“We have meanwhile set up a process and there are also independent institutions monitoring which objectives of our G7 meetings we actually achieve. When it comes to these goals we have a compliance rate of about 80%, according to the University of Toronto. Germany, with its 87%, comes off pretty well. That means that next year too, under the Japanese G7 presidency, we are going to check where we stand in comparison to what we have discussed with each other now. So a lot of what we have resolved to do here together is something that we are going to have to work very hard at over the next few months. But I think that it has become apparent that we, as the G7, want to assume responsibility far beyond the prosperity in our own countries. That’s why today’s outreach meetings, that is the meetings with our guests, were also of great importance.”

Chancellor Angela Merkel, Schloss Elmau, 8 June 2015
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5. Terrorism: Combatting Terrorist Financing

“We reassert our commitment to countering terrorist financing as declared in the G7 Action Plan on Combatting the Financing of Terrorism at the G7 Finance Ministers and Central Bank Governors’ meeting in Sendai.”

**G7 Ise-Shima Leaders’ Declaration**

<table>
<thead>
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<th>Assessment</th>
<th>Lack of Compliance</th>
<th>Work in Progress</th>
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**Background**

At the 2016 Ise-Shima Summit, G7 leaders and policymakers reaffirmed that concerted global action to combat the financing of terrorist activities remains a critical element in the fight against international, state, and sub-state terrorism.²¹³ Combatting the financing of terrorism (CFT) is a global priority due to the fact that monetary support “provides the means for terrorists to perpetrate attacks, sustain networks and spread their ideology through propaganda.”²¹⁴

CFT has been a persistent issue on the G7 agenda. Following the 9/11 attacks, G7 Finance Ministers drafted the Action Plan to Combat the Financing of Terrorism.²²⁰ This October 2001 initiative called for immediate and concerted international action to freeze terrorist assets and impose appropriate sanctions.²²¹ In addition, the 2001 Action Plan to Combat the Financing of Terrorism urged countries to create functioning financial intelligence units (FIUs) with the purpose of identifying and tracking terrorist assets both domestically and internationally.²²²

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The G7 members agreed to join the Egmont Group, an organization which facilitates coordination between national FIUs, with the ultimate goal of sustaining an international, financial intelligence network.423

In a further attempt to encourage international coordination, the Action Plan to Combat the Financing of Terrorism (2001) declared that the Financial Action Task Force (FATF), “should play a vital role in fighting the financing of terrorism,”424 and supported the FATF’s decision to expand its mandate “to combat terrorist financing.”425 Established by the Group of Seven in 1989, the FATF is an inter-governmental body that seeks to, “set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.”426 Since 2001, the G7 members have been working to implement the FATF’s recommendations regarding combatting the financing of terrorist activities.427

At the 2002 Evian Summit, the G7 established the Counter-Terrorism Action Group (CTAG), an international body with a mandate to support the United Nations Security Council Counter-Terrorism Committee.428 Collectively, these organizations coordinate donations to counterterrorism capacity-building assistance, including anti-money laundering and anti-terrorism financing training, and monitor member states’ adherence to the UN’s counterterrorism instruments.429

From 2004 to 2015, the UN Security Council issued several binding resolutions, including 1540 (2004), 2170 (2014), 2199 (2015), and 2253 (2015). By and large, these resolutions condemn foreign funding of terrorist organizations, and seek to suppress all forms of the financing of terrorism.430 At the 2015 Elmau Summit, G7 leaders reaffirmed their commitment to combatting terrorist financing through “coordinated action.”431 In particular, G7 leaders agreed to “effectively implement the established international framework for the freezing of terrorists’ assets, and will facilitate cross-border freezing requests among G7 countries,”432 and to “take further actions to ensure


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greater transparency of all financial flows, including through an appropriate regulation of virtual currencies and other new payment methods.” Finally, G7 leaders committed to effectively implementing FATF standards, “including through a robust follow-up process.”

**Commitment Features**

The G7 remains committed to bilateral, regional, and global efforts to counter terrorist financing. Despite the establishment of the FATF as a functional, institutionalized actor that provides a comprehensive global framework for combating CFT standards, the G7 remains concerned, “that the evolving nature of current terrorist financing threats requires us to adapt our existing measures to combat those threats.”

