹⁸⁰³ Results in the Fight Against Money Laundering and Terrorism Financing, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) 17 November 2016. Access Date: 5 December 2016. <http://news.gc.ca/web/article-en.do?mthd=index&ctr.page=1&nid=1155589>

¹⁸⁰⁴ Country Reports on Terrorism 2013, US Department of State. Access Date: 8 March 2016. <http://www.state.gov/j/ct/rls/crt/2013/224825.htm>

¹⁸⁰⁵ Proceeds of Crime (Money Laundering) and Terrorist Financing Act, Government of Canada (Ottawa) 12 February 2016. Access Date: 25 February 2016. <http://laws-lois.justice.gc.ca/eng/acts/p-24.501/page-1.html>

¹⁸⁰⁶ Report on Plans and Priorities 2015-16: Supplementary Information Tables, Department of Finance Canada (Ottawa) 31 March 2015. Access Date: 25 February 2016. <http://www.fin.gc.ca/pub/rpp/2015-2016/st-ts-03-eng.asp>

¹⁸⁰⁷ Counter-Terrorism Law (2015), English Translation, China Law Translate, 27 December 2015. Access Date: 2 Aug 2016. <http://chinalawtranslate.com/%E5%8F%8D%E6%81%90%E6%80%96%E4%B8%BB%E4%B9%89%E6%B3%95-%EF%BC%882015%E6%89/?lang=en>

On 25 March 2016, the People's Bank of China announced it will establish a technical support system to tackle money laundering and "terror" financing.¹⁸⁰⁸ The National Internet Finance Association of China will monitor suspicious online trade activity, Pan Gongsheng said at an event marking the launch of the body.¹⁸⁰⁹ New regulations on internet financing would be issued in the immediate future¹⁸¹⁰

On 1 November 2016, Chinese and Australian financial intelligence agencies, the China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC) and the Australian Transaction Reports and Analysis Centre (AUSTRAC), agreed to share intelligence regarding potential cases of financial crime.¹⁸¹¹ The bilateral agreement was negotiated with the expressed purpose of more effectively combating international financing of terrorism and illegal money laundering.¹⁸¹²

On 7 November 2016, China passed a new cybersecurity law that expanded checks on companies, both foreign and domestic, in a wide variety of industries, including the financial services industry.¹⁸¹³ Done on the basis of improving China's domestic internet safety, it serves as codification of many informal regulations that were unevenly enforced. Non-Chinese companies will also be forced to keep all important data that was collected in China and/or about Chinese consumers on an encrypted server inside China's borders.¹⁸¹⁴ The legislation is planned to enter in full force in June 2017.¹⁸¹⁵

On 7 November 2016, Germany and China have agreed to the development of a high-level security dialogue mechanism in a bid to strengthen bilateral judicial cooperation and coordinate joint efforts in dealing with non-traditional security threats facing the two countries. Special envoy of the Chinese President Xi Jinping and the head of the Commission for Political and Legal Affairs of the Communist Party of China Central Committee indicated that "China and Germany should increase exchanges on policies and practical experience as well as information-sharing so as to make anti-terror cooperation between the two countries more productive." They also agreed that Germany and China should deepen exchanges and cooperation in anti-terrorism, cyber-security, fighting transnational organised crimes, while also agreeing to sign an arrangement on judicial mutual assistance regarding criminal cases, and starting negotiations on extradition arrangements and transfer of convicts.¹⁸¹⁶

¹⁸⁰⁸ China to establish body to tackle money laundering, terrorism financing, Reuters 25 March 2016. Access Date: 28 March 2016. <http://uk.reuters.com/article/us-china-cenbank-regulations-idUSKCNOWR05T>

¹⁸⁰⁹ China to establish body to tackle money laundering, terrorism financing, Reuters 25 March 2016. Access Date: 28 March 2016. <http://uk.reuters.com/article/us-china-cenbank-regulations-idUSKCNOWR05T>

¹⁸¹⁰ China to establish body to tackle money laundering, terrorism financing, Reuters 25 March 2016. Access Date: 28 March 2016. <http://uk.reuters.com/article/us-china-cenbank-regulations-idUSKCNOWR05T>

¹⁸¹¹ Australia and China Agree to Share Financial Crime Intelligence, New York Times (New York City) 1 November 2016. Access Date: 8 November 2016. <http://www.nytimes.com/reuters/2016/11/01/world/asia/01reuters-australia-china-financialcrime.html>

¹⁸¹² Australia and China Agree to Share Financial Crime Intelligence, New York Times (New York City) 1 November 2016. Access Date: 8 November 2016. <http://www.nytimes.com/reuters/2016/11/01/world/asia/01reuters-australia-china-financialcrime.html>

¹⁸¹³ China Approves Law to Tighten Control on Internet Use, New York Times (New York City) 7 November 2016. Access Date: 11 November 2016. <http://www.nytimes.com/aponline/2016/11/07/world/asia/ap-as-china-cyber-law.html>

¹⁸¹⁴ China Approves Law to Tighten Control on Internet Use, New York Times (New York City) 7 November 2016. Access Date: 11 November 2016. <http://www.nytimes.com/aponline/2016/11/07/world/asia/ap-as-china-cyber-law.html>

¹⁸¹⁵ China adopts cyber security law in face of overseas opposition, Reuters (London) 7 November 2016. Access Date: 11 November 2016. <http://www.reuters.com/article/us-china-parliament-cyber-idUSKBN132049>

¹⁸¹⁶ China, Germany agree to set up high-level security dialogue mechanism, Global Times (Beijing) 7 November 2016. Access Date: 14 November 2016. <http://www.globaltimes.cn/content/1016399.sht>

China has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, China receives a score of +1.

Analyst: Thomas Kariunas

France: +1

France has fully complied with its commitment to effectively exchange information, effectively freezing terrorist assets and effectively criminalizes financing

On 8 December 2015, EU finance ministers broadly agreed to a French-led initiative to better track and freeze terrorist funding across the bloc.¹⁸¹⁷ The bloc had already agreed to toughen existing anti-money-laundering rules earlier this year, but governments had until 2017 to implement those rules.¹⁸¹⁸ The French government wants a swifter application of those measures, plus more intelligence sharing and wider-ranging tracking measures.¹⁸¹⁹ French Finance Minister Michel Sapin said there was broad agreement on the measures he circulated in a 13-page discussion paper.¹⁸²⁰

On 28 December 2015, Terrorist Financing FATF Report to the G20 Leaders was released.¹⁸²¹ The report stated that since 2010, France had the fifth greatest number of convictions for terrorist financing among the top ten jurisdictions.¹⁸²² The report also stated that France had applied targeted financial sanctions on their own motion on 79 'designated individuals and entities' up to 15 August 2015 equaling EUR231,888.¹⁸²³ Amounts frozen includes funds subsequently un-frozen or confiscated, as well as funds frozen currently.¹⁸²⁴

On 10 November 2016, the French government issued a decree against the financing of terrorism which contains various measures addressing anonymous electronic money. The new regulatory measure applies to electronic money issuers as well as their distributors, credit institutions, finance companies, consumers, and to any person who physically transfers money from a certain amount.

In addition to reinforcing the powers of the Ministry of Economic and Financial Affairs agency against money laundering, which will now have access to the wanted person files for the needs of criminal investigations, the decree removed the duty of care of the financial intermediaries in the absence of any particular suspicion of money laundering and under strict conditions pertaining to electronic money.

Money must only be issued for the acquisition of goods and services.

The maximum monetary value stored must not exceed EUR250.

¹⁸¹⁷ EU Sees Broad Agreement on Fighting Terrorist Financing, The Wall Street Journal 8 December 2015. Access Date: 29 March 2016. <http://www.wsj.com/articles/france-presses-on-terrorist-financing-1449577369>

¹⁸¹⁸ EU Sees Broad Agreement on Fighting Terrorist Financing, The Wall Street Journal 8 December 2015. Access Date: 29 March 2016. <http://www.wsj.com/articles/france-presses-on-terrorist-financing-1449577369>

¹⁸¹⁹ EU Sees Broad Agreement on Fighting Terrorist Financing, The Wall Street Journal 8 December 2015. Access Date: 29 March 2016. <http://www.wsj.com/articles/france-presses-on-terrorist-financing-1449577369>

¹⁸²⁰ EU Sees Broad Agreement on Fighting Terrorist Financing, The Wall Street Journal 8 December 2015. Access Date: 29 March 2016. <http://www.wsj.com/articles/france-presses-on-terrorist-financing-1449577369>

¹⁸²¹ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸²² Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸²³ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸²⁴ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

These funds must only be used for payments on the national territory.

The electronic money device may neither be reloaded through cash nor through electronic money when the initial owner of such money cannot be identified.

Aside from such conditions, financial intermediaries remain subject to the duty of care, which consists in verifying an individual's identity prior to entering into a contractual relationship, or collecting information about the purpose and the nature of the business relationship, as well as any other relevant factors on this customer to prevent money laundering and terrorist financing.¹⁸²⁵

On 14 November 2016, French Economy and Finance Minister Michel Sapin and Chinese Vice-Premier Ma Kai co-chaired the 4th China-France High Level Economic and Financial Dialogue (HED) in Paris. At the meeting, France and China agreed to comply with the anti-money laundering and counter terrorist financing standards defined by the Financial Action Task Force's (FATF) ongoing work to clearly identify and address the remaining weaknesses regarding the adoption and implementation of laws criminalizing terrorist financing and of targeted financial sanctions regimes related to terrorism and terrorist financing.¹⁸²⁶

Further, both parties reiterated their commitment to implement the G20 High-Level Principles on Beneficial Ownership Transparency and look forward to further progress on implementation, in order to ensure that the relevant authorities, including anti-corruption, financial and tax authorities, know who owns and controls companies and other legal arrangements, such as trusts.¹⁸²⁷

On 1 December 2016, the French government issued a new Ordinance that transposes the Fourth Directive (EU 2015/849) of 20 April 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing into French law (the Ordinance).¹⁸²⁸

France has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, France receives a score of +1.

Analyst: Daniel C. Park

Germany: +1

Germany has fully complied with its commitment to effectively exchange information, effectively freeze terrorist assets and effectively criminalize terrorist financing.

