

ANTI- MONEY LAUNDERING AND COUNTERFINANCING OF TERRORISM

EMERGING CHALLENGES AND A WAY FORWARD



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- ✓ INTRODUCTION
- ✓ NATURE & SCOPE OF MONEY LAUNDERING/FINANCING OF TERRORISM (ML/FT)
- ✓ SCHEMA OF MONEY LAUNDERING
- ✓ INTERNATIONAL FRAMEWORK: FATF
- ✓ INSTITUTIONS & ENFORCEMENT
- ✓ CHALLENGES & WAY FORWARD



✓ DEMOCRACY



✓ NATIONAL SECURITY



✓ FINANCIAL SYSTEM INTEGRITY



✓ TERRORISM



✓ ML/FT

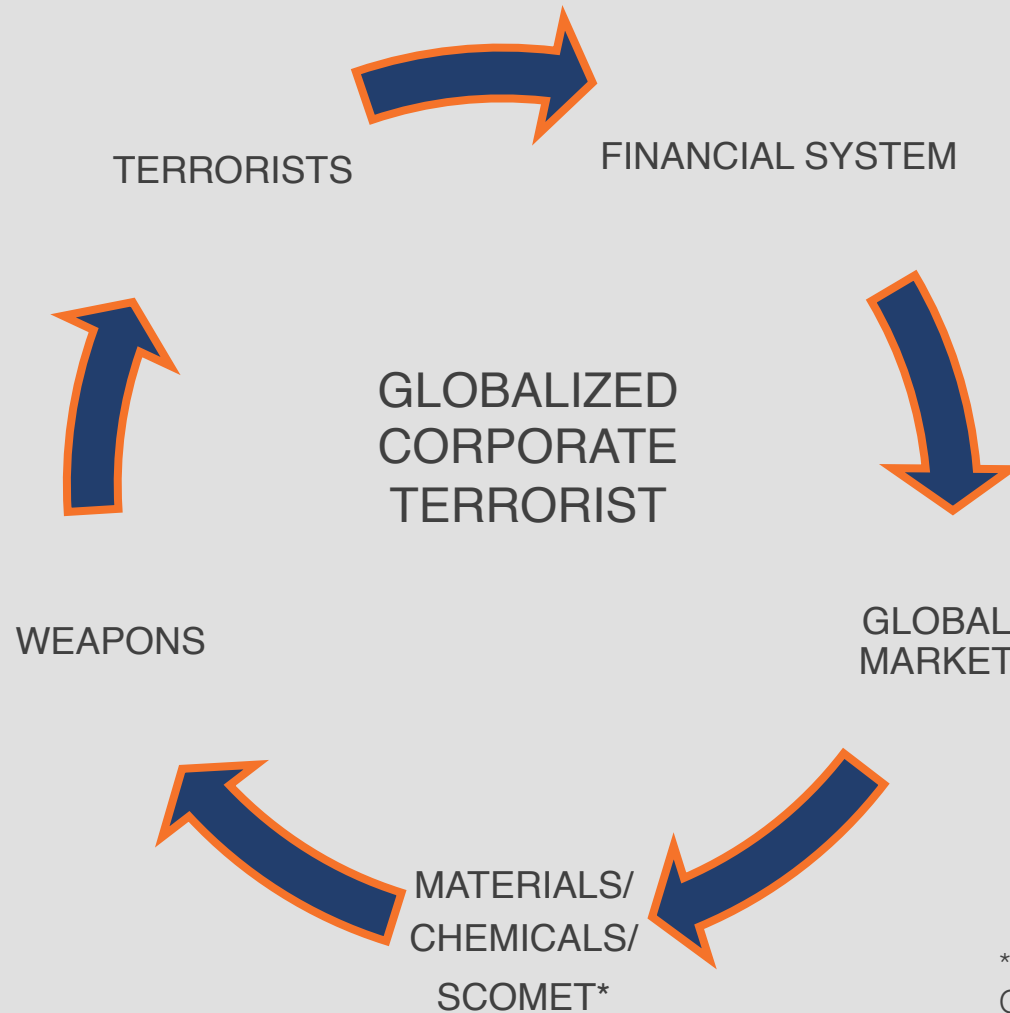
BIGGER ISSUES:



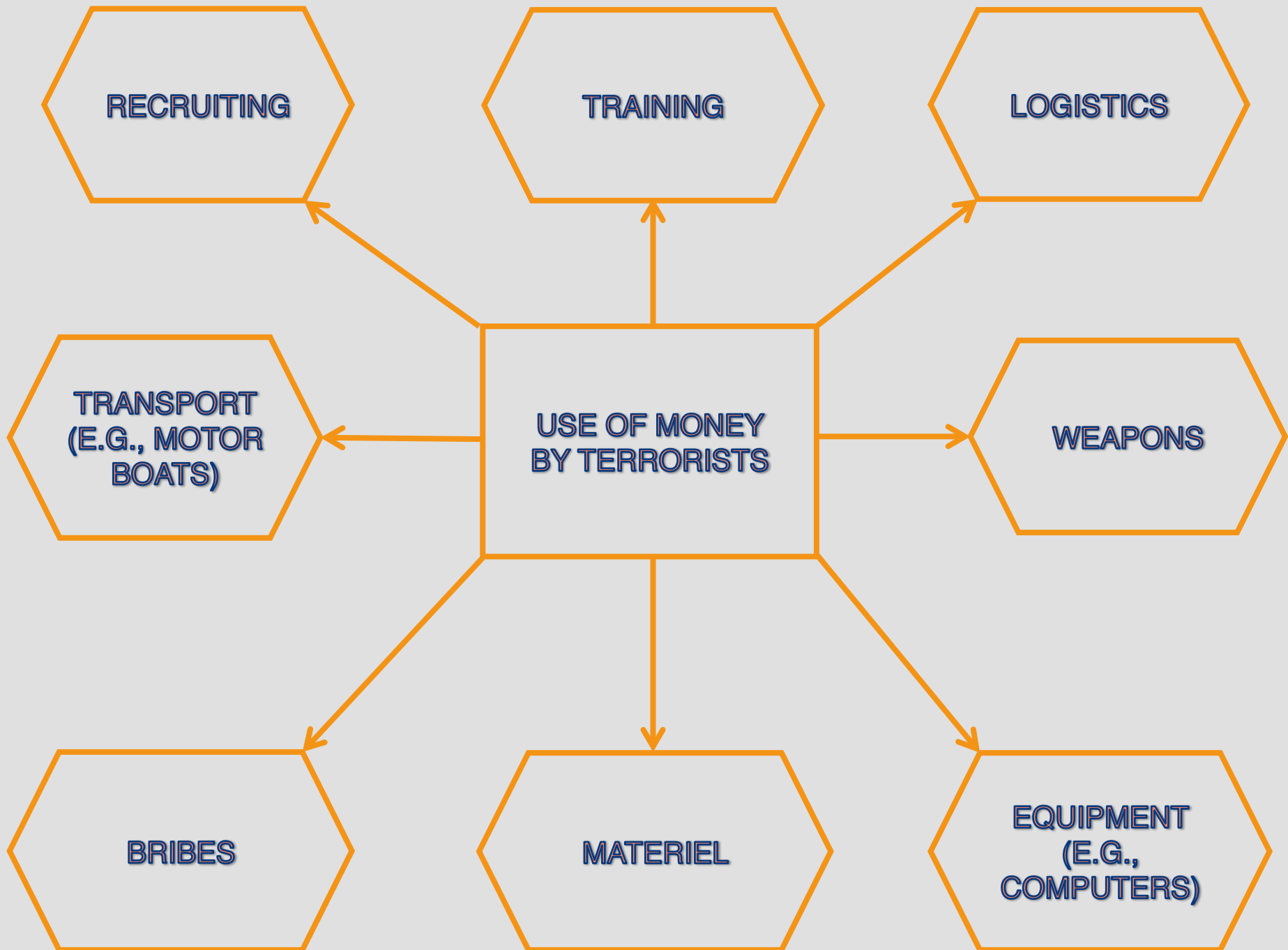
✓ DEMOCRACY

✓ NATIONAL SECURITY

5M MODEL OF GLOBALIZED CORPORATE TERRORIST



*Special Chemicals,
Organisms, Materials,
Equipment, and Technologies



VICIOUS CYCLE OF ML/FT



SOURCES OF ILLEGITIMATE MONEY

- ✓ PEOPLE SMUGGLING
- ✓ ARMS TRAFFICKING
- ✓ THEFT/STOLEN ARTIFACTS
- ✓ TAX EVASION
- ✓ DRUG TRAFFICKING
- ✓ TERRORISM
- ✓ CORRUPTION (BRIBES, ETC.)
- ✓ SCHEMES & SCAMS
- ✓ ENVIRONMENTAL CRIMES