Due to the aforementioned global security concerns, G7 leaders adopted the G7 Action Plan on Combating the Financing of Terrorism at the G7 Finance Ministers and Central Bank Governors’ meeting in Sendai ahead of the Ise-Shima Summit in May 2016. As stipulated in these documents, the G7 countries have agreed to: 1) “enhance G7 information exchange and cooperation” regarding CFT; 2) review FATF standards in light of evolving terrorist financing threats; 3) implement coordinated and targeted financial sanctions; and 4) reinforce the FATF to meet “current challenges.”

The first element of this commitment recognizes that information exchange and international cooperation are critical in combating terrorist financing. The G7 commits to build on the work of international organizations, such as FATF and the Egmont Group, to further address potential vulnerabilities. Specifically, each G7 member commits to conducting a “mapping exercise” of its existing domestic and international financial intelligence bodies. This includes G7 FIUs and pertinent domestic authorities. The purpose of this “mapping exercise” is to ascertain if better coordination and cooperation are possible, both within nations and between G7 members. Member states also commit to exploring “new and innovative forms of information exchange and international cooperation.” Finally, members agree to evaluate cooperation between G7 FIUs and relevant private sector entities, with the goal of improving “timely access to information, adequate support and feedback to financial institutions, and effective mechanisms of dialogue to share contextual information and useful guidance, in order to improve the quality of terrorist financing detection.”

The second element of this commitment recognizes that the development of the FATF as a comprehensive global framework of CFT standards is vital in helping governments detect, analyze,
and report terrorist financing activity. Broadly, G7 members commit to conducting a review of the FATF Standards, with the ultimate goal of adjusting each member’s national requirements. Specifically, G7 members commit to: reduce the threshold for the declaration of cross-border cash transactions (EUR/USD/CAD 15,000 and JPY 2,000,000 to EUR/USD/CAD 10,000 and JPY 1,000,000); ensure that all G7 members are applying the FATF standards to new payment methods, such as virtual currency and prepaid cards; and assess other criteria used to develop preventative measures, for instance by exploring thresholds for “account, account-like products and cross-border wire transfers.”

The third element reaffirms the G7’s commitment to implementing targeted financial sanctions, primarily, by way of terrorist asset freezing as set out in the UN Security Council Resolution 2253 (2015). Specifically, G7 members commit to: strengthen the capacity of the G7 to put forward effective proposals to the UN Security Council in a timely manner; encourage individual G7 members to propose resolutions at the national level that can be supplemented by those recommended to the UN Security Council; and use national legal frameworks to fulfil the requests of other G7 members to freeze the assets of individuals who are suspected of engaging in terrorist financing activities.

The final element of this commitment recognizes the FATF as “the most legitimate and effective body to shape the global effort to tackle terrorist financing worldwide.” The G7 is cognizant that the implementation of FATF standards is vital to address the evolving nature of terrorist financing activities. Specifically, the G7 commits to reinforcing the FATF network worldwide to promote further cooperation and enable G7 members to more adequately tackle security threats.

A G7 member will have fully complied with this commitment if it takes action on three or more of the proposed CFT commitments listed in the G7 Action Plan on Combatting the Financing of Terrorism. If the member makes efforts on only two of these commitments, it will have partially complied. Finally, if the member fails to take action, or makes an effort in only one of these areas, it will be assigned a score of −1, or non-compliance.

**Scoring Guidelines**

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
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<tbody>
<tr>
<td>−1</td>
<td>G7 member takes action on one proposed commitment to combat the financing of terrorism (CFT) OR fails to take any action on any proposed CFT commitment listed in the G7 Action Plan on Combating the Financing of Terrorism</td>
</tr>
<tr>
<td>0</td>
<td>G7 member takes action on AT LEAST TWO of the proposed CFT commitments listed in the G7 Action Plan on Combating the Financing of Terrorism</td>
</tr>
<tr>
<td>+1</td>
<td>G7 member takes action on THREE OR MORE of the proposed CFT commitments listed in the G7 Action Plan on Combating the Financing of Terrorism</td>
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*Lead Analyst: Cas Legrand*

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2016 G7 Ise-Shima Interim Compliance Report
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Canada: +1
Canada has fully complied with its commitment to take further action on combating terrorist financing.

Canada has taken extensive steps to apply the standards set by the Financial Action Task Force (FATF) to new payment methods, such as virtual currency and prepaid cards.