On 7 November 2016, Germany and China have agreed to the development of a high-level security dialogue mechanism in a bid to strengthen bilateral judicial cooperation and coordinate joint efforts in dealing with non-traditional security threats facing the two countries. Special envoy of the Chinese President Xi Jinping and the head of the Commission for Political and Legal Affairs of the Communist Party of China Central Committee indicated that "China and Germany should increase

¹⁸²⁵ Electronic money: the French Government strengthens financial intermediaries' obligations, Lexology 16 November 2016. Access Date: 3 February 2017. <http://www.lexology.com/library/detail.aspx?g=522bddce-260a-4727-bedb-5a5c5315725a>

¹⁸²⁶ China-France Joint Fact Sheet on the 4th High Level Economic and Financial Dialogue, French Ministry for the Economy and Finance (Paris). Access Date: 3 February 2017. <http://www.economie.gouv.fr/files/files/PDF/china-france-joint-fact-sheet-2016.pdf>

¹⁸²⁷ China-France Joint Fact Sheet on the 4th High Level Economic and Financial Dialogue, French Ministry for the Economy and Finance (Paris). Access Date: 3 February 2017. <http://www.economie.gouv.fr/files/files/PDF/china-france-joint-fact-sheet-2016.pdf>

¹⁸²⁸ France modifies accessibility of French Trust Register, EY 19 December 2016. Access Date: 3 February 2017. [http://www.ey.com/Publication/vwLUAssets/Alert:_France_modifies_accessibility_of_French_Trust_Register/\\$FILE/2016_04447-161Gbl_France%20modifies%20accessibility%20of%20French%20Trust%20Register.pdf](http://www.ey.com/Publication/vwLUAssets/Alert:_France_modifies_accessibility_of_French_Trust_Register/$FILE/2016_04447-161Gbl_France%20modifies%20accessibility%20of%20French%20Trust%20Register.pdf)

exchanges on policies and practical experience as well as information-sharing so as to make anti-terror cooperation between the two countries more productive.” They also agreed that Germany and China should deepen exchanges and cooperation in anti-terrorism, cyber-security, fighting transnational organised crimes, while also agreeing to sign an arrangement on judicial mutual assistance regarding criminal cases, and starting negotiations on extradition arrangements and transfer of convicts.¹⁸²⁹

According to the Financial Action Taskforce (FATF) 2014 Mutual Evaluation Report Germany’s amendments of the Anti-Money Laundering (AML) Law made it possible to remedy all technical deficiencies, thus making Germany ‘largely compliant’.¹⁸³⁰ “Germany has demonstrated sufficient progress with respect to all core Recommendations previously rated PC.”¹⁸³¹ The report determined that due to the progress Germany had made in various recommendations of the FATF can be considered sufficient to be removed from the regular follow-up process.¹⁸³²

As of February 2017, Germany has criminalized the financing of terrorism and travel related to terrorism as distinct criminal offenses.¹⁸³³ Germany has been largely compliant with FATF recommendations about regulating its financial system to prevent money laundering and terrorist financing.¹⁸³⁴

Germany has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, Germany receives a score of +1.

Analyst: Emily Shaw

India: 0

India has partially complied with its commitment to effectively exchange information, effectively freeze terrorist assets, and effectively criminalize terrorist financing.

On 28 December 2015, Terrorist Financing FATF Report to the G20 Leaders was released.¹⁸³⁵ The report stated that India had applied targeted financial sanctions on their own motion on 37 “designated individuals and entities” up to 15 August 2015 equaling EUR300,000.¹⁸³⁶ Amounts frozen includes funds subsequently un-frozen or confiscated, as well as funds frozen currently.¹⁸³⁷

On 15-16 October 2016, Brazil, Russia, India, China and South Africa (BRICS), adopted “an India-backed global convention by the United Nations (UN)” to fight “terrorist actions” in their territories,

¹⁸²⁹ China, Germany agree to set up high-level security dialogue mechanism, Global Times (Beijing) 7 November 2016.

Access Date: 14 November 2016. <http://www.globaltimes.cn/content/1016399.sht>

¹⁸³⁰ Mutual Evaluation of Germany, FATF (Paris) 2014. Access Date: 2 March 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Germany-2014.pdf>

¹⁸³¹ Mutual Evaluation of Germany, FATF (Paris) 2014. Access Date: 2 March 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Germany-2014.pdf>

¹⁸³² Mutual Evaluation of Germany, FATF (Paris) 2014. Access Date: 2 March 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Germany-2014.pdf>

¹⁸³³ Germany: New Anti-Terrorism Legislation Entered Into Force, Library of Congress Global Legal Monitor (Washington D.C.) 10 July 2015. Access Date: 2 March 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Germany-2014.pdf>

¹⁸³⁴ Mutual Evaluation of Germany, FATF (Paris) 2014. Access Date: 2 March 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Germany-2014.pdf>

¹⁸³⁵ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸³⁶ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸³⁷ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

focusing on “sources of terror funding like organised crime by means of money-laundering, drug trafficking, criminal activities, dismantling terrorist bases, and countering misuse of the internet including through social media by terror entities.”¹⁸³⁸ The BRICS also reaffirmed its “commitment to the Financial Action Taskforce (FATF) international standards on combating money laundering and the Financing of Terrorism and Proliferation.”¹⁸³⁹

On 8 November 2016, the Government of India removed the status of the INR500 and INR1,000 denominations of the Mahatma Gandhi Series banknotes issued by the Reserve Bank of India in order to tackle counterfeit Indian banknotes, “to effectively nullify black money hoarded in cash and curb funding of terrorism with fake notes.”¹⁸⁴⁰

On 29 November 2016, the Economic Offences Wing of the Crime Investigation Department of the Telangana State Police caught a middleman who had attempted to convert INR1,000 notes worth INR1.68 crore of the old currency into new currency.¹⁸⁴¹ This special wing is responsible for investigating cases pertaining to forgery, misappropriation, counterfeit currency, cyber-crime, and major fraud in the Telangana state of India.¹⁸⁴² The Nizamabad Police also “detected some businessmen and professionals trying to convert the demonetised currency into new currency through bank deposits” in the Nizamabad district.¹⁸⁴³

On 3 December 2016, the Prime Minister of India, Narendra Modi, and the Prime Minister of Qatar, Sheikh Abdullah bin Nasser bin Khalifa Al Thani agreed to take joint action “to tackle money laundering and terrorist financing.”¹⁸⁴⁴

Since 26 January 2016, Indian government agencies launched a National Risk Assessment (NRA) exercise “to identify the sectors that are susceptible to money laundering and terror funding, and plug the loopholes.”¹⁸⁴⁵ The NRA exercise will take a year, involving the collection of data on “sectors that are prone to money laundering in high, medium, and lower categories at the national level.”¹⁸⁴⁶ India will prepare an action plan based on that level of risk. However, as of February 2017, India has not

¹⁸³⁸ BRICS Summit 2016: Member Nations Call for Early Adoption of India-backed UN Resolution on Terrorism, CNN News18, 16 October 2016. Access Date: 28 January 2016. <http://www.news18.com/news/india/mann-ki-baat-live-pm-modi-to-focus-on-board-exams-1342126.html>

¹⁸³⁹ BRICS Summit 2016: Member Nations Call for Early Adoption of India-backed UN Resolution on Terrorism, CNN News18, 16 October 2016. Access Date: 28 January 2016. <http://www.news18.com/news/india/mann-ki-baat-live-pm-modi-to-focus-on-board-exams-1342126.html>

¹⁸⁴⁰ Withdrawal of Legal Tender Status for ₹ 500 and ₹ 1000 Notes: RBI Notice, Reserve Bank of India, 8 November 2016. Access Date: 25 January 2017. https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=38520

¹⁸⁴¹ Maoists worst hit by Demonetisation, Sunday Guardian Live, 4 December 2016. Access Date: 28 January 2017. <http://www.sundayguardianlive.com/news/7557-maoists-worst-hit-demonetisation>

¹⁸⁴² Crime Investigation Department, Telangana State Police Department. Access Date: 29 January 2017. <http://www.tspolice.gov.in/jsp/userunits.do?method=viewUnits>

¹⁸⁴³ Maoists worst hit by Demonetisation, Sunday Guardian Live, 4 December 2016. Access Date: 28 January 2017. <http://www.sundayguardianlive.com/news/7557-maoists-worst-hit-demonetisation>

¹⁸⁴⁴ India, Qatar plan joint action on terror financing, The Indian Express, 4 December 2016. Access Date: 28 January 2017. <http://indianexpress.com/article/india/india-qatar-plan-joint-action-on-terror-financing-4409390/>

¹⁸⁴⁵ Operation begins to curb money laundering, terrorist funding, The Hindu (New Delhi) January 2016. Access Date: 23 February 2016. <http://www.thehindu.com/news/national/operation-begins-to-curb-money-laundering-terror-funding/article8152688.ece>

¹⁸⁴⁶ Operation begins to curb money laundering, terrorist funding, The Hindu (New Delhi) January 2016. Access Date: 23 February 2016. <http://www.thehindu.com/news/national/operation-begins-to-curb-money-laundering-terror-funding/article8152688.ece>

implemented legislation regarding the criminalization of terrorist financing and money laundering.¹⁸⁴⁷

India has effectively exchanged information and taken the crucial steps for effectively freezing terrorist assets by collecting evidences of terrorist financing, however, it has not criminalized terrorist financing. Thus, India receives a score of 0.

Analyst: Buse Kayar

Indonesia: +1

Indonesia has fully complied with its commitment to effectively exchange information, effectively freezing terrorist assets and effectively criminalize terrorist financing.

