

Report on the Seminar on Counter Financing of Terrorism (CFT) held in Lucerne, Switzerland on 15 – 17 December 2009

Submitted by the Basel Institute on Governance

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Report on the International Seminar on Counter Financing of Terrorism (CFT) held in Lucerne, Switzerland on 15 – 17 December 2009

1 Executive Summary

1.1 The seminar, held on 15 to 17 December 2009 in Lucerne, Switzerland, was aimed primarily at bank compliance officers, regulatory and supervisory officers and law enforcement officers who are responsible for anti-money laundering and countering terrorist financing measures in their organizations. The event included a series of presentations and four panels of expert speakers who covered topics such as recent developments in terrorism; the challenges of screening name lists; the role of financial institutions in countering terrorist financing; early detection signals and sanctions; terrorist financing typologies; and terrorist financing investigations and prosecutions. In addition, there were seven workshops where participants contributed actively to group discussions in identifying practical solutions to enhance the capability of financial institutions to implement counter-terrorist financing measures more effectively.

1.2 The seminar was attended by 153 participants (including 33 speakers) from Asia, Africa, the Middle East, Europe and America. The seminar received financial support from the European Bank for Reconstruction and Development (EBRD); Swiss Federal Department of Foreign Affairs FDFA, Directorate of International Law DIL; World-Check; Dow Jones; Cellent Finance Solutions AG; TvT Compliance AG. Representatives from international organizations such as the International Monetary Fund (IMF), Organisation for Security and Cooperation in Europe (OSCE), Council of Europe (CoE), United Nations also took part in the seminar. EBRD was represented by Judith Shenker, Deputy Chief Compliance Officer, and John Mair, Senior Integrity Manager.

1.3 The seminar noted that while there had been progress made in the CFT field, the world continued to experience limited success in the fight against terrorism as there remain a number of countries that have yet criminalized financing of terrorism. In addition, trends and techniques of terrorism financing were constantly evolving which made the public and private sector tasks of detecting terrorism financing difficult. In addition, some participants shared that while a legal framework for CFT was mostly in place in their country, actual implementation of the measures was lacking. The seminar agreed that the basic requirements that must be consolidated in order to progress to the next level were political

willingness, better public and private sector partnership and international cooperation. Toward these ends, it was felt that the seminar was useful in serving as an expert platform for promoting public and private sector partnership and international cooperation. The seminar also announced the launch of the Experts Network to Counter Terrorist Financing (Encounter) which is an electronic platform for experts to share and exchange information on CFT. The seminar also contributed to the enhancing of cooperation between developing and developed countries on CFT work. The seminar received media coverage in the Basler Zeitung (BAZ; 19th December 2009) and Luzerner Zeitung (Wednesday 16th December 2009), both in German.

1.4 EBRD committed an amount of EUR 71,610 to fund 30 delegates from its countries of operation to take part in the seminar. This amount covered the delegates' cost of travel to the seminar location in Lucerne, their hotel accommodation, per diem allowances and seminar fees. A total of 23 EBRD-sponsored delegates eventually attended the seminar. The total amount of spending for the 23 delegates amounted to EUR 36,547. This gave rise to a variance and a balance of EUR 35,063, primarily due to lesser EBRD delegates than originally anticipated and cheaper air ticket arrangements for the delegates. More information on the actual expenditure is given in Section 5 of this report.

1.5 This report provides a summary of the proceedings of the seminar, evaluation and feedback received from participants and details on the expenditure for the portion of EBRD funding.

2 Introduction

2.1 The seminar, held on 15 to 17 December 2009 in Lucerne, Switzerland, was aimed primarily at bank compliance officers, regulatory and supervisory officers and law enforcement officers who are responsible for anti-money laundering and countering terrorist financing measures in their organizations. The event included a series of presentations and four panels of expert speakers who covered topics such as recent developments in terrorism; the challenges of screening name lists; the role of financial institutions in countering terrorist financing; early detection signals and sanctions; terrorist financing typologies; and terrorist financing investigations and prosecutions. In addition, there were seven workshops where participants contributed actively to group discussions in identifying practical solutions to

enhance the capability of financial institutions to implement counter-terrorist financing measures more effectively. The seminar was conducted entirely in English. A copy of the seminar agenda is attached at Annex 1.