On 15 September 2016, the FATF released an assessment of Canada’s anti-money laundering and combating the financing of terrorism (AML/CFT) framework.

Following the publication of the International Monetary Fund’s report, its provisions were adopted by the FATF at its plenary meeting in Busan, Korea on 22-24 June 2016. The following statement was included in the report: “Following OSFI’s [Office of the Superintendent of Financial Institutions] supervisory interventions, the two institutions are now implementing prepaid access controls in reloadable card programs similar to controls over deposit accounts. Regulatory amendments to include prepaid cards in the regulations are being developed. Other new products used — albeit to a very limited extent — include virtual currencies, which fall outside the current framework but which the government has proposed to regulate for AML/CFT purposes.”449

Canada strengthened the FATF network’s ability to respond to international security threats. During the 2016 North American Leaders’ Summit on 29 June 2016, Prime Minister Justin Trudeau commented on Canada’s participation in illicit financial flows by claiming that “through various forums — including the Financial Action Task Force, its global network, and the Egmont Group of Financial Intelligence Units — the countries exchange information and reinforce their shared commitment to increasing the global implementation of measures to counter illicit financial flows. Canada, the United States, and Mexico also coordinate and complement each other’s efforts to provide assistance to international partners working to increase their ability to address this issue.”450

On 20 December 2016, the United Nations Security Council adopted Resolution 2331 (2016), condemning all forms of human trafficking in the strongest terms. The council also encouraged the FATF to include analyses of human trafficking in relation to terrorism financing. Michael Douglas, Canada’s Deputy Permanent Representative to the United, remarked that, “human trafficking also created extraordinary profits for both terrorist and criminal organizations,” and highlighted Canada’s support for the work of the Financial Action Task Force.451 Canada has taken actions to enhance information exchange and cooperation in collaboration with financial intelligence units (FIUs) and the Egmont Group.

On 22 December 2016, Canada and several G7 nations participated in a mapping exercise to examine new methods to improve information exchange capabilities and increase cooperation between FIUs and private sector entities. Specifically, this exercise reaffirmed Canada’s commitment to working alongside FINTRAC, a partner of the Egmont Group that seeks to facilitate communication among FIUs.

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452 Mr. Kevin Stephenson (Executive Secretary, Egmont Group of Financial Intelligence Units) at the Finance Committee, Finance Committee on 5 May 2015 (Ottawa) openparliament.ca. Date of Access: 10 January 2017. https://openparliament.ca_committees/finance/41-2/79/kevin-stephenson-1/only/
Canada acknowledged the necessity of freezing the assets of individuals connected to terrorist groups. Global Affairs Canada, the country’s leading agency for foreign affairs, trade, and development, contends that the Canadian government has the right to freeze an entity’s assets and financial transactions if that entity is in violation of the Criminal Code. Further, Global Affairs Canada is responsible for enforcing relevant UN Security Council resolutions and the Special Economic Measures Act, in particular those articles that sanction the freezing of assets. Canada’s Standing Committee on Foreign Affairs and International Development is in the process of reviewing the Special Economic Measures Act and the Freezing Assets of Corrupt Foreign Officials Act, which may strengthen or change the capacities of the government to freeze assets and respond to requests. The Canadian government continues to adhere to structural frameworks put in place to facilitate the freezing of assets.

Canada has made effective contributions to the international framework on combating terrorist financing by enhancing its information exchange capabilities and strengthening its commitment to asset-freezing at the governmental level. Thus, Canada has been awarded a score of +1.

Analyst: Emerson Segismundo

France: +1

France has fully complied with its commitment to continue implementing relevant measures to combat terrorist finance during the compliance period.

France has established TRACFIN, a branch within the Ministry of Finance and Public Accounts whose purpose is to combat money laundering as well as the financing of terrorism. In 2015, TRACFIN published a report stating that illicit financing could be found in four professions: banks and credit institutions, the insurance industry, payment institutions, and manual changers. According to new data acquired in 2016, the number of reported cases of illicit financing rose by 49 per cent from January to September. In December 2016, TRACFIN published a report that outlined the phenomenon of crowdfunding — online donation platforms — as a popular means through which people are financing terrorism. According to the report, EUR50 million was made through crowdfunding, a figure that has doubled since 2014. TRACFIN has implemented new