Since 2003, terrorist financing has been criminalized by Articles 11-13 of Law 15/2003 Concerning Government Regulation in Lieu of Law 1/2002 Concerning Combating Criminal Acts of Terrorism.¹⁸⁴⁸ In 2009, the Government of Indonesia further specified its regulations over anti-money laundering and terrorist financing in the 2009 Bank of Indonesia Regulation Concerning the Implementation of Anti-Money Laundering and Combating the Financing of Terrorism Program for Commercial Bank.¹⁸⁴⁹

In 2010, the Government of Indonesia made an amendment to its criminal code to strengthen its commitment to counter terrorist financing. The Law criminalizes terrorist financing as a distinct criminal offense.¹⁸⁵⁰

Beginning in June 2015, Indonesia was no longer “[s]ubject to the FATF’s On-Going AML/CFT Compliance Process” as FATF welcomed “Indonesia’s significant progress in improving its AML/CFT regime” and noted that “Indonesia has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2010.”¹⁸⁵¹ Indonesia’s action plan was a high political commitment to work improve its AML/CFT regime to meet FATF standards by: “(1) adequately criminalising money laundering and terrorist financing; (2) establishing adequate procedures to identify and freeze terrorist

¹⁸⁴⁷ Country Reports on Terrorism 2014, US Department of State. Access Date: Operation begins to curb money laundering, terrorist funding, The Hindu (New Delhi) January 2016. Access Date: 23 February 2016. <http://www.thehindu.com/news/national/operation-begins-to-curb-money-laundering-terror-funding/article8152688.ece9> March 2016. <http://www.state.gov/j/ct/rls/crt/2014/239408.htm>

¹⁸⁴⁸ 2010 International Narcotics Control Strategy Report (INCSR)--Volume II: Money Laundering and Financial Crimes Country Database--Indonesia through Mongolia, BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS, US Department of State, 4 May 2010. Access Date: 2 Aug 2016. <http://www.state.gov/j/inl/rls/nrcrpt/2010/database/141519.htm>

¹⁸⁴⁹ Bank Indonesia Regulation No.14/27/PBI/2012 - Concerning Implementation of Anti Money Laundering and Combating the Financing of Terrorism Program for Commercial Bank, Bank of Indonesia. Access Date: 2 Aug 2016. http://www.bi.go.id/en/peraturan/perbankan/Documents/3f0d634841a24159ba82c5f07ec70078pbi_1128091.pdf

¹⁸⁵⁰ LAW OF THE REPUBLIC OF INDONESIA NUMBER 8 YEAR 2010, THE PRESIDENT OF THE REPUBLIC OF INDONESIA (Jakarta) 22 October 2010. Access Date: 13 March 2016. [http://www.flevin.com/id/lgso/translations/Laws/Law%20No.%208%20of%202010%20on%20Prevention%20and%20Eradicadication%20of%20Money%20Laundering%20\(MoF\).pdf](http://www.flevin.com/id/lgso/translations/Laws/Law%20No.%208%20of%202010%20on%20Prevention%20and%20Eradicadication%20of%20Money%20Laundering%20(MoF).pdf)

¹⁸⁵¹ Jurisdictions no Longer Subject to the FATF’s On-Going Global AML/CFT Compliance Process, FATF. Access Date: 4 Aug 2016. <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2015.html#Indonesia>

assets; and (3) enacting laws or other instruments to fully implement the 1999 International Convention for the Suppression of Financing of Terrorism.”¹⁸⁵²

On 28 December 2015, Terrorist Financing FATF Report to the G20 Leaders was released.¹⁸⁵³ The report stated that Indonesia had applied targeted financial sanctions on their own motion on one ‘designated individuals and entities’ up to 15 August 2015 equaling an undisclosed amount.¹⁸⁵⁴

The 2015 Country Reports on Terrorism produced by the US Department of State noted that in 2015, Indonesia had brought 13 cases and obtained nine convictions under its new terrorism financing law.¹⁸⁵⁵ The same report noted Indonesia had prosecuted 56 terrorism-related cases between January and October 2015.¹⁸⁵⁶

On 26 October 2016, President of Indonesia Joko Widodo urged for greater cooperation between the Indonesian Financial Transaction Reports and Analysis Center (INTRAC), which is the governmental agency primarily responsible for the eradication of money laundering within Indonesia, and related institutions such as the Finance Ministry and Financial Services Authority (OJK), in addition to Indonesian law enforcement agencies.¹⁸⁵⁷

On 9 January 2017, in collaboration with the National Agency for Counter Terrorism (BNPT) and relevant ministries, the Indonesian Financial Transaction Reports and Analysis Centre (INTRAC) has established specific divisions including fiscal, narcotics, terrorism, financial technology and cybercrime, to trace the flow of funds or digital-based monetary transaction in the wake of Indonesia facing a substantial risk from terrorists using popular online payment systems such as PayPal and Bitcoin to fund their activities.¹⁸⁵⁸

On 1 February 2017, Indonesia and Australia’s financial intelligence agencies, Indonesian Financial Transaction Reports and Analysis Centre (INTRAC) and Australian Transaction Reports and Analysis Centre (AUSTRAC), signed an agreement to target counter-terrorism financing and anti-money laundering. The PPATK-AUSTRAC Partnership Program 2017 builds on a seven year collaboration, and includes almost AUD500,000 in Department of Foreign Affairs and Trade funding for six new projects including:

- Deploying IT specialists to strengthen the PPATK’s reporting and analysis systems;
- Intensive workshops on crimes specific to counter terrorist financing and anti-money laundering to enhance investigative and analytic capabilities within the PPATK; and

¹⁸⁵² Improving Global AML/CFT Compliance: on-going process, FATF, 27 February 2015. Access Date: 5 Aug 2016. <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-february-2015.html#Indonesia>

¹⁸⁵³ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁵⁴ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁵⁵ Country Reports of Terrorism, Chapter 2: East Asia and Pacific Overview, US State of Department, 2015. Access Date: 1 Aug 2016. <http://www.state.gov/j/ct/rls/crt/2015/257515.htm#>

¹⁸⁵⁶ Country Reports of Terrorism, Chapter 2: East Asia and Pacific Overview, US State of Department, 2015. Access Date: 1 Aug 2016. <http://www.state.gov/j/ct/rls/crt/2015/257515.htm#>

¹⁸⁵⁷ Eyeing offshore assets, Jokowi picks new PPATK chief, The Jakarta Post (Jakarta) 27 October 2016. Access Date: 14 November 2016. <http://www.thejakartapost.com/news/2016/10/27/eyeing-offshore-assets-jokowi-picks-new-ppatk-chief.html>

¹⁸⁵⁸ Indonesia Tracks Online Funding of Terror Groups, BenarNews 9 January 2017. Access Date: 3 February 2017. <http://www.benarnews.org/english/news/indonesian/online-payments-01092017155456.html>

- Exchange programs to enable PPATK experts to learn first-hand from AUSTRAC.¹⁸⁵⁹

As of February 2017, Indonesia regulates its financial system against money laundering and terrorist financing, through the Indonesian Financial Transaction Reports and Analysis Centre (PPATK).¹⁸⁶⁰ Terrorist travel has become a crime in Indonesia following the terrorist attacks in Jakarta on 14 January 2016.¹⁸⁶¹

Despite not being a member of the FATF, Indonesia has contributed to combating money laundering and terrorist financing through legislation concerning terrorist financing and travel, and through the support of targeted sanctions against terrorism. It has also taken steps to regulate its financial system against the threat of money laundering and terrorist financing, and criminalized terrorist financing as a distinct offence.

Indonesia has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, Indonesia receives a score of +1.

Analyst: Thomas Kariunas

Italy: +1

Italy has fully complied with its commitment to effectively exchange information, effectively freezing terrorist assets and effectively criminalize terrorist financing.

On 20 February 2016, Italy adopted a new counterterrorism law which “criminalized participation in a conflict in a foreign territory in support of a terrorist organization.”¹⁸⁶²

On 28 December 2015, Terrorist Financing FATF Report to the G20 Leaders was released.¹⁸⁶³ The report stated that Italy had applied targeted financial sanctions on their own motion on 17 ‘designated individuals and entities’ up to 15 August 2015.¹⁸⁶⁴

On 9 November 2016, Justice Minister Andre Orlando met with the Minister of Security and Justice of the Netherlands Ard Van der Steur to discuss the cooperation between their two countries in respect to judicial affairs. They both agreed at the meeting on the importance of bilateral exchange of information to fight against radical terrorism.¹⁸⁶⁵

¹⁸⁵⁹ Australia and Indonesia: new approach to cut financial lifeline to terrorists, Minister for Justice (Canberra) 1 February 2017. Access Date: 3 February 2017.

<https://www.ministerjustice.gov.au/MediaReleases/Pages/2017/FirstQuarter/Australia-and-Indonesia-new-approach-to-cut-financial-lifeline-to-terrorists.aspx>

¹⁸⁶⁰ Rethinking the Anti-Terrorism Strategy in Indonesia, The Jakarta Post (Jakarta) 19 June 2015. Access Date: 2 March 2016. <http://www.thejakartapost.com/news/2015/06/19/rethinking-anti-terrorism-strategy-indonesia.html>

¹⁸⁶¹ Jakarta Attacks Prompt Tougher Anti-Terrorism Laws in Indonesia, The Guardian (London) 17 February 2016. Access Date: 23 February 2016. <http://www.thehindu.com/news/national/operation-begins-to-curb-money-laundering-terror-funding/article8152688.eceate>: 2 March 2016. <http://www.theguardian.com/world/2016/feb/17/jakarta-attacks-prompt-tougher-anti-terrorism-laws-in-indonesia>

¹⁸⁶² Country Reports on Terrorism 2015 – Italy, United Nations High Commissioner for Refugees, (Geneva) 2 June 2016. Date of Access: 22 July 2016. <http://www.refworld.org/docid/57518db313.html>

¹⁸⁶³ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁶⁴ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁶⁵ Fight against terrorism, cybercrime and European Prosecutor: Justice Minister meets Orlando Netherlands, Ministero della Giustizia (Rome) 9 November 2016. Access Date: 14 November 2016. https://www.giustizia.it/giustizia/it/mg_13_1_1.page?contentId=COM1286882&previousPage=mg_13_116

Since February 2017, Italy has criminalized terrorist financing under articles 270 and 270 of its Criminal Code.¹⁸⁶⁶ Through the Anti-Mafia Code, Italy can freeze the assets of “EU Internals,” and supplement a gap in the EU framework.¹⁸⁶⁷ Italy has also supplemented the EU framework via LD 109/2007 to include “assets ... owned or controlled” by a listed person within the scope of the freezing measures.¹⁸⁶⁸ Italy has also enacted Decree Law on foreign terrorist fighters which addresses the financing of travel for foreign fighters.¹⁸⁶⁹

Italy has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, Italy receives a score of +1.

Analyst: Emily Shaw

Japan: 0

Japan has partially complied with its commitment to effectively exchange information, freeze terrorist assets and criminalize terrorist financing.

