

18. Terrorism [246]

Commitment:

“We stress the urgent need for full implementation of existing standards, including Financial Action Task Force (FATF) Special Recommendations VIII and IX, and ask our experts to take steps to share information, evaluate threats, assess new trends and promote implementation and review these efforts next year.”

G8 Leaders Statement on Counter-Terrorism

Assessment:

Interim Compliance Score

Country	Lack of Compliance	Work in Progress	Full Compliance
	-1	0	+1
Canada	-1		
France	-1		
Germany	-1		
Italy		0	
Japan	-1		
Russia	-1		
United Kingdom	-1		
United States	-1		
European Union		0	
Average Score	-0.78		

Background:

The Financial Action Task Force (FATF) was established at the 1989 G7 Summit in Paris, France in response to mounting concern over international money laundering.⁹⁹⁶ Originally composed of only the G7, the European Commission, and eight other states, the FATF has since grown to include 34 members and 27 regional and international partner organizations from around the world.⁹⁹⁷

Following the 11 September 2001 terrorist attacks, an extraordinary Plenary on the Financing of Terrorism was held in Washington, DC and the decision was made to expand the FATF's mission to include combating terrorist financing. During the Plenary, the FATF issued Eight Special Recommendations on terrorist financing.⁹⁹⁸ In October 2004, a Ninth Special Recommendation was added with the objective of ensuring that terrorists could not finance their activities through the physical cross-border

⁹⁹⁶ Mission, Financial Action Task Force (Paris). Date of Access: 30 December 2008. http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236846_1_1_1_1_1,00.html.

⁹⁹⁷ Members and Observers, Financial Action Task Force (Paris). Date of Access: 18 December 2008. http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236869_1_1_1_1_1,00.html.

⁹⁹⁸ Terrorist Financing, Financial Action Task Force (Paris). Date of Access: 17 December 2008. http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236947_1_1_1_1_1,00.html.

transportation of illicit and untraceable cash.⁹⁹⁹ Together, the Nine Special Recommendations have become the international standard for detecting, preventing, and suppressing the financing of terrorism.

The FATF has received regular support from the G8. At the 2006 St Petersburg Summit, G8 members affirmed their broad commitment to “collaborative work with our international partners to combat the terrorist threat, including enhancing efforts to counter the financing of terrorism based on agreed standards.”¹⁰⁰⁰ In 2007, the G8 specifically expressed its support for the FATF, promising in the Heiligendamm Statement on Counter-Terrorism to implement and promote all 40 of the FATF’s Recommendations on Money Laundering and the 9 Special Recommendations on Terror Finance.¹⁰⁰¹

The commitment announced at the 2008 Hokkaido-Toyako Summit focuses G8 support on two Special Recommendations, reproduced below:

VIII. Non-Profit Organizations: Countries should review the adequacy of laws protecting non-profits from being misused or exploited by terrorist organizations as conduits for financing terrorism;

IX. Cash Couriers: Countries should have measures in place to detect the physical cross-border transportation of currency or bearer negotiable instruments as well as competent authorities with the legal authority to stop or restrain them. Countries should ensure that effective, proportionate and dissuasive sanctions are available to deal with persons who make false declarations, including the confiscation of such currency or instruments.¹⁰⁰²

The FATF has published guidelines for assessing country compliance with each of its recommendations.¹⁰⁰³ Actions that must be taken to comply with Special Recommendation VIII include: reviewing domestic laws related to the NPO sector; promoting transparency and accountability in NPO management; ensuring measures are in place to sanction violations; coordinating information gathering; and maintaining communication with international partners.¹⁰⁰⁴

⁹⁹⁹ Interpretative Note to Special Recommendation IX: Cash Couriers, Financial Action Task Force (Paris). Date of Access: 17 December 2008. http://www.fatf-gafi.org/document/53/0,3343,en_32250379_32236947_34261877_1_1_1_1,00.html#INSRIX.

¹⁰⁰⁰ G8 Summit Declaration on Counter-Terrorism, G8 Information Centre (Toronto) 16 July 2006. Date of Access: 17 December 2008. <http://www.g8.utoronto.ca/summit/2006stpetersburg/counterterrorism.html>.

¹⁰⁰¹ G8 Summit Statement on Counter-Terrorism: Security in the Era of Globalization, G8 Information Centre (Toronto) 8 June 2007. Date of Access: 17 December 2008. <http://www.g8.utoronto.ca/summit/2007heilgendamm/g8-2007-ct.pdf>.

¹⁰⁰² Nine Special Recommendations on Terrorist Financing, Financial Action Task Force (Paris) 22 October 2004. Date of Access: 28 December 2008. http://www.fatf-gafi.org/document/9/0,3343,en_32250379_32236920_34032073_1_1_1_1,00.html.

¹⁰⁰³ Methodology for Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations, Financial Action Task Force (Paris) 27 February 2004. Date of Access: 13 December 2008. <http://www.fatf-gafi.org/dataoecd/16/54/40339628.pdf>.

¹⁰⁰⁴ Methodology for Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations, Financial Action Task Force (Paris) 27 February 2004. Date of Access: 13 December 2008. <http://www.fatf-gafi.org/dataoecd/16/54/40339628.pdf>.