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legislation within France that is expected to take effect on 1 January 2017, stipulating that those attempting to organize a crowdfunding campaign must register with financial control organizations and provide identification of both the person running the project as well as the person hoping to benefit from the funds obtained.462

France has taken action to increase the European Union’s ability to implement targeted financial sanctions. On 3 August 2016, an initiative to “introduce an autonomous EU sanctions regime with respect to groups and individuals supporting groups affiliated with or linked to ISIL or AlQaida” was accepted.463 This decision was proposed jointly by France and the United Kingdom for the purpose of allowing the EU to move forward on combating terrorist financing in this area without a directive from the United Nations.464

On 10 November 2016, the French Government issued a decree pertaining to electronic money which bolsters TRACFIN. The new framework is more stringent than that of the European Union 4th Directive on Anti Money Laundering.465

It has also adopted measures to strengthen its asset freezing regulations. On 24 November 2016, France published “an order bolstering measures for freezing assets.”466

On 24 February 2017, Michel Sapin, Minister of the Economy and Finance of France, addressed the FATF Plenary meeting. During his speech, Sapin suggested that “the FATF be granted legal status by France, its host country.”467 Sapin asserted that “This option would make the FATF a stable legal entity that reflects the importance of its current role on the international stage.”468

France has implemented new measures that comply with its commitment to combat the financing of terrorism during the compliance period and has taken concerted effort to facilitate coordinated action through the FATF. Thus, France has been awarded a score of +1.

Analyst: Sarah Bear

Germany: 0

Germany has partially complied with its commitment to take further action on combating terrorist financing, although it has taken extensive steps to enhance information exchange between domestic partners and G7 members.

In the wake of the terrorist attacks in Paris on 13 November 2015 and in Brussels on 22 March 2016, Germany passed the Act to Improve Information Exchange in the Fight Against International Terrorism, an amendment signed into law on 30 July 2016 that enhances information-sharing

https://www.legifrance.gouv.fr/eli/decret/2016/11/10/ECFT1608399D/jo
capabilities between the Federal Office for the Protection of the Constitution (BfV), Germany’s domestic security bureau, and other German domestic intelligence agencies. For instance, the act enables the BfV to “create or participate in common databases with foreign intelligence services for the investigation of attempts or completed actions directed at events or groups of people.”

Moreover, the act called for increased cooperation among the members of the Club de Berne, a European intelligence-sharing forum that incorporates 28 neighbouring European Union governments and member states of the North Atlantic Treaty Organization. In 2016, a derivative of the Club de Berne, the Counter Terrorist Group (CTG), established a new information-sharing platform in The Hague, Netherlands. The new legislation will allow the BfV to fully participate in the CTG’s operations.

Germany has also emphasized the importance of the Financial Action Task Force (FATF) in the fight against terrorist financing. As host of the G20 this year, Germany has set out a number of priorities for the organization which include an “aim to ensure global and comprehensive implementation of the recommendations of the Financial Action Task Force (FATF).”

Cognizant that the trading of artwork can engender the financing of terrorist activities, Germany adopted a revised version of the Act on the Protection of Cultural Property on 23 July 2016. The new legislation included new provisions to prevent the destruction of cultural sites, an activity employed by terrorists as an important source of funding, in particular in zones of conflict. The adoption of the Act reaffirmed Germany’s commitment to UN Security Council Resolution 2199, a resolution unanimously adopted by member states in 2015 that condemned the destruction of world cultural heritage sites in Syria and Iraq as well as the illicit trafficking of cultural property to fund terrorism activities. Germany reaffirmed its commitment to the Act on the Return of Cultural Property of 2007, a revision of the UNESCO 1970 Convention that sought to outline Germany’s regulations for importing and exporting cultural property. Specifically, the new agreement mandated compulsory licensing procedures to export cultural property from Germany and provided a rigid sanctions framework to prevent the illegal trade of imported cultural property within Germany.

Germany has made effective contributions to the international framework on combating terrorist financing by enhancing its information exchange capabilities and reinforcing UN commitments to sanction the violation of cultural property, a considerable financial source for terrorism activities. It has acted on two of the proposed CFT commitments and thus has been awarded a score of 0.

*Analyst: Jude Haj Ali*

**Italy: +1**

Italy has fully complied with its commitment to combat terrorist financing.

Italy has taken actions to enhance information exchange and cooperation between the Bank of Italy and the Vatican’s Financial Information Authority (AIF).