On 6 September 2016, the Japanese Financial Intelligence Center (JAFIC) signed a Statement of Cooperation with the Anti-Money Laundering Intelligence Office of the Lao People’s Democratic Republic in order to increase the exchange of information related to terrorist financing and money laundering.¹⁸⁷⁰

On 14 October 2016, the Japanese Financial Intelligence Center (JAFIC) signed a Statement of Cooperation with the Financial Intelligence Center of the Republic of Ghana in order to increase the exchange of information related to terrorist financing and money laundering.¹⁸⁷¹

On 1 January 2017, the National Tax Agency’s new system for automatically exchanging information on financial accounts of non-residents with foreign tax administrations came into effect. Aimed at preventing cross-border tax evasion using offshore financial institutions, the system will require information to be exchanged according to the Common Reporting Standard (CRS) in accordance with bilateral tax agreements.¹⁸⁷² When the new system starts, securities companies will be obligated by law to identify the jurisdiction of residence, or the jurisdiction country in which the customer has

¹⁸⁶⁶ Italy’s Measures to Combat Money Laundering and Terrorist Financing, FATF (Paris) February 2016. Access Date: 26 February 2016. <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-italy-2016.html>

¹⁸⁶⁷ Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism, IMF (Washington) February 2016. Access Date: 9 March 2016. <https://www.imf.org/external/pubs/ft/scr/2016/cr1643.pdf>

¹⁸⁶⁸ Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism, IMF (Washington) February 2016. Access Date: 9 March 2016. <https://www.imf.org/external/pubs/ft/scr/2016/cr1643.pdf>

¹⁸⁶⁹ Counter-Terrorism Committee visit to Italy focuses on foreign terrorist fighter threat, law enforcement and border control challenges, Security Council Counter-Terrorism Committee 29 May 2015. Access Date: 9 March 2016. http://www.un.org/en/sc/ctc/news/2015-05-29_CTC_Italy_FTF.html

¹⁸⁷⁰ Statements of Cooperation between JAFIC and foreign FIUs concerning Exchange of Information related to Money Laundering and Terrorist Financing, Japanese Financial Intelligence Center (Tokyo) 14 October 2016. Access Date: 30 January 2017. https://www.npa.go.jp/sosikihanzai/jafic/en/kokusai_e/mousin_e.htm

¹⁸⁷¹ Statements of Cooperation between JAFIC and foreign FIUs concerning Exchange of Information related to Money Laundering and Terrorist Financing, Japanese Financial Intelligence Center (Tokyo) 14 October 2016. Access Date: 30 January 2017. https://www.npa.go.jp/sosikihanzai/jafic/en/kokusai_e/mousin_e.htm

¹⁸⁷² Notification Regarding the System for Automatic Exchange of Information Based on the CRS, Japan Security Dealers Association (Tokyo) 1 August 2016. Access Date: 29 January 2017. <http://www.jsda.or.jp/en/activities/research-studies/html/NotificationofAEol.html>

an address of head office or main business establishment. Customers will be obligated by the same law to self-certify their jurisdiction of residence to the securities company.¹⁸⁷³

Japan has effectively criminalized terrorist financing and exchanged information, however it has not yet taken the necessary steps to freeze terrorist financing. Thus, Japan receives a score of 0.

Analyst: Thomas Kariunas

Korea: +1

Korea has fully complied with its commitment to effectively exchange information, freeze terrorist assets and criminalize terrorist financing.

Since 2010, Korea has tightened its legislative framework and administrative procedures to combat terrorist financing in accordance with United Nations (UN) Security Council Resolution 1267 and 1373. Korea's Prohibition of Financing for Offenses of Public Intimidation Act (PFOPIA) implemented the UN Convention for the Suppression of the Financing of Terrorism.¹⁸⁷⁴ Under the Act, funds for public intimidation offenses are identified as "any funds or assets collected, provided, delivered, or kept for use in any of the following acts committed with the intention to intimidate the public or to interfere with the exercise of rights of a national, local, or foreign government."¹⁸⁷⁵ Additionally, this Act explicitly criminalizes the financing of terrorism.¹⁸⁷⁶ An amendment to the Act expanded the government's ability to confiscate funds related to terrorism, enabling the government to confiscate the direct proceeds of terrorism and the funds and assets derived from those proceeds.¹⁸⁷⁷ Korea currently has two parallel regimes for restricting the financial activities of entities designated in accordance with S/RES/1267(1999) and S/RES/1373(2001): the first under the Foreign Exchange Transactions Act (FETA), and the second (most recent) under PFOPIA.¹⁸⁷⁸

On 28 December 2015, Terrorist Financing FATF Report to the G20 Leaders was released.¹⁸⁷⁹ The report stated that Korea had applied targeted financial sanctions on their own motion on 64 'designated individuals and entities' up to 15 August 2015 equaling EUR211,710.¹⁸⁸⁰ Amounts frozen includes funds subsequently un-frozen or confiscated, as well as funds frozen currently.¹⁸⁸¹

On 20 September 2016, Busan, Korea hosted the opening ceremony of the Financial Action Task Force (FATF) Training and Research Institute (TREIN). The FATF TREIN is located in Busan and designed for training and implementing anti-money laundering and counter-terrorist financing

¹⁸⁷³ Notification Regarding the System for Automatic Exchange of Information Based on the Common Reporting Standard (CRS), Japan Security Dealers Association (Tokyo) 1 August 2016. Access Date: 29 January 2017.

http://www.jsda.or.jp/en/activities/research-studies/files/161219_CRS_Eng.pdf

¹⁸⁷⁴ Country Reports on Terrorism 2009, Embassy of the United States (Seoul) 5 August 2010. Access Date: 9 March 2016. http://seoul.usembassy.gov/p_sr_080610a.html

¹⁸⁷⁵ Country Reports on Terrorism 2009, Embassy of the United States (Seoul) 5 August 2010. Access Date: 9 March 2016. http://seoul.usembassy.gov/p_sr_080610a.html

¹⁸⁷⁶ Mutual Evaluation Report, FATF (Paris) 26 June 2009. Access Date: 9 March 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Korea.pdf>

¹⁸⁷⁷ Country Reports on Terrorism 2009, Embassy of the United States (Seoul) 5 August 2010. Access Date: 9 March 2016. http://seoul.usembassy.gov/p_sr_080610a.html

¹⁸⁷⁸ Mutual Evaluation Report, FATF (Paris) 26 June 2009. Access Date: 9 March 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Korea.pdf>

¹⁸⁷⁹ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁸⁰ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁸¹ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

measures. The institute serves as a venue for training government officials in assessments, or evaluations of countries' implementation of counter-terror financing measures.¹⁸⁸²

On 29 November 2016, Korean authorities announced that it would establish a government-led national risk assessment (NRA) system on money laundering and terrorist financing. The Financial Services Commission (FSC) indicated that, "[We] will push for the establishment of a national risk assessment committee joined by relevant authorities." The envisioned panel will be tasked with making and coordinating state policies on anti-money laundering.¹⁸⁸³

Korea has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, Korea receives a score of +1.

Analyst: Andrew Hakes

Mexico: 0

Mexico has partially complied with its commitment to effectively exchange information, effectively freezing terrorist assets and effectively criminalizes terrorist financing.

On 11 February 2014, the Senate approved amendments to the Federal Penal Code, the Federal Criminal Procedure Code, the Organized Crime Law, the Federal Fiscal Code, the Asset Forfeiture Law, and Constitutional implementing legislation. These amendments strengthened Mexico's legal framework to address acts of terrorism, terrorist financing and third-party assistance to terrorist financing, attacks against internationally protected persons, the conspiracy to commit terrorism, theft of radioactive or nuclear materials, and the sanctioning of the freezing or forfeiture of terrorist assets based on domestic and international intelligence sources. The amendments also increase the minimum sentences for acts of terrorism from six to 40 years to a minimum of 15 to 40 years, strengthened the penalties for crimes committed using illicit resources, and created an exception to rules governing the dissemination of third-party fiscal data in order to comply with new terrorist financing laws.¹⁸⁸⁴

On 18 July 2016, Mexican President Enrique Peña Nieto signed into law the implementing legislation for Mexico's National Anti-Corruption System (SNA). The constitutional amendment that created the SNA as a forum for coordination between all levels of government to fight corruption was published on May 27, 2015, and the Mexican legislature subsequently approved seven secondary legislative packages. Of note, one of the new laws, the General Law on Administrative Responsibilities (GLAR), requires public officials to declare their assets, conflicts of interest, and taxes and provides that companies may be able to mitigate the penalties assessed against them for corruption-related violations by implementing effective compliance programs and by self-reporting and cooperating with authorities.¹⁸⁸⁵

These amendments also sought to more closely align Mexico's federal legislation with several of the international instruments related to countering terrorism, such as the International Convention for the Suppression of the Financing of Terrorism, the International Convention for the Suppression of

¹⁸⁸² FATF Training and Research Institute (TREIN), Financial Action Task Force (Paris) 20 September 2016. Access Date: 9 January 2017. <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/trein-institute.html>

¹⁸⁸³ S. Korea to improve money laundering risk alert system, Yonhap News Agency (Seoul) 29 November 2016. Access Date: 3 February 2017. <http://english.yonhapnews.co.kr/news/2016/11/29/0200000000AEN20161129004300320.html>

¹⁸⁸⁴ 2014 Country Reports on Terrorism, Chapter 2 Western Hemisphere Overview, State Department (2014) Access Date: 25 July 2016. <http://www.state.gov/j/ct/rls/crt/2014/239409.htm>.

¹⁸⁸⁵ Top Ten International Anti-Corruption Developments For July 2016, News on Compliance (2016) Access Date: 3 September 2016. <http://newsoncompliance.com/2016/08/top-ten-international-anti-corruption-developments-for-july-2016/>

Terrorist Bombings, and the Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons.¹⁸⁸⁶ On 5 February 2014, Mexico passed a national code of criminal procedure that aimed to harmonize the criminal justice systems of Mexico's 31 states and Federal District, and increase justice sector transparency, efficiency, and impartiality.¹⁸⁸⁷

On 28 December 2015, Terrorist Financing FATF Report to the G20 Leaders was released.¹⁸⁸⁸ The report did not note that Mexico had applied any targeted financial sanctions on their own motion as of August 2015. No other evidence was found suggesting it had within the compliance cycle.

