



AML/CFT 101

CFATF Secretariat Research Desk
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WHAT IS TERRORIST FINANCING?





What is Terrorist Financing (TF)?

“Terrorist financing is the financing of terrorist acts, and of terrorists and terrorist organisations.”

- The Financial Action Task Force (FATF)



What is a terrorist act?

A terrorist act is one which:

- ! Constitutes an offence within the scope of, and as defined in any one of ten (10) treaties.***
- ! Participates as an accomplice in terrorist acts.**
- ! Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict.**
- ! The purpose of such acts is to intimidate a population, or to compel a Government or an international organisation to do or to abstain from doing any act.**

Source: FATF Recommendations, 2012 (Updated June 2019).

**See page 125 of the FATF Recommendations).*



What is a terrorist?

A terrorist /terrorist organization is a person/group of persons who:

- ! Commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and wilfully.**
- ! Participates as an accomplice in terrorist acts.**
- ! Organises or directs others to commit terrorist acts.**
- ! Contributes to the commission of terrorist acts by a group of persons acting with a common purpose.**

Source: FATF Recommendations, 2012 (Updated June 2019).

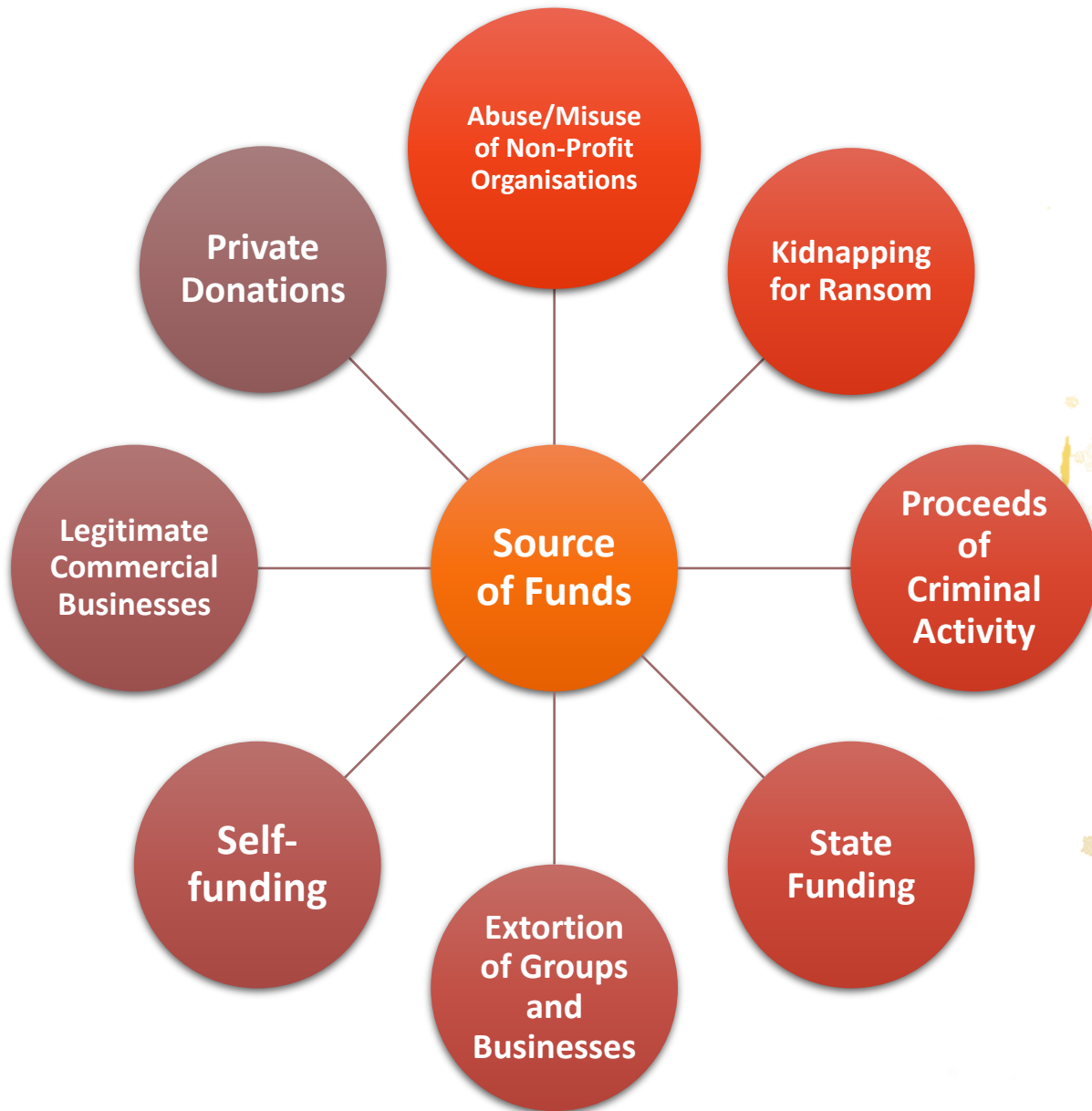


**Did you
know?**

**In 2018, there were
15,952 deaths from
terrorism worldwide.**

Source: Global Terrorism Index, 2019

Sources of Terrorist Funding



Methods of Moving Terrorist Funds



Physical Transportation of Funds

Informal Value Transfer Systems

Money Value Transfer Services

Transfer Funds through Banks



How Terrorists Use Funds



**Salaries and
Member
Compensation**



**Propaganda and
Recruitment**



Training



Operations



**Provision of
Social Services**



**Extortion of
Groups and
Businesses**





**Did you
know?**

**The global economic
impact of terrorism in
2018 amounted to
*US\$33 billion.***



Individual Terrorists

Lone Actors and Small Cells

- ! They carry out small-scale, asymmetric attacks.
- ! Largely self-funded or funded through close family or friends.