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On 26 July 2016, the Bank of Italy and the AIF signed a cooperation agreement aimed at enhancing the exchange of information in the field of financial supervision on the basis of reciprocity. This declaration builds on a similar agreement concluded in 2013 between the AIF and the Italian financial intelligence unit (FIU) that sought to disrupt money laundering and terrorist financing activities. As President of the AIF René Brühlhart explains, the new agreement seeks to broaden channels geared at monitoring the relationship between Italian financial intermediaries and entities carrying out financial activities in order to “strengthen the bilateral cooperation between the Holy See and Italy in the common fight against illicit financial activities.”

In October 2016, Italy took on a more prominent role in the Counter-ISIL Finance Group (CIFG), an organization that Italy co-established in January 2015 to enhance coordination among international partners to arrest the financing of Da’esh operations. On 26 October 2016, CIFG hosted its sixth meeting with delegations from over 35 countries. The meeting provided an opportunity for Coalition members to sharpen their understanding of ISIL’s financial infrastructure as a way to propose viable strategies to disrupt ISIL’s sources of revenues and its access to the international financial system.

On 13 December 2016, Giuseppina Pellicano, Head of Countering the Financing of Terrorism and International Financial Sanctions, emphasized the need for collaboration among Italy’s authorities at the United Nations’ joint special meeting on “Depriving Terrorist Groups from Accessing, Raising, and Moving Funds: Practices and Lessons Learned.” Italian customs is closely cooperating with several FIUs to implement and enforce a viable system to prevent cross-border cash transactions and exchange and update information in the customs database to detect terrorist financing and money-laundering activities.

Pellicano also discussed Italy’s efforts to implement Targeted Financial Sanctions, a series of economic sanctions that are under the purview of the Financial Security Committee (FSC), an independent body in the Ministry of Economics and Finance. The FSC receives and designates evidence for identifying terrorism concerns and entities. As Pellicano explained, “the FSC has the power to ask of sharing information even in case covers by secrecy laws.” Within this national

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framework, Italian FIUs can issue a five-working-day freezing order in case of suspected transactions of terrorist financing.483

In addition, Pellicano spoke about Italy’s cross-border cash transaction system. In her remarks, she explained that, “all cash and bearer negotiable instruments must be declared where equal or above the fixed threshold of EUR10,000,” and the exceeding part that was not correctly declared is ceased.484 Moreover, she reminded the body that in the case of incomplete or false declarations, Italy would act resolute in applying severe administrative sanctions.485

On 14 December 2016, the National Institution of Statistics published Italy’s Sustainable Development Goals of the 2030 Agenda for 2016. As part of its sixteenth goal, Italy anticipates strengthening its relevant national institutions, increasing capacity-building at all levels, and concentrating its efforts on putting an end to violence, terrorist financing activities, and crime in developing countries by way of enhanced international cooperation.486

Italy has made effective contributions to the international framework on combating terrorist financing by enhancing its information exchange capabilities between FIUs and the Bank of Italy, engaging in a robust system that prevents cross-border cash transactions, and reaffirming its commitment to enforcing sanctions against those who perpetrate terrorist financing and money laundering activities. Thus, Italy has been awarded a score of +1.

Analyst: Zishu (Bianca) Gao

Japan: 0

Japan has partially complied with its commitment to take further action on combating terrorist financing, including assessing and implementing relevant measures. Japan has taken steps to reinforce standards set by the Financial Action Task Force (FATF) to inhibit the financing of terrorist activities.

On 11 October 2016, Japan’s Ministry of Finance released the Outcome of the G7 Assessment of Potential Standards Enhancements. In this document, the Japanese government released a review of the G7’s progress in meeting its obligations under its commitment to “assessing potential standards enhancements of the preventive measures.”487 It found that all G7 members will soon have adopted legislation to include new payment methods such as virtual currency and prepaid cards. Finally, it noted that the G7 is carrying out an investigation into the costs and benefits of additional threshold changes to strike a balance between the necessity of stronger regulations and regulatory costs.488