On 22 December 2016, Attorney General Dr. Raúl Cervantes Andrade published an Official Gazette of the Federation which assigned a specialized crime unit to investigate the financing of illegal actions, especially organized crime. He addressed that this unit would gain experience in other issues such as terrorist financing and money laundering. The announcement stated that this crime unit reaffirms Mexico's commitment to combat the financial and operational structures of organized crime.¹⁸⁸⁹

Mexico has effectively exchanged information and frozen terrorist assets however has not effectively criminalized terrorist financing. Thus, Mexico receives a score of 0.

Analyst: Emily Shaw

Russia: +1

Russia has fully complied with its commitment to effectively exchange information, freeze terrorist assets, and criminalize terrorist financing.

On 26 to 29 September 2016, an interdepartmental delegation, led by Rosfinmonitoring's (Federal Financial Monitoring Service) head of the International Cooperation Department Mr. Petrenko and comprising of representatives of the Russian Foreign Ministry, Bank of Russia, Ministry of Finance and the Federal Tax Service, took part in the 51st plenary meeting of the Committee of Experts on the Evaluation of Anti-Money Laundering (AML) Measures and Financing of Terrorism (MONEYVAL) in Strasbourg. The delegation also held bilateral meetings on AML/CFT cooperation with the FIUs of Azerbaijan, Armenia, Bulgaria, Holy See, Latvia, Liechtenstein, Monaco, Poland and Montenegro, as well as with the Executive Secretary of MONEYVAL.¹⁸⁹⁰

On 30 September 2016, the meeting of the Expert Advisory Group of the National Anti-Terrorist Committee for Combating the Financing of Terrorism was held in headquarters of Rosfinmonitoring. Participants discussed the strengthening of cooperation among the relevant agencies in combating terrorist and extremist financing in the Central Federal District of Russia. Another issue under consideration concerned gaps in inter-agency information sharing in this area. Participants agreed on a joint action aimed at improving information sharing.¹⁸⁹¹

¹⁸⁸⁶ 2014 Country Reports on Terrorism, Chapter 2 Western Hemisphere Overview, State Department (2014) Access Date: 25 July 2016. <http://www.state.gov/j/ct/rls/crt/2014/239409.htm>.

¹⁸⁸⁷ 2014 Country Reports on Terrorism, Chapter 2 Western Hemisphere Overview, State Department (2014) Access Date: 25 July 2016. <http://www.state.gov/j/ct/rls/crt/2014/239409.htm>.

¹⁸⁸⁸ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁸⁹ Publica PGR en el DOF adscripción de Unidad Especializada Comunicado 2082/16, Procuraduría General de la República (Mexico City) 22 December 2016. Access Date: 13 January 2017. <http://www.gob.mx/pgr/prensa/publica-pgr-en-el-dof-adscripcion-de-unidad-especializada-comunicado-2082-16>

¹⁸⁹⁰ On Participation in MONEYVAL's 51st Plenary, Federal Financial Monitoring Service 4 October 2016. <http://www.fedsfm.ru/en/news/2341>.

¹⁸⁹¹ Meeting of the Expert Advisory Group of the National Anti-Terrorist Committee for Combating the Financing of Terrorism, Federal Financial Monitoring Service 3 October 2016. <http://www.fedsfm.ru/en/news/2334>

On 9 November 2016, the Memorandum of Understanding between the Federal Financial Monitoring Service of Russia and the Anti-Money Laundering and Suspicious Cases Unit of the UAE on cooperation in combating money laundering and terrorist financing was signed. The Memorandum expands the legal basis for information exchange in the relevant field and helps promote bilateral cooperation.¹⁸⁹²

On 7 – 11 November 2016, the 25th Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was held in New Delhi. It was chaired by Director of Rosfinmonitoring Yury Chikhanchin. The Plenary discussed issues related to the fight against terrorist organizations and called on all its members to intensify efforts in this area and speed up the implementation of UN Security Council resolutions. Participants emphasized the importance of close international cooperation, exchange of the best investigative techniques and involvement of subject matter specialists in the teaching process. Participants showed particular interest in the presentations by the Russian Federation and Kyrgyzstan, dedicated to the use of behaviour profiles to identify individuals involved in the provision of funding to terrorists. In addition, these countries examined the potential for using the FIU's online resources to speed up communication with financial institutions.¹⁸⁹³

On 18 November 2015, Russia created an interdepartmental commission dedicated to combating terrorism financing.¹⁸⁹⁴ The commission is to receive information on suspicious activity from various domestic departments, including the Prosecutor General's Office, Russian Central Bank, and regional authorities.¹⁸⁹⁵

On 28 December 2015, Terrorist Financing FATF Report to the G20 Leaders was released.¹⁸⁹⁶ The report stated that since 2010, Russia had the seventh greatest number of convictions for terrorist financing among the top ten jurisdictions.¹⁸⁹⁷ The report also stated that Russia had applied targeted financial sanctions on their own motion on 3887 'designated individuals and entities' up to 15 August 2015, equaling EUR44,929.¹⁸⁹⁸ Amounts frozen includes funds subsequently unfrozen or confiscated, as well as funds frozen currently.¹⁸⁹⁹

Russia has criminalized terrorist financing as a distinct offence in Article 205.1 of Russia's Criminal Code (CC).¹⁹⁰⁰ This targets any support or contribution to terrorist activity and is linked to 10

¹⁸⁹² On Signing Memorandum of Understanding between Rosfinmonitoring and Anti-Money Laundering and Suspicious Cases Unit (UAE), Federal Financial Monitoring Service 10 November 2016. <http://www.fedsfm.ru/en/news/2342>

¹⁸⁹³ The 25th Plenary of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), Federal Financial Monitoring Service 21 November 2016. <http://www.fedsfm.ru/en/news/2335>

¹⁸⁹⁴ Putin sets up commission to combat terrorism financing, Reuters (Moscow) 18 November 2015. Access Date: 1 March 2016. <http://www.reuters.com/article/us-mideast-crisis-russia-financing-idUSKCN0T70X120151118>

¹⁸⁹⁵ Putin sets up commission to combat terrorism financing, Reuters (Moscow) 18 November 2015. Access Date: 1 March 2016. <http://www.reuters.com/article/us-mideast-crisis-russia-financing-idUSKCN0T70X120151118>

¹⁸⁹⁶ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁹⁷ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁹⁸ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁸⁹⁹ Terrorist Financing FATF Report to the G20 Leaders, FATF 28 December 2015. Access Date 29 March 2016. <http://g20.org/English/Documents/PastPresidency/201512/P020151228375596818045.pdf>

¹⁹⁰⁰ 6th Follow-up Report: Mutual Evaluation of the Russian Federation, Financial Action Task Force (Paris) 21 October 2013. Access Date 28 February 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Russian-2013.pdf>

different terrorist crimes.¹⁹⁰¹ The CC also provides for targeted financial sanctions against perpetrators of terrorism finance through Article 104.1 CC.¹⁹⁰² Russia requires the freezing of terrorist assets without delay, but not later than one working day.¹⁹⁰³ Russia has also worked to combat foreign terrorist fighters.¹⁹⁰⁴ These laws are in accordance to FATF requirements and continue to combat the finance of terrorism.

On 3 October 2016, the Federal Financial Monitoring Service (Rosfinmonitoring) uncovered 42 militant cells in the country that fund groups the Kremlin has designated “terrorist” organisations. Around 30 were found abroad. Rosfinmonitoring indicated that it is also working to identify the bank accounts of militants who are currently fighting on territories held by the Da’esh, and cracking down on businesses that support such groups and individuals or help them launder their funds. Head of Rosfinmonitoring Yury Chikhanchin reported that, “Over 3,500 bank accounts have been frozen.”¹⁹⁰⁵

On 18 November 2016, President Vladimir Putin signed a decree outlining the launch of an inter-departmental commission that would counter the financing of terrorism. The commission is intended to rule on “freezing funds or other property” of organisations and persons suspected of being involved in terrorism. It will also be responsible for coordinating work of other institutions engaged in fighting terrorism. The presidential decree orders federal governmental bodies and the Investigative Committee to inform the commission of any organisations or persons that might be involved in terrorist activities. More specifically, the decree indicates that a decision to freeze assets will be considered final only if all members of the commission vote for it. All rulings will be published on the website of Rosfinmonitoring.¹⁹⁰⁶

On 1 December 2016, President Vladimir Putin approved ‘Foreign Policy Concept of the Russian Federation.’ Under ‘Strengthening International Security,’ the section indicates that Russia, “believes that the struggle against terrorism will not be effective unless the sources of terrorist financing are eliminated, supports the efforts undertaken within multilateral structures to identify States, individuals and legal entities with economic ties to terrorist organisations and seek to block financing channels used by terrorists.”¹⁹⁰⁷

¹⁹⁰¹ Second Mutual Evaluation Report: Anti-Money Laundering and Combating of the Financing of Terrorism – Russian Federation, Financial Action Task Force (Paris) 20 June 2008. Access Date: 29 February 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Russia%20ful.pdf>

¹⁹⁰² Second Mutual Evaluation Report: Anti-Money Laundering and Combating of the Financing of Terrorism – Russian Federation, Financial Action Task Force (Paris) 20 June 2008. Access Date: 29 February 2016. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Russia%20ful.pdf>

¹⁹⁰³ Country Reports on Terrorism 2014, US Department of State. Access Date: 8 March 2016. <http://www.state.gov/j/ct/rls/crt/2014/239406.htm>

¹⁹⁰⁴ Statement for the press on the UN resolution on foreign terrorist fighters, The Ministry of Foreign Affairs of the Russian Federation 26 September 2014. Access Date: 8 March 2016. http://www.mid.ru/en/iniativy-rossii-v-oon/-/asset_publisher/lt9FJKw0JOXM/content/id/669180

¹⁹⁰⁵ Russia Has Uncovered 42 ‘Terrorist’ Funding Cells: Finance Watchdog, Newsweek (New York City) 3 October 2016. Access Date: 22 January 2017. <http://www.newsweek.com/russia-uncovers-42-terrorist-funding-cells-finance-watchdog-435590>

¹⁹⁰⁶ Putin Creates Commission to Counter Financing of Terrorism, The Moscow Times November 2016, Date of Access: 22 January 2016. <https://themoscowtimes.com/news/putin-creates-commission-to-counter-financing-of-terrorism-50832>

¹⁹⁰⁷ Foreign Policy Concept of the Russian Federation (approved by President of the Russian Federation Vladimir Putin on November 30, 2016), Ministry of Foreign Affairs, 1 December 2016, Date Accessed: 22 January 2017. http://www.mid.ru/en/web/guest/foreign_policy/official_documents/-/asset_publisher/CptlCk8B6Z29/content/id/2542248

Russia has effectively criminalized terrorist financing, exchanged information, and has taken the necessary steps to freeze terrorist assets. Thus, Russia receives a score of +1.