To meet the FATF’s essential compliance criteria for Special Recommendation IX, countries must have: a declaration or disclosure system for incoming and outgoing currency; competent authorities to question, and if necessary, restrain cash carriers; mechanisms to retain and share information among customs and immigration officials as well as other financial intelligence units; and cooperative working relationships with international authorities.¹⁰⁰⁵

Commitment Features:

The commitment calls for full implementation, so both Special Recommendations must be addressed. Compliance is assessed based on the FATF’s own essential criteria, outlined above. Members are understood to have committed to make some incremental progress on each Special Recommendation, regardless of how much has been done in the past.

The Recommendations call for new or revised legislation, policy changes, or enforcement mechanisms, not just renewed enforcement. For example, a policy that increases the chance of intercepting cash couriers could be considered compliance, while a number of high-profile cash seizures not accompanied by a policy change cannot, by themselves, be considered compliance.

Scoring:

-1	Member makes no effort to address any of the essential criteria laid out by the FATF for Special Recommendations VIII and IX.
0	Member introduces new legislation OR changes policy OR introduces a new enforcement mechanism to comply with at least one of the essential criteria laid out by the FATF for either Special Recommendation VIII or Special Recommendation IX.
+1	Member introduces new legislation OR changes policy OR introduces a new enforcement mechanism to comply with at least one of the essential criteria laid out by the FATF for both Special Recommendations VIII and IX.

Lead Analyst: Miranda Lin

Canada: -1

Canada has not complied with its commitment to work towards full implementation of the FATF’s Special Recommendations VIII and IX. Despite strong action in the past, in this compliance cycle Canada has not taken action to improve its compliance with Special Recommendations VII and IX.

¹⁰⁰⁵ Methodology for Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations, Financial Action Task Force (Paris) 27 February 2004. Date of Access: 13 December 2008. <http://www.fatf-gafi.org/dataoecd/16/54/40339628.pdf>.

Canada has demonstrated some compliance with FATF Special Recommendation VIII, which calls on governments to protect non-profit organizations from being misused or exploited by terrorist groups.¹⁰⁰⁶ According to the FATF methodology, non-profit organizations should be protected from terrorist financing through effective oversight and sanctions against violating parties. Possible sanctions include having the organization de-registered and de-certified as well as freezing its accounts and removing board trustees.¹⁰⁰⁷ Canada's existing legislative framework meets these criteria and, since the Hokkaido-Toyako Summit, the Canada Revenue Agency has revoked the charitable status of six non-profit organizations.¹⁰⁰⁸

In this compliance cycle, however, the Canadian government has made no progress in reviewing its laws protecting non-profits from terrorist financing as required by Special Recommendation VIII. Canada has not made any changes to its laws or policies to enhance the protection of NPOs from terrorist exploitation.

With respect to Special Recommendation IX, on the transportation of cash, it should be noted that the Canada Border Services Agency has reported several cases of currency being confiscated at the Canadian border since the Hokkaido-Toyako Summit.¹⁰⁰⁹ Canada's ability to detect the physical cross-border transportation of currency and then punish the violation proves it already has the tools to fulfill some of the essential criteria of Special Recommendation IX. The Canadian government has not, however, made any legislative or policy changes to improve its compliance with Special Recommendation IX in the current compliance cycle.

Thus, Canada has been awarded a score of -1. In the past, Canada has addressed some of the essential criteria outlined in Special Recommendations VIII and IX, and enforcement activities suggest that past changes have been adequate in some areas. Canada has not, however, made further progress on the essential criteria so far in this compliance cycle.

Analyst: Liliane Vicente

France: -1

France has not complied with its commitment to work towards full implementation of the FATF's Special Recommendations VIII and IX. Though it has taken some action on terrorist financing, France has not focused on the role of non-profit organizations and cash couriers.

On 11 July 2008, the French National Assembly introduced a new bill to implement European Parliament and Council Directives 2005/60/CE and 2006/70/CE, which aim to

¹⁰⁰⁶ Financial Action Task Force on Money Laundering, Financial Action Task Force (Paris) 27 February 2004. Date of Access: 8 December 2008. <http://www.fatf-gafi.org/dataoecd/45/15/34864111.pdf>.

¹⁰⁰⁷ Financial Action Task Force on Money Laundering, Financial Action Task Force (Paris) 27 February 2004. Date of Access: 8 December 2008. <http://www.fatf-gafi.org/dataoecd/45/15/34864111.pdf>.

¹⁰⁰⁸ 2008 News Releases, Canada Revenue Agency (Ottawa) 12 December 2008. Date of Access: 9 December 2008. <http://www.cra-arc.gc.ca/nwsrm/rlss/2008/menu-eng.html>.

¹⁰⁰⁹ 2008 News Releases, Canada Border Services Agency (Ottawa) 11 December 2008. Date of Access 12 December 2008. <http://www.cbsa-asfc.gc.ca/media/ya-2008-eng.html>.

prevent the use of the financial system for money laundering and terrorist financing.¹⁰¹⁰ The proposed legislation also expanded Article L. 562-1 of the Monetary and Financial Code to include lawyers as subjects of anti-money laundering and terrorism financing regulations, but made no mention of non-profit organizations or cash couriers.¹⁰¹¹

On 3 September 2008, the National Assembly ratified a cooperative arrangement between Tajikistan and the European Union targeting corruption, counterfeiting, money laundering, and terrorism financing.¹⁰¹² On 10 September 2008, the French government announced the completion of two more security cooperation agreements with Slovenia and Croatia, respectively. The deals included general provisions for cross-border cooperation on terrorism and money laundering, but again failed to achieve any progress on the NPO or currency issues.¹⁰¹³

On 15 November 2008, France signed the G20 Declaration on Financial Markets and the World Economy. Promising to reform the financial system and strengthen accountability, France confirmed its commitment to the FATF in general.¹⁰¹⁴ However, the declaration was mainly a statement of common principles for reform and not an action plan on terrorism financing.