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On 22 December 2016, the MoF conducted a mapping exercise of financial intelligence units (FIUs) and outlined several measures to improve cooperation in a published document titled Enhancing G7 Information Exchange and Cooperation for Countering the Financing of Terrorism. These proposals included new methods for cooperation between FIUs and law enforcement agencies, as well as coordination among private sector agencies.\footnote{Enhancing G7 Information Exchange and Cooperation for Countering the Financing of Terrorism, Policy Research Institute, and Ministry of Finance (Tokyo) 22 December, 2016. Date of Access: 6 February 2017. http://www.mof.go.jp/english/pri/publication/mf_review/cy2017/522/522.pdf.}


Since the Ise-Shima Summit, the Japanese FIU and the Japan Financial Intelligence Centre have reinforced the international FATF network by signing Statements of Cooperation with the FIUs of Cuba, Laos and Ghana during the compliance period.\footnote{Statements of Cooperation between JAFIC and foreign FIUs concerning Exchange of Information related to Money Laundering and Terrorist Financing, Japan Financial Intelligence Centre (Tokyo). Date of Access: 6 February 2017. https://www.npa.go.jp/sosikihanrai/jafic/en/kokusai_e/mousin_e.htm}

Japan has made contributions to the international framework on combating terrorist financing by reaffirming its commitment to FATF standards and by supporting increased cooperation with other countries. Thus, Japan has been awarded a score of 0.

Analyst: Jeffrey Li

United Kingdom: +1

The United Kingdom has fully complied with its commitment to take further action on combating terrorist financing. The UK has taken extensive steps to implement targeted financial sanctions, primarily by way of terrorist asset freezing.


In August 2016, the UK, along with over 20 other countries, met in Bali at

the Counter-Terrorism Financing Summit, where it reinforced its commitment to strengthen, collaborate, and share financial intelligence between partnering nations to track terrorist activities.495

The UK has taken steps to improve its information-exchange capabilities and increase its international cooperation. The Home Office proposed to create new legislation by October 2017 to achieve better information-sharing between law enforcement agencies and private sector entities. In an effort to strengthen the UK’s national security, the government passed the Investigatory Powers Bill that received royal assent on 29 November 2016.497 This act is intended to strengthen the UK’s ability to intercept communications and retrieve intelligence that may pose a terrorist threat to the country’s national security.498 This bill coincides with the Home Office’s October 2017 commitment to gain stronger intelligence to reduce vulnerabilities and close loopholes that can be exploited by terrorists.499 Furthermore, the Home Office committed to deliver “prevent campaigns” to raise awareness among professionals in the regulated sector regarding actions needed to mitigate money laundering and terrorist financing risks.500

The UK reaffirmed its commitment to abide by the FATF standards that were revised in 2012.501 These amendments recommended a greater emphasis on a risk-based approach to facilitate anti-money laundering and combat the financing of terrorism. The UK is tentatively scheduled to undergo an assessment against the prevailing standards in March or April 2018. The Financial Action Task Force agreed to suspend financial crime and counter-measures against Iran for 12 months.502 The UK agreed to amend the Fourth European Union Anti-Money Laundering Directive (4AMLD) by June 2017. The 4AMLD adopted in May 2015 sought to bring European Union legal frameworks in line with the revised FATF standards, while taking into account the European Commission’s review of the implementation of the third directive. The changes introduced in the 4AMLD will increase the transparency of legal persons and arrangements and strengthen the enhanced checks (“due diligence measures/counter measures”) for high-risk countries.503

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The UK has made effective contributions to the international framework on combating terrorist financing by introducing asset-freezing legislation, increasing its information-exchange capabilities, and reaffirming its commitment to FATF standards. Thus, the United Kingdom has been awarded a score of +1.

**Analyst: Pitasanna Shanmugathas**

**United States: +1**

The United States has fully complied with its commitment to take further action on combating terrorist financing. The US has taken extensive steps to promote counter-terrorism cooperation with other countries and implement sanctions in order to undermine terrorists and their sources of funding.

On 27 May 2016, the Office of the Press Secretary at the White House released the G7 Ise-Shima Leaders’ Declaration. The statement reaffirmed the US’s commitment to improving the transparency of individuals’ properties that are vital to preventing the financing of terrorism activities. Moreover, the report indicated a responsibility to reduce terrorist groups’ access to sources of funding and adhere to the provisions declared in the G7 Action Plan on Combatting the Financing of Terrorism.