DISTRIBUTION & MOVEMENT CHANNELS OF ILLEGAL MONEY

COUNTRY 1

INTERNATIONAL NETWORKS

- ✓ AIR TRAVEL
- ✓ CROSS-BORDER TRUCKING
- ✓ SHIPS & PORTS

COUNTRY 2

LOCAL NETWORKS

- ✓ TAXIS
- ✓ BUSES
- ✓ DELIVERY COMPANIES



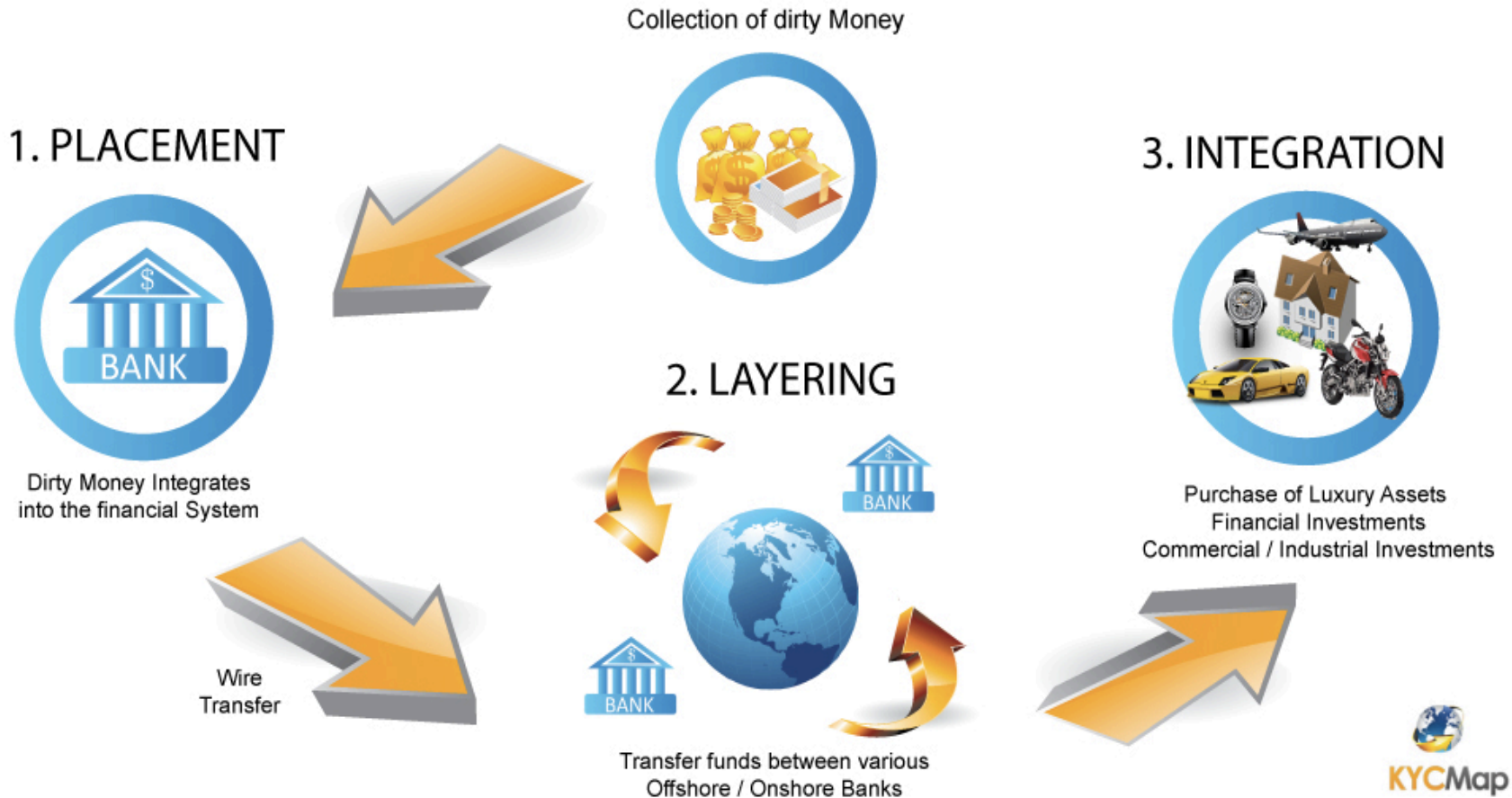
MONEY LAUNDERING

ILL-GOTTEN PROCEEDS OF CRIME

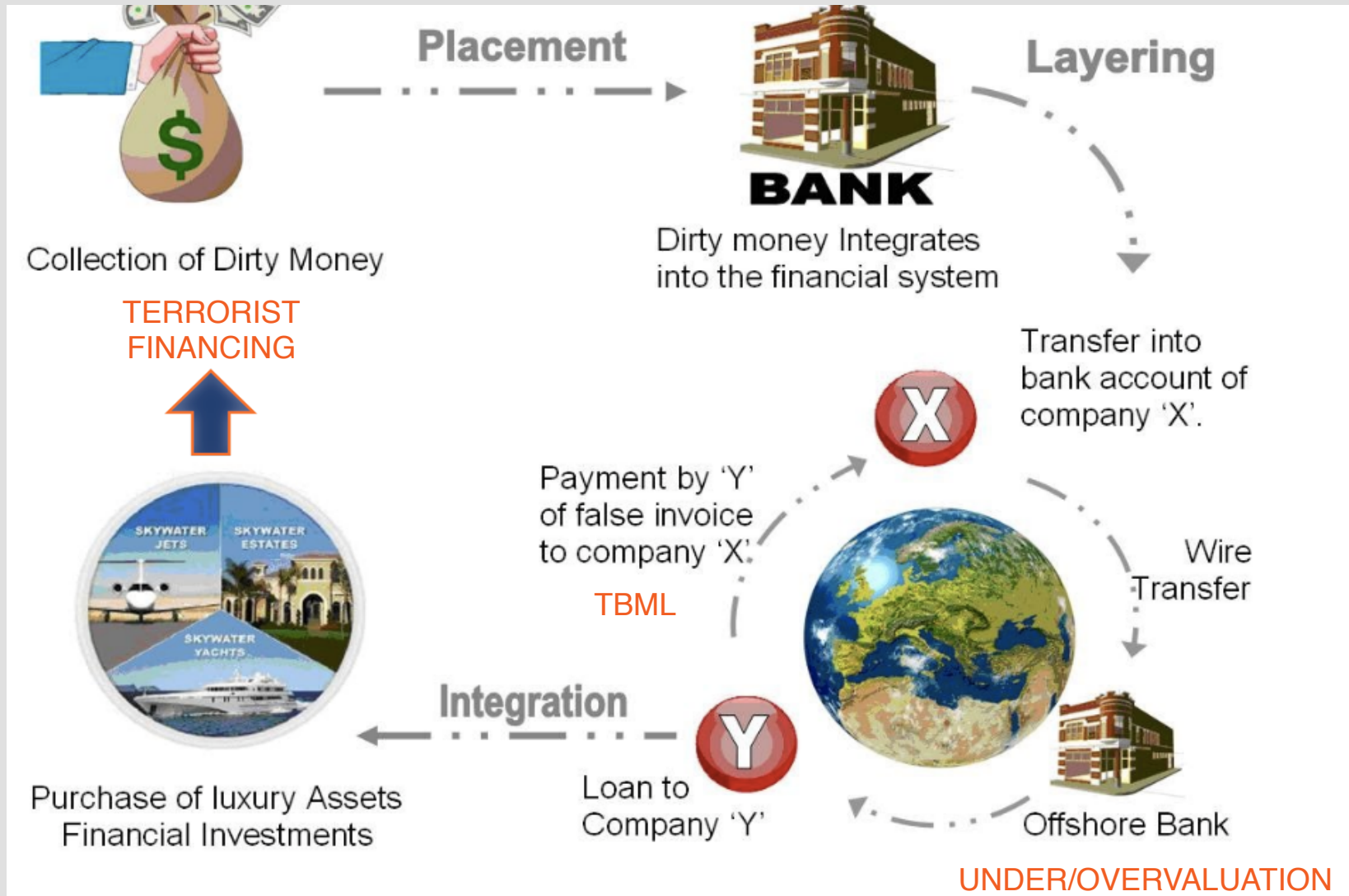


- ✓ BANKS
- ✓ FINANCIAL INSTITUTIONS
- ✓ TRADE

A TYPICAL MONEY LAUNDERING SCHEME



ANOTHER VIEW OF MONEY LAUNDERING



FINANCING OF TERRORISM & TERRORIST GROUPS

ISIS has generated
US\$500,000,000 through
the end of 2014.



An Islamic State dinar coin
(Source: The Telegraph)

Their financial muscle
complements their weapons
and use of terror tactics.



US Secretary of State John Kerry's
wreath remembering the victims of
the 2015 Paris terror attacks.