Thus, France has been awarded a score of -1 for its failure to take substantive and specific action on the requirements of FATF Special Recommendations VIII and IX.

Analyst: Erin Haines

Germany: -1

Germany has not complied with its commitment to work towards full implementation of the FATF's Special Recommendations VIII and IX. Germany has a relatively strong record on anti-money laundering and counter-terrorism financing initiatives. Nonetheless, in this compliance cycle, it has not yet taken steps to comply with the remaining essential criteria of FATF Special Recommendations VIII and IX.

¹⁰¹⁰ Projet De Loi Modifié par le Sénat de Modernisation de l'Économie, Assemblée Nationale (Paris) 11 July 2008. Date of Access: 8 December 2008. <http://www.assemblee-nationale.fr/13/projets/pl1050.asp>.

¹⁰¹¹ Projet De Loi Modifié par le Sénat de Modernisation de l'Économie, Assemblée Nationale (Paris) 11 July 2008. Date of Access: 8 December 2008. <http://www.assemblee-nationale.fr/13/projets/pl1050.asp>.

¹⁰¹² Projet de Loi Autorisant la Ratification de l'Accord de Partenariat et de Coopération Entre les Communautés Européennes et Leurs États Membres, d'Une Part, et la République du Tadjikistan, d'Autre Part, Assemblée Nationale (Paris) 3 September 2008. Date of Access: 10 December 2008. <http://www.assemblee-nationale.fr/13/projets/pl1102.asp>.

¹⁰¹³ Projet De Loi Autorisant l'Approbation de l'Accord de Coopération en Matière de Sécurité Intérieure Entre le Gouvernement de la République Française et le Gouvernement de la République de Slovénie, Assemblée Nationale (Paris) 10 September 2008. Date of Access: 8 December 2008. <http://www.assemblee-nationale.fr/13/projets/pl1104.asp>.

Projet De Loi Autorisant l'Approbation de l'Accord Entre le Gouvernement de la République Française et le Gouvernement de la République de Croatie Relatif à la Coopération en Matière de Sécurité Intérieure, Assemblée Nationale (Paris) 10 September 2008. Date of Access: 8 December 2008. <http://www.assemblee-nationale.fr/13/projets/pl1103.asp>.

¹⁰¹⁴ Declaration of the Summit on Financial Markets and the World Economy, Group of Twenty (Washington, DC) 15 November 2008. Date of Access: 11 December 2008. http://ec.europa.eu/economy_finance/publications/publication13395_en.pdf.

A 2003 review by the Ministry of Justice found that Germany had in place legislation that fulfilled much of the FATF criteria, including measures to block or freeze assets suspected of belonging to terrorist organizations and mechanisms for increasing transparency and oversight in financial transactions.¹⁰¹⁵ In July 2004, the FATF released a report on the Republic of Germany's observance of international standards and codes. At the time, the FATF concluded Germany had made some progress towards the Special Recommendations, but also suggested a number of changes that could be made to improve compliance.¹⁰¹⁶

Since the 2008 Hokkaido-Toyako Summit, there has been little action on the relevant Special Recommendations. The only tangible action Germany has taken occurred on 15 November 2008 when it joined the G20 in declaring its support for the FATF's "important work against money laundering and terrorist financing."¹⁰¹⁷

Aside from the G20 Declaration on Financial Markets and the World Economy, Germany has not introduced or amended any legislation that specifically relates to non-profit organizations and cash couriers.

Thus, Germany has been awarded a score of -1 for failing to progress further on implementing Special Recommendations VIII and IX.

Analyst: Erin Haines

Italy: 0

Italy has partially complied with its commitment to work towards full implementation of the FATF's Special Recommendations VIII and IX.

The Italian government has worked to strengthen the overall integrity of its financial institutions and prevent them from being exploited by terrorist organizations. Since 1999, the Bank of Italy has worked with the Italian Banking Association and the SIA-SSB Group, a developer of financial surveillance technology, to create an improved financial monitoring mechanism known as the Centralized System to Identify Limited Amount of Credit Risks.¹⁰¹⁸

¹⁰¹⁵ International Cooperation in the Fight against International Terrorism and Implementation of the Relevant Instruments of the Council of Europe, Council of Europe – 25th Conference of European Ministers of Justice (Sofia) 9-10 October 2003. Date of Access: 19 December 2008.

[http://www.coe.int/T/E/Legal_Affairs/Legal_co-operation/Conferences_and_high-level_meetings/European_Ministers_of_Justice/MJU-25\(2003\)5E-Germany.pdf](http://www.coe.int/T/E/Legal_Affairs/Legal_co-operation/Conferences_and_high-level_meetings/European_Ministers_of_Justice/MJU-25(2003)5E-Germany.pdf).