On 29 June 2016, Senators Bob Casey and Johnny Isakson introduced the Stop Terrorist Operational Resources and Money bill, which allowed the United States to penalize countries that fund terrorists or terrorist groups. Under this bill, the president is “empowered to limit credit, levy economic sanctions, and reduce development assistance and military sales in an effort to penalize countries tolerating terrorist financiers.”

The United States contributed to implantation and enforcement mechanisms of financial sanctions that seek to discourage terrorist financing activities. On 1 July 2016, the Office of Foreign Assets Control (OFAC) issued regulations to execute the Federal Civil Penalties Inflation Adjustment Act of 1990. The regulations increased the maximum amount of civil monetary penalties under OFAC regulations. The amended regulations included global terrorism sanctions regulations, terrorism sanctions regulations, and foreign terrorist organizations sanctions regulations. According to current legislation that was formalized on 1 August 2016, the applicable maximum civil penalty for the violation of the International Emergency Economic Powers Act is $284,582 or an amount that is twice the amount of the transaction that violates the Act, whichever is greater. For the foreign terrorist organizations sanctions regulations, the applicable maximum civil penalty is $75,122 or twice the amount of which a financial institution was required to retain possession.

Following the Ise-Shima Summit, the US stressed the importance of promoting cooperation among countries in the international system to tackle terrorist security and issues pertaining to terrorist financing. On 27 July 2016, US officials met India’s officials in Washington DC for the 14th US-

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India Counterterrorism Joint Working Group collaboration.\textsuperscript{511} The meeting enhanced the partnership between the two countries and solidified their mutual commitment to combat terrorist financing.

From 19 to 21 October 2016, the plenary meeting of Financial Action Task Force (FATF) was held in Paris under the Spanish presidency of Juan Manuel Vega-Serrano. The meeting discussed the US’s 2016 FATF mutual evaluation reports, which indicated that the US was highly effective in countering terrorism and terrorism financing by prosecuting individuals for terrorist financing and executing financial sanctions.\textsuperscript{512}

On 22 November 2016, Daniel Glaser, the United States Treasury Assistant Secretary for Terrorist Financing, and Luis Caputo, Secretary of Finance of the Republic of Argentina discussed a partnership agreement to combat the financing of international terrorism.\textsuperscript{513} This cooperation has helped both countries to conduct research on illicit finance threats of mutual concern that can be used for designing strategies to counter terrorist financing.

On 20 December 2016, the supervisors of the Anti-Money Laundering and Countering Financing of Terrorism Act met at the International Supervisors Forum in Washington DC.\textsuperscript{514} Established in 2013, this platform serves to enhance collaborative efforts made by governmental regulatory agencies in the United States, New Zealand, the United Kingdom, Australia and Canada to combat terrorist financing, money laundering, and other financial crimes.\textsuperscript{515} In December 2016, participants discussed the challenges and successes of supervision and identified reporting methods to recognize terrorist financing activities. The discussion acted as a critical step in enhancing transnational cooperation, essential for regulating the financing of terrorism activities in a volatile world of rapidly changing technology and global financial provisions.

As well, in December 2016, the US reported that it had cut the Islamic State’s financing and trade in looted antiquities.\textsuperscript{516} The US Department of Justice filed a lawsuit in Washington DC to seize cultural artifacts held by ISIS. The Department claimed that ISIS not only massively destroyed these rare antiques, but also acquired a significant portion of its funding from illegally trading these ancient relics. In line with US law, these artifacts were deemed to represent assets of a designated terrorist organization and were subsequently seized by the US government.

The US has made effective contributions to the international framework on combating terrorist financing by enforcing sanctions against individuals who engage in terrorist financing activities.


\textsuperscript{514} International Anti-Money Laundering Supervisors meet in Washington, Department of Internal Affairs of New Zealand, 20 December 2016. Date of Access: 6 January 2017. https://www.dia.govt.nz/press.nsf/d77d9b523f12931cc256ac5000d19b6/2e29337822a0f7c7cc25808e007b58c30pe nDocument

\textsuperscript{515} International Anti-Money Laundering Supervisors meet in Washington, Department of Internal Affairs of New Zealand, 20 December 2016. Date of Access: 6 January 2017. https://www.dia.govt.nz/press.nsf/d77d9b523f12931cc256ac5000d19b6/2e29337822a0f7c7cc25808e007b58c30pe nDocument

increasing information exchange and cooperation with other countries, and identifying a reporting mechanism to better track terrorist financing activities. Thus, the United States has been awarded a score of +1.