Analysts: Daouii Abouchere & Mark Rakhmangulov

Saudi Arabia: +1

Saudi Arabia has fully complied with its commitment to effectively exchange information, freeze terrorist assets and criminalize terrorist financing.

On 4 May 2016, the Middle East and North Africa Financial Action Task Force (MENAFATF) launched a new typologies project, Money Laundering Through Electronic Means. The project aims to help MENAFATF member countries better understand the methods employed for money laundering through electronic means, improve their detection and prevention capabilities, and thus enhance their efforts to combat money laundering through electronic means in the Middle East and North Africa. The project is set to continue until September 2017.¹⁹⁰⁸

On 20 October 2016, the Saudi government imposed sanctions on alleged Hezbollah members, accusing them of funneling money to the Lebanese militant group. Saudi Arabia designated Hezbollah affiliates and Hezbollah affiliated sanitation service provider Global Cleaners under a local counterterrorism law, freezing their assets and prohibiting commercial licenses.¹⁹⁰⁹

Saudi Arabia has effectively criminalised terrorist financing and frozen terrorist assets, however, it has not taken steps to effectively exchange information. Thus, Saudi Arabia has been assigned a compliance score of +1.

Analyst: Andrew Hakes

South Africa: 0

South Africa has partially complied with its commitments to effectively exchange information, freeze terrorist assets, and criminalize terrorist financing.

In 2009, FATF issued a report on South Africa which stated South Africa has, “criminalized terrorist financing in section 4 of the Protection of Constitutional Democracy against Terrorist and Related Activities Act (POCDATARA).” The FATF particularly notes that the POCDATARA is “comprehensive and criminalizes the collection or provision of property with the intention that it be used for the purpose of committing a terrorist act, or by a terrorist organization or individual terrorist for any purpose.”

In March 2015, the International Monetary Fund (IMF) released a report assessing the state of anti-money laundering (AML) and combating the financing of terrorism (CFT) in South Africa.¹⁹¹⁰ Staff were guided by the current FATF 40 Recommendations and assessment methodology.¹⁹¹¹ The report found that South Africa has made significant progress in improving its AML/CFT legal and

¹⁹⁰⁸ MENAFATF Newsletter Issue No. (13), Middle East and North Africa Financial Action Task Force June 2016. Date of Access: 13 November 2016.

http://www.menafatf.org/images/UploadFiles/MENAFATF_Newsletter_Issue13_English.pdf

¹⁹⁰⁹ US, Saudi Arabia blacklist Hezbollah members, financiers, Al-Monitor, 21 October 2016. Date of Access: 30 January 2017.

<http://www.al-monitor.com/pulse/afp/2016/10/us-saudi-sanctions-attacks-hezbollah.html>

¹⁹¹⁰ South Africa Financial Sector Assessment Program, IMF March 2015. Access Date: 4 April 2016.

<https://www.imf.org/external/pubs/ft/scr/2015/cr1551.pdf>

¹⁹¹¹ South Africa Financial Sector Assessment Program, IMF March 2015. Access Date: 4 April 2016.

<https://www.imf.org/external/pubs/ft/scr/2015/cr1551.pdf>

institutional framework since it was last assessed against the AML/CFT standard in 2008.¹⁹¹² Furthermore, it noted that the number of ML investigations has increased since 2009.

On 19 February 2016, the Parliament of the Republic of South Africa published a report confirming that the Financial Intelligence Centre Amendment Bill and Financial Sector Regulation (FSR) Bill are currently being deliberated on in the National Assembly. The FSR Bill proposes reforms to financial regulation in South Africa to specifically improve its capacity to maintain financial stability and counter terrorist financing. The Bill specifically proposes the establishment special committees tasked with the enforcement of the new financial rules.¹⁹¹³

On 11 October 2016, South Africa and Kenya have signed two critical memoranda of understanding (MoU) on security, specifically involving police and defence cooperation. The MoUs cover intelligence sharing, identifying terrorists' sources of funding and stabilising terrorism-prone countries.¹⁹¹⁴

South Africa has effectively exchanged information and criminalized terrorist financing, but has not frozen terrorist assets. Thus, South Africa has been assigned a compliance score of 0.

Analyst: Andrew Hakes

Turkey: +1

Turkey has fully complied with its commitment to effectively exchange information, effectively freezing assets, and effectively criminalizing terrorist financing.

On 16 February 2013, the Law on the Prevention of the Financing of Terrorism entered into force which defines “financing of terrorism” to include individuals and organizations who support terrorism at the national or international level by providing funds, and any person who sends money to a terrorist organization listed in relevant United Nations Security Council resolutions would be prosecuted.¹⁹¹⁵ The law also authorizes the Financial Crimes Investigation Board (MASAK) under the Ministry of Finance to “freeze” assets of those suspected of financing terrorism as a “preventive measure,” when a strong suspicion exists about the individual or organization concerned.¹⁹¹⁶

On 22 October 2014, FATF release a Mutual Evaluation Report.¹⁹¹⁷ The report stated that Turkey has made significant progress in addressing the deficiencies in its anti-money laundering/countering the financing of terrorism (AML/CFT) measures, as identified in the mutual evaluation report of February 2007.¹⁹¹⁸ Since the 2007 report, Turkey has: amended the money laundering offence in the Criminal Code, by lowering the threshold for predicate offences and including elements required by the relevant United Nations (UN) conventions; adopted new regulations and amendments to existing

¹⁹¹² South Africa Financial Sector Assessment Program, IMF March 2015. Access Date: 4 April 2016. <https://www.imf.org/external/pubs/ft/scr/2015/cr1551.pdf>

¹⁹¹³ South Africa: National Treasury Requests Public Comments on Draft Financial Intelligence Centre Amendment Bill 2015, All Africa (Pretoria) 21 April 2015. Access Date: 11 March 2016. <http://allafrica.com/stories/201504221424.html>

¹⁹¹⁴ Kenya, SA sign deals to counter terror and deepen police and defence ties, The Star (Nairobi) 12 October 2016. Date of Access: 7 January 2017. http://www.the-star.co.ke/news/2016/10/12/kenya-sa-sign-deals-to-counter-terror-and-deepen-police-and-defence_c1436467

¹⁹¹⁵ Turkey: Law to Combat Financing of Terrorism, Global Legal Monitor (Washington) 12 March 2013. Access Date: 13 March 2016. <http://www.loc.gov/law/foreign-news/article/turkey-law-to-combat-financing-of-terrorism/>

¹⁹¹⁶ Turkey: Law to Combat Financing of Terrorism, Global Legal Monitor (Washington) 12 March 2013. Access Date: 13 March 2016. <http://www.loc.gov/law/foreign-news/article/turkey-law-to-combat-financing-of-terrorism/>

¹⁹¹⁷ Mutual Evaluation of Turkey : 15th Follow-Up Report, FATF 22 October 2016. Access Date 5 April 2016. <http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-turkey-2014.html>

¹⁹¹⁸ Mutual Evaluation of Turkey : 15th Follow-Up Report, FATF 22 October 2016. Access Date 5 April 2016. <http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-turkey-2014.html>

regulations, which strengthen the requirements on customer due diligence, beneficial ownership, risk and simplified/enhanced due diligence; strengthened the reporting requirements for suspected terrorist financing transactions; and adopted a new regime on the Prevention of the Financing of Terrorism.¹⁹¹⁹ FATF approved the exit from follow-up of Turkey.¹⁹²⁰

In June 2015, the US Department of State released the Country Reports on terrorism, which details the actions of several countries in regard to AML/CTF.¹⁹²¹ It stated that the Government of Turkey intensified efforts to interdict the travel of suspected foreign terrorist fighters through Turkey to and from Syria and Iraq.¹⁹²² These efforts include the development and implementation of a “banned from entry list,” as well as the deployment of “Risk Analysis Units” to detect suspected foreign terrorist fighters at airports, land border crossings, and border cities.¹⁹²³ Cooperation with other source countries increased during the year in response to the foreign terrorist fighter threat, with both Turkey and source countries seeking to improve information sharing in particular. Turkey is an active member of the Global Coalition to Counter ISIL.¹⁹²⁴

On 1 February 2016, a law was drafted that deems human smuggling as an act of terrorism and authorises the seizure of financial assets of human smugglers. The draft law would combat human trafficking, reduce the influx of higher number of refugees and comply with FATF recommendations by implementing means by which Turkey can freeze terrorist organization assets.¹⁹²⁵

Turkey’s Financial Intelligence Unit (MASAK) continues to operate in cooperation and coordination with the law enforcement authorities and prosecutors at the national level.¹⁹²⁶ MASAK also cooperates with other Financial Intelligence Units and actively contributes to the efforts of the FATF.¹⁹²⁷ Turkey has created a legal framework in line with the FATF recommendations in order to implement effectively UN Security Council resolutions 1267 and 1373, which calls for criminalizing terrorist financing and freezing terrorist assets.¹⁹²⁸ The Turkish Ministry of Foreign Affairs reports that Turkey has made bilateral agreements with more than over 70 countries around the world in the

¹⁹¹⁹ Mutual Evaluation of Turkey : 15th Follow-Up Report, FATF 22 October 2016. Access Date 5 April 2016.