¹⁰¹⁶ Republic of Germany: Report on Observance of Standards and Codes FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism, Financial Action Task Force (Paris) July 2004. Date of Access: 19 December 2008. <https://www.imf.org/external/pubs/ft/scr/2004/cr04213.pdf>.

¹⁰¹⁷ Declaration of the Summit on Financial Markets and the World Economy, Group of Twenty (Washington, DC) 15 November 2008. Date of Access: 11 December 2008. http://ec.europa.eu/economy_finance/publications/publication13395_en.pdf.

¹⁰¹⁸ Limited Amount Risks Service, SIA-SSB Group (Milan). Date of Access: 19 December 2008. <http://www.siassb.eu/Engine/RAServePG.php/P/258110010102/L/1>.

On 16 July 2008, SIA-SSB-owned software firm RA Computer signed a five-year agreement with Florida-based WorldCompliance.¹⁰¹⁹ The agreement should lead to new products for Italy's banks, electronic fund transfer services, financial intermediaries, and investment management firms to combat money laundering and terrorism financing.¹⁰²⁰ WorldCompliance also granted Italy access to its compliance database of over 1.2 million profiles, which could help identify potential security threats in the NPO sector.¹⁰²¹ This is a concrete step towards full compliance with Special Recommendation VIII. In this compliance cycle, however, Italy has not directly addressed Special Recommendation IX, on cash couriers.

Italy has reached out to other countries in hopes of developing strong counter-terrorism partnerships and information sharing networks. On 4 November 2008, Italian and Turkish Foreign Ministers Franco Frattini and Ali Babacan participated in the fifth annual Italian-Turkish Dialogue Forum. A press release co-authored by the two ministers stated that "the success in combating terrorism is directly proportional to collaboration between states."¹⁰²²

On 4 December 2008, Italy met with American representatives in an attempt to increase cooperation in fighting transnational organized crime, drug trafficking, terrorism, and illegal immigration.¹⁰²³ The American delegation was comprised of the FBI, the Immigration and Custom Enforcement Sector of the Department of Justice, the Drug Enforcement Administration, and the United States Secret Service.¹⁰²⁴ The Italian delegation was made up of the Ministry of Public Safety, the Ministry of Finance, and the Ministry of Justice.¹⁰²⁵ The two delegations concluded that a greater exchange of relevant

¹⁰¹⁹ RA Computer Signs an Agreement with American Firm WorldCompliance for New Anti-Money Laundering and Anti-Terrorism Solutions, SIA SSB: Press Room (Milan) 16 July 2008. Date of Access: 10 December 2008.

<http://www.siassb.eu/Engine/RAServePG.php/P/301510010600/L/1/M/251910010606>.

¹⁰²⁰ RA Computer Signs an Agreement with American Firm WorldCompliance for New Anti-Money Laundering and Anti-Terrorism Solutions, SIA SSB: Press Room (Milan) 16 July 2008. Date of Access: 10 December 2008.

<http://www.siassb.eu/Engine/RAServePG.php/P/301510010600/L/1/M/251910010606>.

¹⁰²¹ RA Computer Signs an Agreement with American Firm WorldCompliance for New Anti-Money Laundering and Anti-Terrorism Solutions, SIA SSB: Press Room (Milan) 16 July 2008. Date of Access: 10 December 2008.

<http://www.siassb.eu/Engine/RAServePG.php/P/301510010600/L/1/M/251910010606>.

¹⁰²² Article by Foreign Ministers Franco Frattini and Ali Babacan: "Italy and Turkey, A Common Front for Peace and Development," Ministry of Foreign Affairs (Rome) 4 November 2008. Date of Access: 18 December 2008.

http://www.esteri.it/MAE/EN/Stampa/Sala_Stampa/Interviste/2008/11/20081104_ArticoloFrattini_AliBabacan.

¹⁰²³ Sicurezza. Cooperazione tra organismi investigativi italo-statunitensi, conclusa a Roma la riunione del Comitato bilaterale, Ministero Dell'Interno (Rome) 4 December 2008. Date of Access: 8 December 2008. http://www.interno.it/mininterno/export/sites/default/it/sezioni/sala_stamp/notizie/sicurezza/0672_2008_12_04_riunione_comitato_bilaterale_Italia_Usa.html_516981391.html.

¹⁰²⁴ Sicurezza. Cooperazione tra organismi investigativi italo-statunitensi, conclusa a Roma la riunione del Comitato bilaterale, Ministero Dell'Interno (Rome) 4 December 2008. Date of Access: 8 December 2008. http://www.interno.it/mininterno/export/sites/default/it/sezioni/sala_stamp/notizie/sicurezza/0672_2008_12_04_riunione_comitato_bilaterale_Italia_Usa.html_516981391.html.

¹⁰²⁵ Sicurezza. Cooperazione tra organismi investigativi italo-statunitensi, conclusa a Roma la riunione del Comitato bilaterale, Ministero Dell'Interno (Rome) 4 December 2008. Date of Access: 8 December 2008.

information between the United States and Italy would be crucial to bolstering their combined fight against terrorism and corruption.¹⁰²⁶

Thus, Italy has been awarded a score of 0. Italy has made combating terrorism financing a priority, addressing Special Recommendation VIII during this compliance cycle, but it has not directly addressed Special Recommendation IX.