FINANCIAL ACTION TASK FORCE (FATF)

- ✓ INTERGOVERNMENTAL BODY; 1989, PARIS; 136 COUNTRIES
- ✓ 40+9 RECOMMENDATIONS, STANDARDS MAKING BODY
VULNERABLE, RISK ASSESSMENT, MER, PEER REVIEW
- ✓ TECHNICAL COMPLIANCE AND EFFECTIVENESS
- ✓ ESTABLISHED FIU, FINANCIAL REPORTING REQUIREMENTS
- ✓ INTERNATIONAL COOPERATION, LEGAL AND INSTITUTIONAL
- ✓ CRIMINALIZATION OF ML/TF OFFENCES
- ✓ ASSET FORFEITURE, CONFISCATION
- ✓ EXCHANGE OF INFORMATION
- ✓ PROLIFERATION OF FINANCING

FATF RECOMMENDATIONS

http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf

- ✓ CRIMINALIZING TERRORIST FINANCING Recommendation 5 (R5)
- ✓ CUSTOMER DUE DILIGENCE R10
- ✓ INTERNAL CONTROLS & REPORTING SUSPICIOUS ACTIVITY R18-21
- ✓ TRANSPARENCY, BENEFICIAL OWNERSHIP, LEGAL PERSON/ARRANGEMENTS R24-25
- ✓ FINANCIAL INTELLIGENCE UNITS R29