<http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-turkey-2014.html>

¹⁹²⁰ FATF Plenary meetings - Chairman's Summaries, FATF (2016) Access Date: 5 April 2016. <http://www.fatf-gafi.org/about/outcomesofmeetings/>

¹⁹²¹ Country Report on Terrorism 2014, US Department of State June 2015. Access Date: 05 April 2016. <http://www.state.gov/documents/organization/239631.pdf>

¹⁹²² Country Report on Terrorism 2014, US Department of State June 2015. Access Date: 05 April 2016. <http://www.state.gov/documents/organization/239631.pdf>

¹⁹²³ Country Report on Terrorism 2014, US Department of State June 2015. Access Date: 05 April 2016. <http://www.state.gov/documents/organization/239631.pdf>

¹⁹²⁴ Country Report on Terrorism 2014, US Department of State June 2015. Access Date: 05 April 2016. <http://www.state.gov/documents/organization/239631.pdf>

¹⁹²⁵ Turkey: People Smuggling to be Classified as Terrorist Act, Library of Congress 2016. Access Date: 23 July 2016. <http://www.loc.gov/law/foreign-news/article/turkey-people-smuggling-to-be-classified-as-terrorist-act/>

¹⁹²⁶ Turkey’s Contributions to International Community’s Efforts to Fight Terrorism, Ministry of Foreign Affairs (2016) Access Date: 05 April 2016. http://www.mfa.gov.tr/turkey_s-contributions-to-international-community_s-efforts-to-fight-terrorism.en.mfa

¹⁹²⁷ Turkey’s Contributions to International Community’s Efforts to Fight Terrorism, Ministry of Foreign Affairs (2016) Access Date: 05 April 2016. http://www.mfa.gov.tr/turkey_s-contributions-to-international-community_s-efforts-to-fight-terrorism.en.mfa

¹⁹²⁸ Turkey’s Contributions to International Community’s Efforts to Fight Terrorism, Ministry of Foreign Affairs (2016) Access Date: 05 April 2016. http://www.mfa.gov.tr/turkey_s-contributions-to-international-community_s-efforts-to-fight-terrorism.en.mfa

field of counterterrorism.¹⁹²⁹ These agreements provide the legal basis for bilateral cooperation against illegal entities including terrorist organization and facilitate exchange of information among the relevant agencies.¹⁹³⁰

On 30 January 2017, Turkish security forces conducted 586 anti-drug operations across the country in an effort to curtail terrorist financing, and seized in various amounts of narcotic drugs including cocaine, heroin, marijuana, opiates, hemp, root, and meth, as well as more than 780,00 packs of smuggled cigarettes, and 24,502 liters of smuggled oil.¹⁹³¹

Turkey has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, Turkey receives a score of +1.

Analyst: Daouii Abouchere

United Kingdom: +1

The United Kingdom has fully complied with its commitment to effectively exchange information, effectively freezing terrorist assets and effectively criminalize financing.

The UK government has criminalized terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act (TACT) 2000, and the Money Laundering Regulations 2007.¹⁹³² The UK government has also adopted the relevant EU measures, including measures to prevent the financing of terrorism. The EU Funds Transfers Regulation, which also binds the UK government, imposes identification and verification requirements on payers and by payment service providers.¹⁹³³

Under Sections 15-18 of TACT, the UK government criminalizes acts of “inviting, providing, or receiving” as well as “using or intending” and “being involved in an arrangement” which makes “money or other property available with the intention or reasonable suspicion that it will be used for the purposes of terrorism.” This, therefore, includes the financing of foreign fighter travel for terrorist-related activities. As of March 2016, at least 17 convictions have been made under sections 15-18 of TACT since its introduction in September 2001.¹⁹³⁴

The Terrorist Asset-Freezing Act (TAFA) 2010 authorizes the UK government to freeze the assets of terrorists and prohibit their nationals and persons within its jurisdiction from making funds,

¹⁹²⁹ Turkey’s Contributions to International Community’s Efforts to Fight Terrorism, Ministry of Foreign Affairs (2016) Access Date: 05 April 2016. http://www.mfa.gov.tr/turkey_s-contributions-to-international-community_s-efforts-to-fight-terrorism.en.mfa

¹⁹³⁰ Turkey’s Contributions to International Community’s Efforts to Fight Terrorism, Ministry of Foreign Affairs (2016) Access Date: 05 April 2016. http://www.mfa.gov.tr/turkey_s-contributions-to-international-community_s-efforts-to-fight-terrorism.en.mfa

¹⁹³¹ Turkey holds more than 980 terror suspects in one week, Anadolu Agency (Istanbul) 13 October 2016. Access Date: 3 February 2017. <http://aa.com.tr/en/turkey/turkey-holds-more-than-980-terror-suspects-in-one-week/737899>

¹⁹³² UK national risk assessment of money laundering and terrorist financing, Home Office (London) October 2015. Access Date: 11 March 2016. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468210/UK_NRA_October_2015_final_web.pdf

¹⁹³³ UK national risk assessment of money laundering and terrorist financing, Home Office (London) October 2015. Access Date: 11 March 2016. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468210/UK_NRA_October_2015_final_web.pdf

¹⁹³⁴ UK national risk assessment of money laundering and terrorist financing, Home Office (London) October 2015. Access Date: 11 March 2016. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468210/UK_NRA_October_2015_final_web.pdf

resources or financial services available. Through Tafa, the UK has particularly complied FATF Recommendation 6 which requires freezing ‘without delay’ of the assets of individuals or entities designated under United Nation Security Council Resolutions 1267 and 1373.¹⁹³⁵

In April 2016, the UK Home Department and Treasury outlined the UK’s anti-money laundering (AML) and counter-terrorist financing (CTF) plan for the coming years in a policy paper.¹⁹³⁶ The UK confirmed action in several areas to address AML and CTF, as well as specific actions to enhance international responses to terrorist finance. Also, the UK has pledged ongoing support to building capacity for overseas partners to investigate and stop terrorist financing, including the Counter-ISIL Finance Group. In addition, the UK indicated that it would continue ongoing support for UK-based charities operating abroad, in order to mitigate the risk that the charity’s’ funds would be used to support terrorist activities.¹⁹³⁷

On 13 October, the Criminal Finances Bill was introduced to the House of Commons. The Bill aims to significantly improve the government’s ability to tackle money laundering and corruption, recover the proceeds of crime, and counter terrorist financing. More specifically, the bill will make complementary changes to the law enforcement response to the threat of terrorist finance, helping to combat the raising of terrorist funds through vulnerabilities in the regulated sector. This will include mirroring many of the provisions in the bill so that they also apply for investigations into offences under the Terrorism Act 2000.¹⁹³⁸

The UK has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, the UK receives a score of +1.

Analyst: Sara Fallaha

United States: +1

The United States has fully complied with its commitment to effectively exchange information, freeze terrorist assets, and criminalize terrorist financing.

The US has explicitly criminalized terrorist financing under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 and money laundering under the Money Laundering Control Act (1986). The Office of Terrorist Financing Crimes (TFFC) works across all elements of the national security community, including law enforcement, regulatory, policy, diplomatic and intelligence communities and with the private sector and foreign governments to identify and address by all forms of illicit finance. TFFC has initiatives and strategies to combat money laundering and terrorist financing at home and abroad. These include initiatives that apply and implement targeted financial sanctions to national security threats. TFFC works to advance and implement FATF regulations and instruments.

¹⁹³⁵ UK national risk assessment of money laundering and terrorist financing, Home Office (London) October 2015.

Access Date: 11 March 2016.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468210/UK_NRA_October_2015_financial_web.pdf

¹⁹³⁶ Action Plan for Anti-Money Laundering and Counter-Terrorist Finance, Home Office and Her Majesty’s Treasury (London) 21 April 2016. Access Date: 23 July 2016. <https://www.gov.uk/government/publications/action-plan-for-anti-money-laundering-and-counter-terrorist-finance>.

¹⁹³⁷ Action Plan for Anti-Money Laundering and Counter-Terrorist Finance, Home Office and Her Majesty’s Treasury (London) 21 April 2016. Access Date: 23 July 2016. <https://www.gov.uk/government/publications/action-plan-for-anti-money-laundering-and-counter-terrorist-finance>.

¹⁹³⁸ Criminal Finances Bill, Government of United Kingdom (London) 13 October 2016. Access Date: 22 January 2017. <https://www.gov.uk/government/collections/criminal-finances-bill>

On 21 September 2016, the Seventh Ministerial Plenary Meeting of the Global Counterterrorism Forum (GCTF) took place in New York, co-chaired by Morocco and the Netherlands. As an example of their progress in this area, “the United States has information sharing arrangements with 56 international partners to help identify, track, and deter known and suspected terrorists. At least 26 partners share financial information that could provide actionable leads to prosecute or target foreign terrorist fighters.”¹⁹³⁹

On 26 September 2016, the US Department of Justice issued a press release stating that it had sentenced Nader Elhuzayel and Muhanad Badawi “to 30 years in federal prison for conspiring and attempting to provide material support” to the Islamic State of Iraq and the Levant (ISIL) by carrying out “a significant bank fraud scheme.”¹⁹⁴⁰ The jury “found Elhuzayel guilty of committing 26 counts of bank fraud and found Badawi guilty of one count of financial aid fraud.”¹⁹⁴¹

On 24 October 2016, the President’s Interagency Task Force (PITF) meeting to monitor and combat trafficking in persons took place in Washington, D.C. The Department of Treasury that supports the PITF, specifically the Office of Foreign Assets Control (OFAC), and the Financial Crimes Enforcement Network (FinCEN), has “particular tools to support the mission to combat human trafficking,” including the use of their money laundering authority to counter terrorism financing.¹⁹⁴²

On 31 January 2017, the Department of Justice issued a press release stating it convicted Harlem Suarez for “attempting to use a weapon of mass destruction and providing material support to ISIL,” a designated foreign terrorist organisation, violating Title 18 US Code, Section 2339B.¹⁹⁴³

The US has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, the US receives a score of +1.

Analyst: Buse Kayar

European Union: +1

The European Union has fully complied with its commitment to effectively exchange information, freeze terrorist assets, and criminalize terrorist financing.