Analyst: Luca Sarcanin and Nikolaeva Ekaterina

Japan: -1

Japan has not complied with its commitment to work towards full implementation of the FATF's Special Recommendations VIII and IX. No new actions have been taken relating to the review or implementation of the Special Recommendations VIII and IX, though Japan has already completed such reviews in previous years and continues to monitor economic transactions carefully.

In 2006, Japan reviewed all NPOs in order to assess the risk of terrorist financing capabilities. The investigation briefly considered regulatory controls and specific money laundering risks, including abuse of NPOs by organizations which have committed indiscriminate mass murder.¹⁰²⁷ According to an FATF report published 17 October 2008, "Terrorist financing risks in the NPO sector in Japan are relatively low due to the fact that NPOs in Japan are subject to a high degree of transparency and public accountability for their operations."¹⁰²⁸ The 2006 governmental review and 2008 FATF report suggest that Japan has already satisfied FATF essential criteria VIII.1 and VIII.2, which urge states to examine the adequacy of laws protecting non-profits from terrorist financing and to promote public confidence in NPO administration.

Japan made substantial progress towards Special Recommendation IX during the last compliance cycle. The Cabinet Order for the Enforcement of the Customs Law was passed in March 2008, and came into force in June 2008.¹⁰²⁹ It introduced a new cash

http://www.interno.it/mininterno/export/sites/default/it/sezioni/sala_stampa/notizie/sicurezza/0672_2008_12_04_riunione_comitato_bilaterale_Italia_Usa.html_516981391.html.

¹⁰²⁶ Sicurezza. Cooperazione tra organismi investigativi italo-statunitensi, conclusa a Roma la riunione del Comitato bilaterale, Ministero Dell'Interno (Rome) 4 December 2008. Date of Access: 8 December 2008.

http://www.interno.it/mininterno/export/sites/default/it/sezioni/sala_stampa/notizie/sicurezza/0672_2008_12_04_riunione_comitato_bilaterale_Italia_Usa.html_516981391.html.

¹⁰²⁷ Anti-Money Laundering and Combating the Financing of Terrorism, Third Mutual Evaluation Report, Financial Action Task Force (Paris) 17 October 2008. Date of Access: 10 December 2008 <http://www.fatf-gafi.org/dataoecd/6/45/41685441.pdf>.

¹⁰²⁸ Anti-Money Laundering and Combating the Financing of Terrorism, Third Mutual Evaluation Report, Financial Action Task Force (Paris) 17 October 2008. Date of Access: 10 December 2008 <http://www.fatf-gafi.org/dataoecd/6/45/41685441.pdf>.

¹⁰²⁹ Anti-Money Laundering and Combating the Financing of Terrorism, Third Mutual Evaluation Report, Financial Action Task Force (Paris) 17 October 2008. Date of Access: 10 December 2008 <http://www.fatf-gafi.org/dataoecd/6/45/41685441.pdf>.

declaration system to strengthen the ability of authorities to detect, investigate and punish the illegal transportation of cash.¹⁰³⁰

Thus, Japan has been awarded a score of -1. While Japan has made substantial progress on the Special Recommendations in the past, no further progress was made in this compliance cycle.

Analyst: Lucy Isabel Leiderman

Russia: -1

Russia has not complied with its commitment to work towards full implementation of the FATF's Special Recommendations VIII and IX. While Russia has made some progress in combating terrorism in general, its actions have not directly addressed FATF Special Recommendations VIII and IX.

Shortly before the Hokkaido-Toyako Summit, a joint assessment of Russia's anti-money laundering and counter-terrorist financing measures was conducted by the FATF, the Eurasian Group, and the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). The evaluation found the Russian government's implementation of Special Recommendations VIII and IX to be particularly lacking.¹⁰³¹ The report noted: "Russia should review and update all its supervisory laws and practices. None of the supervisory authorities in Russia currently possesses an adequate level of (sanctioning) powers, and criminal ownership of financial institutions is not specifically prohibited."¹⁰³²

On 8 September 2008, Russia participated in a UN meeting on the formation of a global partnership between governments and private businesses.¹⁰³³ Though still in a conceptual phase, the initiative could eventually produce mechanisms to prevent the use of unofficial banking institutions for financing crime and terrorism.¹⁰³⁴

Russia has not reviewed any of its laws or regulations, as demanded by FATF essential criteria VIII.1, to ensure their adequacy in protecting non-profit entities from being

¹⁰³⁰ Anti-Money Laundering and Combating the Financing of Terrorism, Third Mutual Evaluation Report, Financial Action Task Force (Paris) 17 October 2008. Date of Access: 10 December 2008 <http://www.fatf-gafi.org/dataoecd/6/45/41685441.pdf>.

¹⁰³¹ Mutual Evaluation of the Russian Federation, Financial Action Task Force (Paris) 2 July 2008. Date of Access: 16 December 2008. http://www.fatf-gafi.org/document/1/0,3343,en_32250379_32235720_40945665_1_1_1_1,00.html.

¹⁰³² Mutual Evaluation of the Russian Federation, Financial Action Task Force (Paris) 2 July 2008. Date of Access: 16 December 2008. http://www.fatf-gafi.org/document/1/0,3343,en_32250379_32235720_40945665_1_1_1_1,00.html.