- ✓ POLITICALLY EXPOSED PERSONS R12, NON-PROFITS R8, WIRE TRANSFERS R16, TRANSFERS R14
- ✓ INTERNATIONAL COOPERATION R36-40
- ✓ PROLIFERATION R7
- ✓ UNSCR TARGETED FINANCIAL SANCTIONS R6

FATF FRAMEWORK

- ✓ INSTITUTIONAL: FINANCIAL INTELLIGENCE UNITS, US DEPT. OF TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK (FinCEN)
- ✓ LEGAL: DOMESTIC LAWS, RULES, REGULATIONS, LRs
- ✓ MUTUAL LEGAL ASSISTANCE TREATIES (MLAT)
- ✓ ADMINISTRATIVE: MER, PEER REVIEW, NRA, PLENARY, MEETS
- ✓ ENFORCEMENT: US DEPARTMENTS—IRS, ICE, CBP, FBI



**US Dept. of Treasury FinCEN (Bank Secrecy Act;
Sec. 311 of the PATRIOT ACT)**

Reporting includes Currency Transaction Reports (CTR), Suspicious Activity Reports (SAR), Suspicious Transaction Reports (STR)

FINANCIAL INSTITUTIONS

REPORTING ENTITIES UNDER BANKING SECRECY ACT:

- ✓ BANKS AND CREDIT UNIONS
- ✓ MONEY REMITTERS, CHECK CASHERS, AND VIRTUAL CURRENCY EXCHANGERS
- ✓ DEALERS IN FOREIGN EXCHANGE
- ✓ CASINOS AND CARD CLUBS
- ✓ INSURANCE COMPANIES
- ✓ SECURITIES AND FUTURES BROKERS
- ✓ MUTUAL FUNDS, OPERATORS OF CREDIT CARD SYSTEMS
- ✓ DEALERS IN PRECIOUS METALS, STONES, OR JEWELS
- ✓ CERTAIN INDIVIDUALS AND TRADES OR BUSINESSES TRANSPORTING OR ACCEPTING LARGE AMOUNTS OF CASH

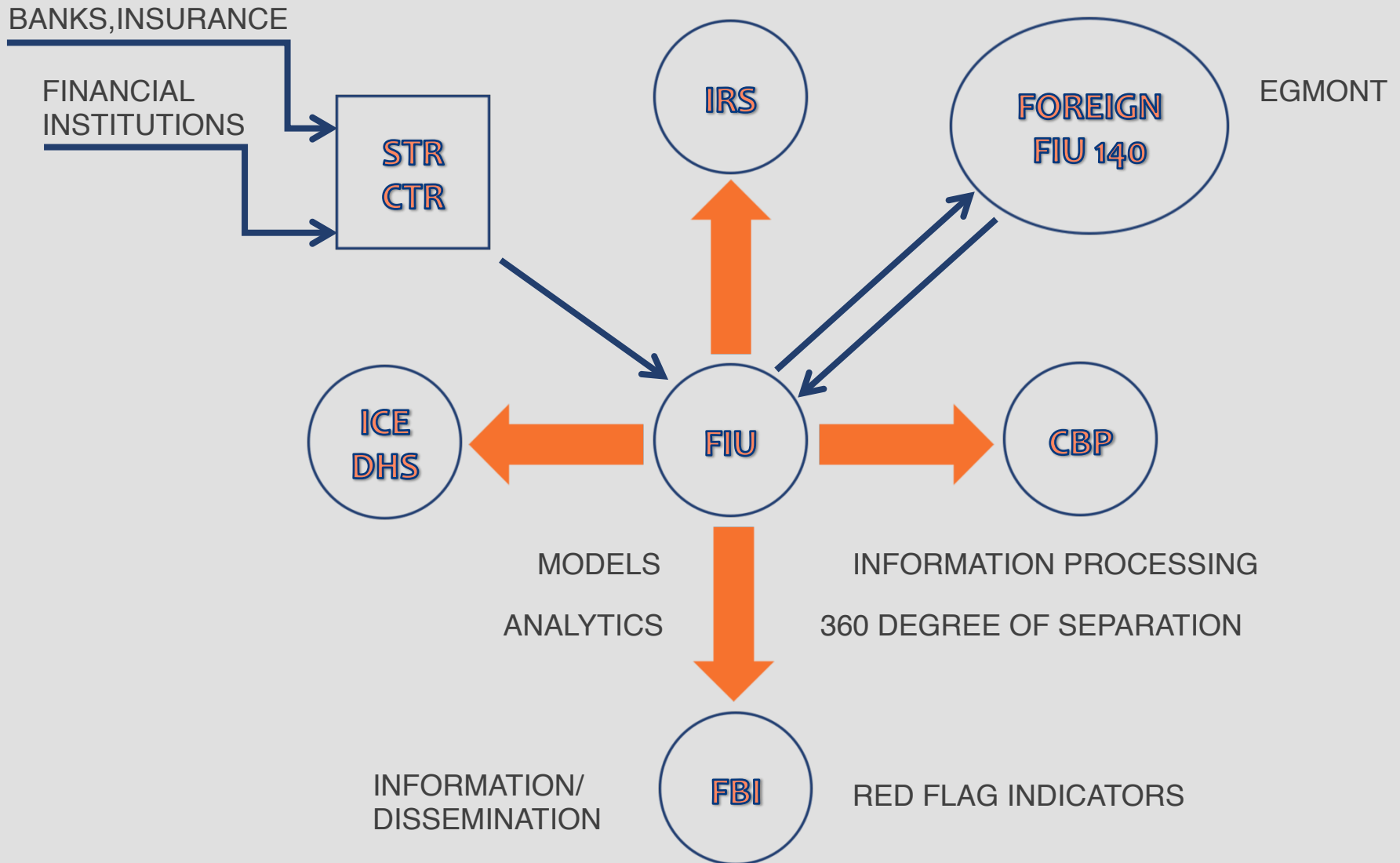


VULNERABLE SECTORS

- ✓ CASINOS AND CARD CLUBS
- ✓ BROKERS/DEALERS OF GEMS, PRECIOUS STONES, JEWELLERS
- ✓ DEPOSITORY INSTITUTIONS
- ✓ INSURANCE COMPANIES
- ✓ INFORMAL VALUE TRANSFER SYSTEM
- ✓ MINING AND EXTRACTIVE INDUSTRY
- ✓ NON-PROFITS
- ✓ MONEY SERVICE BUSINESS, WIRE TRANSFER, CASH COURIERS
- ✓ REAL ESTATE



INFORMATION USER AGENCIES



FATF REPORT ON ISIL

FINANCIAL SOURCES:

- ✓ BANKS, LOOTING, HUMAN TRAFFICKING, CONTROL OF OIL AND GAS RESERVOIR, CASH IN BANK, ISIL PROPERTY, PVT. ON WITHDRAWAL
- ✓ OTHERS: ILLEGAL TAXATION OF GOODS AND CASH, PROTECTION MONEY (5%)
- ✓ SALARY PAYMENT TO IRAQI GOVT. EMPLOYEES
- ✓ KIDNAPPING FOR RANSOM, STEALING CULTURAL ARTIFACTS
- ✓ INVOLUNTARY DONATIONS INCLUDING NPO, ZAKAT CONCEPT MISUSE
- ✓ FUNDRAISING THROUGH MODERN NETWORK
- ✓ ISIL GENERATED/ ACCESS TO HALF BILLION USD (\$)
- ✓ CASH IN LOCAL CURRENCY, REQUIRING FOREIGN EXCHANGE
- ✓ ISIL BRANCHES IN MOSUL (IRAQ'S SECOND BIG CITY), FALLUJAH, RAMADI,