- ! They have only minor financial needs since costs of terrorist attacks are often small.



Foreign Terrorist Fighters (FTFs)

Foreign Terrorist Fighters (FTFs)

- ! Persons who travel to a conflict zone outside their state of residence or origin, for the purpose of the perpetration, planning or preparation of, or participation in, terrorist acts.
- ! They receive terrorist training, including training in armed conflict.
- ! Some FTFs return to their state of residence or origin from conflict zones abroad, often with training or combat experience.
- ! Their funding needs are generally low.

Why is Combating the Financing of Terrorism (CFT) important?

- ✓ **One of the most effective methods to fight terrorism.**
 - Without funding, the activities of terrorists and terrorist organisations are curtailed.
 - Planning and execution of terrorist attacks would become difficult to complete.
- ✓ **Prevents future attacks.**
 - Disrupts financial support terrorists need.
 - Authorities can track terrorists' financial transactions, purchases and other related activities for investigative and prosecutorial purposes.
- ✓ **Countries can better understand their TF risks.**
 - Countries can develop a stronger counter-terrorist financing regime.
 - Understanding the risks allows countries to allocate resources to detect or disrupt terrorist financing.
- ✓ **Greater protection of human rights and public safety.**

What measures can be taken to combat TF?



Tool	Objective
Targeted financial sanctions	Block terrorists access to their funds and assets held and prevent the use of the financial system
Criminal Sanctions & Alternative Charges	Undermine activities of terrorists, their financiers & facilitator networks through criminal justice measures
Cross Border Cash Disruption	Limit the ability of terrorist groups to transfer cash across national borders
Sanctions for Legal Entities	Impede the capability of terrorists to use front and shell companies to raise, move and use funds
Alternative Methods	Other means to disrupt terrorist financing (non-public advisories and alerts, imposing travel bans, etc.)

Source: Terrorist Financing Disruption Strategies, FATF (2018).