¹⁰³³ Moscow Satisfied with UN Session on Anti-Terrorism Partnership between Governments and Businesses, G8 Live (Toronto) 8 September 2008. Date of Access: 19 December 2008. <http://g8live.org/2008/09/08/moscow-satisfied-with-un-session-on-antiterrorism-partnership-between-governments-businesses/>.

¹⁰³⁴ Moscow Satisfied with UN Session on Anti-Terrorism Partnership between Governments and Businesses, G8 Live (Toronto) 8 September 2008. Date of Access: 19 December 2008. <http://g8live.org/2008/09/08/moscow-satisfied-with-un-session-on-antiterrorism-partnership-between-governments-businesses/>.

misused for bankrolling terrorism.¹⁰³⁵ Moreover, Russia has failed to introduce any new measures to detect the physical cross-border transportation of currency and bearers of negotiable instruments necessary to meet the requirements of Special Recommendation IX.¹⁰³⁶

Thus, Russia has been awarded a score of -1. No progress has been made in addressing the essential criteria for these Special Recommendations, or the recommendations of the recent FATF mutual evaluation, Russia has received a score of -1.

Analyst: Tatyana Lanshina

United Kingdom: -1

The United Kingdom has not complied with its commitment to work towards full implementation of the FATF's Special Recommendations VIII and IX. The government has not addressed the Special Recommendations in this compliance cycle.

Existing legislation and procedures already address some of the FATF Special Recommendations. The Anti-Terrorism Crime and Security Act, passed in 2001, is intended to cut off terrorist organizations' funding.¹⁰³⁷ The Treasury is empowered to freeze bank accounts associated with organizations, including charities, alleged to be "concerned with terrorism."¹⁰³⁸ The government's Charity Commission cooperates with other government agencies in investigating charities suspected of financing terrorism.¹⁰³⁹ On its website, the Charity Commission also lays out guidelines registered charities should follow to avoid becoming involved with terrorist organizations.¹⁰⁴⁰ These measures address several essential criteria for Special Recommendation VIII, on non-profit organizations.

Furthermore, the FATF itself has positively reviewed UK counter-terrorism financing legislation. In a 2007 review, the organization concluded that "the UK has a comprehensive legal structure to combat [...] terrorist financing."¹⁰⁴¹ The report did note, however, some concerns about tracking cross-border money transfers within the EU, the

¹⁰³⁵ 9 Special Recommendations (SR) on Terrorist Financing (TF): VIII. Non-Profit Organizations, Financial Action Task Force (Paris) 22 October 2004. Date of Access: 5 December 2008. http://www.fatf-gafi.org/document/9/0,3343,en_32250379_32236920_34032073_1_1_1_1,00.html#VIIINonprofit.

¹⁰³⁶ 9 Special Recommendations (SR) on Terrorist Financing (TF): IX. Cash Couriers, Financial Action Task Force (Paris) 22 October 2004. Date of Access: 5 December 2008. http://www.fatf-gafi.org/document/9/0,3343,en_32250379_32236920_34032073_1_1_1_1,00.html#VIIINonprofit.

¹⁰³⁷ Terrorist Finance, Serious Organised Crime Agency. Date of Access: 29 December 2008. <http://www.soca.gov.uk/financialIntel/terroristFinance.html>.

¹⁰³⁸ Operational Guidance: Charities and Terrorism, Charity Commission (Liverpool) 29 August 2007. Date of Access: 31 December 2008. <http://www.charity-commission.gov.uk/supportingcharities/ogs/g096.asp>.

¹⁰³⁹ Operational Guidance: Charities and Terrorism, Charity Commission (Liverpool) 29 August 2007. Date of Access: 31 December 2008. <http://www.charity-commission.gov.uk/supportingcharities/ogs/g096.asp>.

¹⁰⁴⁰ Operational Guidance: Charities and Terrorism, Charity Commission (Liverpool) 29 August 2007. Date of Access: 31 December 2008. <http://www.charity-commission.gov.uk/supportingcharities/ogs/g096.asp>.

¹⁰⁴¹ Third Mutual Evaluation Report, Anti Money Laundering and Combating the Financing of Terrorism, The United Kingdom of Great Britain and Northern Ireland, Financial Action Task Force, 29 June 2007. Date of Access: 22 January 2009. <http://www.fatf-gafi.org/dataoecd/55/29/39064399.pdf>.

supervision of charities in Northern Ireland.¹⁰⁴² It specifically criticized the UK's cash declaration system.¹⁰⁴³

In late December 2008, the House of Lords European Union committee announced that a sub-committee on home affairs will begin investigating what role the EU and its members can play in preventing terrorism financing.¹⁰⁴⁴ The results of this process remain to be seen.

Thus, the United Kingdom has been awarded a score of -1. In this compliance cycle, the United Kingdom has not made any significant progress on implementing FATF Special Recommendations VIII and IX.

Analyst: Lucy Isabel Leiderman

United States: -1

The United Kingdom has not complied with its commitment to work towards full implementation of the FATF's Special Recommendations VIII and IX. The United States has satisfied much of the essential criteria outlined by the Financial Action Task Force in Special Recommendations VIII and IX, but has failed to change existing policies or introduce new legislation and enforcement mechanisms to enhance its performance in tackling terror financing in this compliance cycle.