- ✓ RAQQUA, ALEPPO, AND DEIR ALZOR IN SYRIA



ANTI ML/FT CASES

- ✓ USING INTERNET FOR DONATIONS: In 2015 Saudi Competent Authorities addressed individuals and entities calling donations for Syrian people over Twitter—61 bank accounts blocked.
- ✓ CRIMINALIZING RANSOM MONEY:
Terrorists kidnapping, with insurance companies setting claims. Laws inadequate to address situation, so UK government drafted a law making such payments illegal.
- ✓ TARGETED FINANCIAL SANCTIONS: Australian Foreign Minister listed two individuals. Illegal Assets frozen under Part 4 UN Act.



US LAW ENFORCEMENT & INTELLIGENCE AGENCIES

- ✓ IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE)
- ✓ HOMELAND SECURITY & CBP
- ✓ IRS
- ✓ FINCEN, FIU
- ✓ FBI
- ✓ POLICE



ML/FT CHALLENGES

✓ BITCOINS, VIRTUAL CURRENCY,
4D PRINTING



✓ THE DARK WEB

✓ INFORMAL SECTORS, HAWALA-TYPE MONEY TRANSFERS

✓ NON-STATE ACTORS, STATE SPONSORED TERRORISM

✓ OFFSHORE/CORRESPONDENT BANKING (OFC)

✓ SHELL COMPANIES, EVIDENCE GATHERING, AUDIT TRAIL

✓ BENEFICIAL OWNERSHIP

✓ TBML

✓ WMD/DUAL USE/SCOMET: IDENTIFICATION, ASSEMBLY

THE WAY FORWARD

- ✓ CREATE A REAL TIME INFORMATION EXCHANGE
- ✓ INTERNATIONAL COOPERATION/COORDINTED ACTION
- ✓ SECURE I.T. ARCHITECTURE
- ✓ CAPACITY BUILDING
- ✓ USE OF TECHNOLOGY(GEOSPATIAL, HUMINT)
- ✓ SWIFT FORFEITURE OF ASSETS
- ✓ FASTER TRIALS, PROSECUTIONS

Let's pledge to ... **STOP TERRORISM**