Jiayue (Joy) Li

European Union: +1

The European Union has fully complied with its commitment to combating the financing of terrorism.

Since the 2016 Ise-Shima Summit, the European Union has continued to reiterate support for the swift implementation of the Financial Action Task Force’s (FATF) standards, as well as for the United Nations Security Council Resolution 2253.517

On 5 July 2016, the European Commission, under Jean-Claude Juncker, adopted a proposal to both strengthen EU rules on anti-money laundering to terrorist organizations and increase transparency rules on ownership of companies and trusts.518 This proposal updated the May 2015 Fourth Anti-Money Laundering Package, which required all member states to nationally register the beneficiaries of companies and trusts by the end of 2016. Enhanced cooperation among EU financial intelligence units (FIUs) increased their access to information in centralized banks, payment account registers, and central data retrieval systems. To ensure transparency, all member states were urged to establish holders of bank and payment accounts.519

The proposal adopted by the European Commission on 5 July 2016 also explicitly tackled terrorist financing risks linked to virtual currencies and anonymous pre-paid cards.520 In working to prevent misuse of virtual currencies being used for the financing of terrorist purposes, the European Commission recognized that “customer-due diligence controls” would be necessary in exchanging virtual for real currencies to end anonymity in virtual exchanges. Furthermore, the European Commission proposed to minimize usage of anonymity in pre-paid instruments by lowering the need for identification from EUR250 to EUR150 and widening verification requirements.521

On 14 July 2016, the European Commission also formally adopted a list of developing countries with strategic deficiencies in their regimes on the countering of terrorist financing. Banks were mandated to enhance diligence measures on financial flows from 11 countries, which mirror the list published by the FATF. The EU authorized targeted technical assistance to these 11 countries to enhance capacity in countering the financing of terrorism and improving anti-money laundering measures.522

On 2 June 2016, the Netherlands Presidency of the Council of the EU hosted Dimitris Avramopoulos, the Commissioner for Migration, Home Affairs, and Citizenship, and Vára Jourová, the European Union Commissioner for Justice, Consumers, and Gender Equality, as well as Loretta E. Lynch, the United States Attorney General, and Alejandro Mayorkas, the Deputy Secretary of Homeland Security, to discuss trans-Atlantic cooperation in freedom, security, and justice. This meeting yielded a reaffirmed commitment to the maintenance of high standards for protection of personal data transferred by law enforcement authorities and strengthened the rights of citizens to facilitate cooperation. The agreement called on both the EU and the United States to improve border security, cooperate in identifying terrorists, and legislate initiatives to improve information sharing between the two G7 groups.

In his address delivered on 14 September 2016, President Juncker explained that the European Commission needed to mutually recognize criminal asset freezing and confiscation orders, recommending an additional proposal to combat fraud and non-cash payment counterfeit. By early 2017, the European Commission anticipates that the powers of customs authorities will be widened to address terrorism financing through the illicit trading of general and cultural goods.

In his same speech, President Juncker also announced the intention of the European Commission to legislate the harmonization of money laundering offences, as proposed in the Fourth Anti-Money Laundering Directive that was previously adopted in 2015. The European Commission presented updated reports on an EU terrorist financing tracking system as well as an EU asset freezing regime that would complement existing regimes currently held under the Common Foreign and Security Policy.

The State of the Union address also reaffirmed the European Commission’s commitment to a platform that would better connect FIUs from EU member states, a plan that was established in early 2016. With the help of Commission services, this initiative serves to further enhance cooperation, develop tools, and better identify suspicious financial transactions. These FIUs developed information technology tools for direct information exchange (at FIU.NET) that have been utilized by the European Counter-Terrorism Centre since 1 January 2016.

On 16 November 2016, the European Commission released its Second Report on Progress Towards an Effective and Sustainable Security Union, outlining several necessary provisions for EU autonomous listings against terrorist groups such as al Qaeda and the Islamic State in Iraq and the Levant (ISIL) also referred to as Da’esh.

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The European Union has made effective contributions to the international framework on combating terrorist financing by reinforcing its FATF standards, increasing cooperation among FIUs, and calling on the European Commission to recognize criminal asset-freezing. Thus, the European Union has been awarded a score of +1.

*Analyst: Courtney Amanda Wong*