The United States Department of the Treasury offers additional guidance to non-profit organizations through private sector outreach, target investigations, coordinated oversight, and international engagement.¹⁰⁴⁵ Specifically, Treasury advises the private sector on how to avoid being exploited by terrorist organizations, providing its own material alongside text from the FATF itself.¹⁰⁴⁶ The Department also investigates links between terrorist organizations and charities.¹⁰⁴⁷

These initiatives address many of the essential compliance criteria for Special Recommendation VIII. However, while the United States has made positive efforts to

¹⁰⁴² Third Mutual Evaluation Report, Anti Money Laundering and Combating the Financing of Terrorism, The United Kingdom of Great Britain and Northern Ireland, Financial Action Task Force, 29 June 2007. Date of Access: 22 January 2009. <http://www.fatf-gafi.org/dataoecd/55/29/39064399.pdf>.

¹⁰⁴³ Third Mutual Evaluation Report, Anti Money Laundering and Combating the Financing of Terrorism, The United Kingdom of Great Britain and Northern Ireland, Financial Action Task Force, 29 June 2007. Date of Access: 22 January 2009. <http://www.fatf-gafi.org/dataoecd/55/29/39064399.pdf>.

¹⁰⁴⁴ Lords investigate terrorist financing, politics.co.uk 20 December 2008. Date of Access: 31 December 2008. [http://www.politics.co.uk/news/opinion-former-index/policing-and-crime/lords-investigate-terrorist-financing-\\$1255935.htm](http://www.politics.co.uk/news/opinion-former-index/policing-and-crime/lords-investigate-terrorist-financing-$1255935.htm).

¹⁰⁴⁵ Terrorism and Financial Intelligence, The United States Department of the Treasury (Washington, DC) 9 March 2007. Date of Access: 12 December 2008. <http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml#ti>.

¹⁰⁴⁶ Key Issues: Protecting Charitable Organizations, United States Department of the Treasury (Washington). Date of Access: 31 December 2008. <http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml#ti>.

¹⁰⁴⁷ Key Issues: Protecting Charitable Organizations, United States Department of the Treasury (Washington). Date of Access: 31 December 2008. <http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml#ti>.

protect non-profit organizations from being exploited by terrorist organizations, the government has failed to take further action in this compliance cycle.

The United States has met some of the essential criteria of Special Recommendation IX, implementing measures to detect the cross-border transportation of currency, including training “currency detector dogs” to screen conveyances for undeclared currency.¹⁰⁴⁸ Furthermore, the country has used the appropriate authorities to stop and restrain suspicious and undeclared currency at border crossings.¹⁰⁴⁹ At Arizona ports of entry alone, US Customs officers were able to seize USD1.6 million worth of undeclared currency.¹⁰⁵⁰ Despite these successes, the United States has not updated its processes to more effectively target cash couriers through new legislation, methods, or mechanisms.

Thus, the United States has been awarded a score of -1. Though it had already fulfilled many of the FATF essential criteria prior to the Hokkaido-Toyako Summit, the US has failed to make additional changes to its policies, laws, and enforcement measures necessary to achieve full implementation of Special Recommendations VIII and IX.

Analyst: Liliane Vicente

European Union: 0

The European Union has partially complied with its commitment to work towards full implementation of the FATF’s Special Recommendations VIII and IX. Though it has worked to insulate non-profit organizations from financial abuse and maintain the integrity of international transactions within the European Union, it has yet to explicitly address the problem of cash couriers as outlined in FATF Special Recommendation IX.

On 2 October 2008, the European Commission launched the Financial Transparency System (FTS) website.¹⁰⁵¹ The FTS allows users to retrieve data on all grants received and all contracts signed by EU beneficiaries including NPOs.¹⁰⁵² The website reveals the names of the beneficiaries and their locations as well as the total amount of funding received, the department granting the funding, and the year in which the amount was

¹⁰⁴⁸ Detector Dogs: Roy, US Customs and Border Protection (Washington, DC). Date of Access: 18 December 2008.

http://www.cbp.gov/xp/cgov/border_security/port_activities/canines/detector_dogs/detector_dog_gallery/roy.xml.

¹⁰⁴⁹ 2008 Fiscal Year in Review, US Customs and Border Protection (Washington, DC). Date Accessed: 12 December 2008. http://cbp.gov/xp/cgov/newsroom/news_releases/2008_fiscal/.

¹⁰⁵⁰ CBP Announces Fiscal Year 2008 Achievements for Arizona Ports of Entry, US Customs and Border Protection (Washington, DC) 7 November 2008. Date of Access: 18 December 2008.

http://cbp.gov/xp/cgov/newsroom/news_releases/2008_fiscal/11072008_3.xml.

¹⁰⁵¹ Who Gets EU Cash? New Website Gives Details of Beneficiaries, European Union (Brussels) 2 October 2008. Date of Access: 9 December 2008.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1444&format=HTML&aged=0&language=EN&guiLanguage=en>.