On 9 September 2016, Europol, the Spanish National Police, issued a press release stating it formalized a tripartite partnership with INTERPOL (International Crime Police Organisation) and the Basel Institute on Governance “for a working group on money laundering with digital currencies”

¹⁹³⁹ Global Counterterrorism Forum Ministerial (Washington DC) 21 September 2016. Access Date: 31 January 2017. <https://2009-2017.state.gov/r/pa/prs/ps/2016/09/262240.htm>

¹⁹⁴⁰ Orange County Man Sentenced to 30 Years in Federal Prison for Conspiring to Join ISIL and Engaging in Fraud (Santa Ana, California) 26 September 2016. Access Date: 31 January 2017. <https://www.justice.gov/usao-cdca/pr/orange-county-man-sentenced-30-years-federal-prison-conspiring-join-isil-and-engaging>

¹⁹⁴¹ Orange County Man Sentenced to 30 Years in Federal Prison for Conspiring to Join ISIL and Engaging in Fraud, US Department of Justice (Santa Ana, California) 26 September 2016. Access Date: 31 January 2017. <https://www.justice.gov/usao-cdca/pr/orange-county-man-sentenced-30-years-federal-prison-conspiring-join-isil-and-engaging>

¹⁹⁴² Meeting of the President’s Interagency Task Force to Monitor and Combat Trafficking in Persons, US Department of State (Washington DC) 24 October 2016. Access Date: 31 January 2017. <https://2009-2017.state.gov/j/tip/rls/rm/2016/263538.htm>

¹⁹⁴³ Florida Man Convicted at Trial of Attempting to Use a Weapon of Mass Destruction and Providing Material Support to ISIL, US Department of Justice, 31 January 2017. Access Date: 31 January 2017. <https://www.justice.gov/opa/pr/florida-man-convicted-trial-attempting-use-weapon-mass-destruction-and-attempting-provide>

as “there is a clear consensus that digital currencies pose a money laundering and terrorist financing threat.”¹⁹⁴⁴

On 19 October 2016, Europol (European Police Office) issued a press release regarding a major international law enforcement operation targeting airline fraudsters, where “350 suspicious transactions were reported” and as a result, “193 individuals suspected of traveling with airline tickets bought using stolen, compromised or fake credit card details” were denied boarding and detained in this operation from 10-15 October 2016.¹⁹⁴⁵

On 31 October 2016, Europol supported law enforcement authorities from “Austria, Finland, Greece, Ireland, the Netherlands, Portugal, Romania, Spain, and the United Kingdom” in arresting 42 professional fraudsters for online fraud activities.¹⁹⁴⁶ The result of this operation detected “a money laundering scheme worth EUR1.5 million” and EUR600,000 in fraud activities.¹⁹⁴⁷

On 14 and 15 November 2016, European Cybercrime Centre (EC3) supported the Finnish National Bureau of Investigation, the British West Midlands Regional Cyber Crime Unit, the Spanish Guardia Civil, and the Royal Canadian Mounted Police in a cross-continental operation that resulted in 15 arrests of members of an organized crime group (OCG) that possessed “more than 6,000 credit card details, which they had used to attack more than 170 e-merchants with fraudulent activities exceeding EUR1 million.”¹⁹⁴⁸

On 15 November 2016, “prosecutors from the Romanian Territorial Office Vâlcea of the Directorate for Investigating Organized Crime and Terrorism (DIICOT), acting within a joint investigation team (JIT) set up with the support of Eurojust [and Europol], carried out an operation concerning an organized crime group (OCG) specialized in computer fraud, forgery and money laundering” and twelve people were arrested.¹⁹⁴⁹

On 29 November 2016, “a joint investigation team (JIT) with investigators and judicial authorities from France, Belgium and the Netherlands” arrested 36 suspects for laundering funds over an

¹⁹⁴⁴ Money laundering with digital currencies: working group established, The European Police Office (The Hague) 9 September 2016. Access Date: 5 December 2016. <https://www.europol.europa.eu/newsroom/news/money-laundering-digital-currencies-working-group-established>

¹⁹⁴⁵ Global action against airline fraudsters: 193 detained, The European Police Office (The Hague) 19 October 2016. Access Date: 5 December 2016. <https://www.europol.europa.eu/newsroom/news/global-action-against-airline-fraudsters-193-detained>

¹⁹⁴⁶ First European-wide action on e-commerce fraud sees arrest of 42, The European Police Office (The Hague) 31 October 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/first-european-wide-action-e-commerce-fraud-sees-arrest-of-42>

¹⁹⁴⁷ First European-wide action on e-commerce fraud sees arrest of 42, The European Police Office (The Hague) 31 October 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/first-european-wide-action-e-commerce-fraud-sees-arrest-of-42>

¹⁹⁴⁸ Europol supports cross-continental operation to bring down payment card fraudsters, The European Police Office (The Hague) 16 November 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/europol-supports-cross-continental-operation-to-bring-down-payment-card-fraudsters>

¹⁹⁴⁹ International computer fraud, forgery and money laundering ring dismantled, The European Police Office (The Hague) 17 November 2016. Access Date: 5 December 2016. <https://www.europol.europa.eu/newsroom/news/international-computer-fraud-forgery-and-money-laundering-ring-dismantled>

estimated EUR300 million and seized over EUR5.5 million in cash, alongside gold worth over EUR800,000, ammunition, and two-semi-automatic weapons.¹⁹⁵⁰

On 30 November 2016, Europol, Eurojust, the Public Prosecutor's Office Verden and the Lüneberg Police (Germany) closely cooperated with the Federal Bureau of Investigation (FBI), the United States Attorney's Office for the Western District of Pennsylvania, the Department of Justice, and global partners, to dismantle the Avalanche network, "an international criminal infrastructure platform" that was "used as a delivery platform to launch and manage mass global malware attacks and money mule recruiting campaigns."¹⁹⁵¹ The damage was estimated around EUR6 million "in concentrated cyberattacks on online banking systems in Germany alone" and "hundreds of millions of euros worldwide."¹⁹⁵²

On 8 December 2016, Europol supported Italian Guardia di Finanza in an investigation that resulted in the arrests of eight suspects, for "selling counterfeit 20, 50 and 100 euro notes on the Darknet for around 30 per cent of their face value" and receiving payments over EUR160,000 in Bitcoins."¹⁹⁵³

On 13 December 2016, Europol and the Comando Carabinieri Antifalsificazione Monetaria "dismantled an illegal counterfeit currency print shop in Melegnano (Milano)."¹⁹⁵⁴ The Public Prosecutor at the Court of Naples (Tribunale di Napoli Nord) coordinated investigations that resulted in "the neutralizing of a criminal network involved in the production and distribution of counterfeit currency, which covered large areas of national territory and most EU Member States."¹⁹⁵⁵

On 13 and 14 December 2016, the Ministry of Digital Economy and Society and the Electronic Transaction Development Agency held a convention for joined by Europol's European Cybercrime Centre (EC3), Association of Southeast Asian Nations Police Organisation (ASEANPOL) and INTERPOL, along with the Royal Thai Police and the Romanian National Police, for the Third Strategic Meeting on Payment Card Fraud (PCF) in Bangkok, Thailand. The focus of the event was "the exchange of expertise in the area of prevention and combating ATM/POS fraud, data

¹⁹⁵⁰ Hawala money laundering ring dismantled by Joint Investigation Team, The European Police Office (The Hague) 29 November 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/hawala-money-laundering-ring-dismantled-joint-investigation-team>

¹⁹⁵¹ 'Avalanche' network dismantled in international cyber operation, The European Police Office (The Hague) 1 December 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/%E2%80%98avalanche%E2%80%99-network-dismantled-in-international-cyber-operation>

¹⁹⁵² 'Avalanche' network dismantled in international cyber operation, The European Police Office (The Hague) 1 December 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/%E2%80%98avalanche%E2%80%99-network-dismantled-in-international-cyber-operation>

¹⁹⁵³ Eight Arrests in counterfeit Euro operation supported by Europol, The European Police Office (The Hague) 8 December 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/eight-arrests-in-counterfeit-euro-operation-supported-europol>

¹⁹⁵⁴ Europol and Italian law enforcement authorities dismantle counterfeit currency printshop, The European Police Office (The Hague) 15 December 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/europol-and-italian-law-enforcement-authorities-dismantle-counterfeit-currency-printshop>

¹⁹⁵⁵ Europol and Italian law enforcement authorities dismantle counterfeit currency printshop, The European Police Office (The Hague) 15 December 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/europol-and-italian-law-enforcement-authorities-dismantle-counterfeit-currency-printshop>

compromising, ATM malware, and eCommerce fraud.”¹⁹⁵⁶ They also devised a plan for specific action encouraging further cross-regional cooperation of European and Asian law enforcement.

On 14 December 2016, EC3, particularly the Europol Forensics Laboratory, received a certificate of accreditation for its compliance with the International Standard ISO/IEC 17020’s requirements for the forensic examination of banknotes.¹⁹⁵⁷

On 21 December 2016, the Security Union of the European Commission adopted a package of measures to strengthen the European Union’s (EU) capacity to fight the financing of terrorism and organised crime. The proposals will complete and reinforce the EU’s legal framework in areas of money laundering, illicit cash flows and the freezing and confiscation of assets. The proposal will ensure a strong and coordinated European response in the fight against terrorist financing and organised crime. The proposal aims to make it more difficult for terrorists to finance their activities whilst making it easier for the authorities to detect and stop their financial movements.

The proposal consists of three new legislations: “First, a Directive to criminalise money laundering will set common minimum rules concerning the definition of criminal offences and sanctions in the area of money laundering which will make it easier and more effective for judicial and law enforcement authorities to pursue complex money laundering cases. Secondly, the current rules on cash entering and leaving the EU will be updated to make them more robust and to give customs authorities more scope to act when there are indications that cash is related to criminal activity. Finally, the Regulation on the mutual recognition of criminal asset freezing and confiscation orders making it possible to prevent criminals and terrorists from using their funds.”¹⁹⁵⁸

The European Union has effectively exchanged information, frozen terrorist assets and effectively criminalized terrorist financing. Thus, the European Union receives a score of +1.

Analyst: Buse Kayar

¹⁹⁵⁶ Third strategic meeting on payment card fraud, The European Police Office (The Hague) 16 December 2016. Access Date: 13 January 2017. <https://www.europol.europa.eu/newsroom/news/third-strategic-meeting-payment-card-fraud>

¹⁹⁵⁷ Europol becomes ISO/IEC 17020 accredited for forensic examination of banknotes, The European Police Office (The Hague) 14 December 2016. Access Date: 17 January 2013. <https://www.europol.europa.eu/newsroom/news/europol-becomes-iso/iec-17020-accredited-for-forensic-examination-of-banknotes>

¹⁹⁵⁸ Daily News 21/12/2016, European Commission Press Release Data Base (Brussels/Luxembourg) 21 December 2016. Access Date: January 10, 2016. http://europa.eu/rapid/press-release_MEX-16-4491_en.htm