¹⁰⁵² Financial Transparency System, European Commission (Brussels) 1 October 2008. Date of Access: 9 December 2008. http://ec.europa.eu/grants/search/find_en.htm.

booked in the accounts.¹⁰⁵³ The FTS, however, is still in a “test phase” and does not yet display all of the relevant information.¹⁰⁵⁴

The European Union has also taken significant steps to address international fraud, including cases that involve NPO abuse. On 24 September 2008, the European Anti-Fraud Office (OLAF) and the European Union Judicial Cooperation Body (EUROJUST) signed a Practical Agreement that will strengthen their cooperation.¹⁰⁵⁵ Provisions encourage a greater exchange of information between the two bodies.¹⁰⁵⁶

On 20 November 2008, the European Commission released a communication on the Confiscation and Recovery of Criminal Proceeds where it suggested ten steps for its member states to follow in order to counter organized crime.¹⁰⁵⁷ The report advocated the effective functioning of Asset Recovery Offices throughout the EU as well as greater exchange of cross-border information.¹⁰⁵⁸ In addition, the Communication emphasized the importance of obtaining accurate data on freezing, confiscating, and recovering assets – a recommendation similarly made by FATF essential criteria VIII.3.2.¹⁰⁵⁹

The Council of Europe’s MONEYVAL Committee has also actively targeted money laundering schemes that help finance terrorism. Along with the FATF, MONEYVAL hosted the Joint Experts Meeting on Typologies from 24-26 November 2008.¹⁰⁶⁰ The conference brought together more than 150 experts from over 50 countries in an attempt to examine trends in money laundering within the securities industry.¹⁰⁶¹

¹⁰⁵³ Financial Transparency System, European Commission (Brussels) 1 October 2008. Date of Access: 9 December 2008. http://ec.europa.eu/grants/search/find_en.htm.

¹⁰⁵⁴ Financial Transparency System, European Commission (Brussels) 1 October 2008. Date of Access: 9 December 2008. http://ec.europa.eu/grants/search/find_en.htm.

¹⁰⁵⁵ EUROJUST and OLAF Strengthen Their Cooperation in Combating Financial Crime, European Anti-Fraud Office (Brussels) 24 September 2008. Date of Access: 9 December 2008. http://ec.europa.eu/anti_fraud/press_room/pr/2008/10_en.html.

¹⁰⁵⁶ EUROJUST and OLAF Strengthen Their Cooperation in Combating Financial Crime, European Anti-Fraud Office (Brussels) 24 September 2008. Date of Access: 9 December 2008. http://ec.europa.eu/anti_fraud/press_room/pr/2008/10_en.html.

¹⁰⁵⁷ Ensuring That Crime “Does Not Pay”: Commission Proposes Ten Strategic Priorities On Confiscation and Recovery of Criminal Proceeds, European Union (Brussels) 20 November 2008. Date of Access: 9 December 2008. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1748&format=HTML&aged=0&language=EN&guiLanguage=en>.

¹⁰⁵⁸ Ensuring That Crime “Does Not Pay”: Commission Proposes Ten Strategic Priorities On Confiscation and Recovery of Criminal Proceeds, European Union (Brussels) 20 November 2008. Date of Access: 9 December 2008. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1748&format=HTML&aged=0&language=EN&guiLanguage=en>.

¹⁰⁵⁹ Ensuring That Crime “Does Not Pay”: Commission Proposes Ten Strategic Priorities On Confiscation and Recovery of Criminal Proceeds, European Union (Brussels) 20 November 2008. Date of Access: 9 December 2008. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1748&format=HTML&aged=0&language=EN&guiLanguage=en>.

¹⁰⁶⁰ Countering Money Laundering and Financing of Terrorism, Council of Europe (Brussels) 26 November 2008. Date of Access: 9 December 2008. <http://www.coe.int/t/dghl/monitoring/moneyval>.

¹⁰⁶¹ Countering Money Laundering and Financing of Terrorism, Council of Europe (Brussels) 26 November 2008. Date of Access: 9 December 2008. <http://www.coe.int/t/dghl/monitoring/moneyval>.

Furthermore, on 2 December 2008, MONEYVAL released the “Typologies Report on Money Laundering and Counterfeiting,” which examined the ways in which money is laundered through trading with counterfeit cash.¹⁰⁶² It also sought to explain how terrorists might finance their projects through selling counterfeit products.¹⁰⁶³ Finally, from 8-12 December 2008, MONEYVAL hosted its 28th Plenary Meeting, which included a keynote address from FATF President Antonio Gustavo Rodrigues as well as a special session dedicated to discussing strategies for implementing the FATF recommendations.¹⁰⁶⁴

Thus, the European Union has been awarded a score of 0 for encouraging greater NPO transparency, but failing to take effective measures against the illegal cross-border transportation of negotiable instruments.

Analyst: Luca Sarcanin

¹⁰⁶² MONEYVAL: Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism: Typologies Research, Council of Europe (Brussels) 2 December 2008. Date of Access: 9 December 2008.

[http://www.coe.int/t/dghl/monitoring/moneyval/typologies/MONEYVAL\(2008\)22RRepTyp_counterfeiting.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/typologies/MONEYVAL(2008)22RRepTyp_counterfeiting.pdf).

¹⁰⁶³ MONEYVAL: Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism: Typologies Research, Council of Europe (Brussels) 2 December 2008. Date of Access: 9 December 2008.

[http://www.coe.int/t/dghl/monitoring/moneyval/typologies/MONEYVAL\(2008\)22RRepTyp_counterfeiting.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/typologies/MONEYVAL(2008)22RRepTyp_counterfeiting.pdf).

¹⁰⁶⁴ Countering Money Laundering and Financing of Terrorism, Council of Europe (Brussels) 12 December 2008. Date of Access: 12 December 2008. <http://www.coe.int/t/dghl/monitoring/moneyval>.