2.2 The seminar was attended by 153 participants (including 33 speakers) from Asia, Africa, the Middle East, Europe and America. The seminar received financial support from the European Bank for Reconstruction and Development (EBRD); Swiss Federal Department of Foreign Affairs FDFA, Directorate of International Law DIL; World-Check; Dow Jones; Cellent Finance Solutions AG; TvT Compliance AG. Representatives from international organizations such as the International Monetary Fund (IMF), Organisation for Security and Cooperation in Europe (OSCE), Council of Europe (CoE), United Nations also took part in the seminar.

2.3 EBRD was represented by Judith Shenker, Deputy Chief Compliance Officer, and John Mair, Senior Integrity Manager. Judith Shenker gave the opening remarks, together with Daniel Thelesklaf (Executive Director of the Basel Institute on Governance) and Alessandro Capelli of the Swiss Ministry of Foreign Affairs. Judith Shenker and John Mair also chaired a workshop on 'Implementation of CTF requirements in transition countries'.

3 Content and Proceedings of the Seminar

3.1 Day One, Tuesday, 15th December 2009

The first day of the seminar comprised of four panels and several presentations on current issues regarding countering terrorist financing. Richard Barrett, head of the UN's Al-Qaida/Taliban monitoring team, explained in his presentation on 'Terrorist Financing: 8 years after 9/11' that there was an UN Working Group set up to examine the various components of action taken to counter the financing of terrorism and make proposals aimed at increasing the effectiveness of the implementation of international standards, including the Financial Action Task Force (FATF) Special Recommendations. The Working Group had issued a report organized into five broad areas: (i) the criminalizing of terrorist financing; (ii) the enhancement of domestic and international cooperation; (iii) value transfer systems; (iv) non-profit organizations; and (v) the freezing of assets.

The panel on 'Recent developments in terrorism' discussed that while the Al-Qaida was weakened by the loss of its base in Afghanistan in 2001, a broader, more global network of

jihadi groups had risen in the meantime that also included an ever-growing role for radicalized European activists. Jihadists had also internationalized in the last years. This is seen as a global phenomenon. Since the terror attacks of 2001 the networks of jihadists have changed significantly. There was a change from a national to an international strategy.

During the presentation/discussion on 'What's in a name – The challenges of screening name lists in CTF', various issues such as name identifier, data quality issues and quality of open source information were actively discussed. This was followed by a panel discussion on 'the Role of financial institutions in CTF'. Financial institutions usually comply with AML/CFT requirements for recognizing and reporting suspicious activity. However, there are few indicators—other than "hits" on sanctions lists—available to assist reporting entities in recognizing that a suspicious activity is specifically related to terrorism financing. It was discussed that authorities should work to develop indicators (types of transactions, products and so on) that link suspicious transactions to terrorism financing. As much as possible, these indicators should be distinguished from those of money laundering. This would help competent authorities to offer proper guidance to financial institutions regarding suspicious activities reports relevant to terrorism financing. Such analysis could also assist countries in ensuring that regulation is sound.

During the presentation/discussion on 'Early detection signals in the field of CTF and Sanctions' the consummation of intelligence by almost everybody in times of google-ization was discussed. The issue on the danger of terrorism in ungoverned areas such as the internet was also actively discussed. This was followed by a panel discussion on 'TF typologies' which discussed the cooperation between financial intelligence units, prosecutors, lawyers and investigators. Domestic and international cooperation works best when all of the relevant agencies involved in an initiative are operating on a shared understanding of "terrorism financing", a common agenda and as much shared information as possible. During the panel 'investigations and prosecutions' the participants heard that the terrorists are doing fundraising. Terrorists' activities may be carried out with small amounts of money but they are needed quickly. People from different sectors should be brought together to fight illicit financing.

At the end of the first day, two practical examples were presented: the 'Holy Land Foundation (HLF) case study' and the 'Lloyds TSB case study'. HLF was designated by the United States Department of the Treasury's Office of Foreign Asset Control as a Specially Designated Global Terrorist while the European Union froze its European Assets. Among the founders of the Holy Land Foundation is Mousa Mohammed Abu Marzook, a political leader of Hamas, who

provided substantial funds to the Holy Land Foundation in the early 1990s. The Department of Treasury also reported that HLF funds were used by Hamas to support schools that served Hamas's ends by encouraging children to become suicide bombers and to recruit suicide bombers by offering support to their families.

3.2 Day 2, Wednesday, 16th December 2009

The second day started with a presentation/discussion concerning the 'Regulation of NGOs': NGOs are vulnerable to abuse because they are often the first ones to come to war zones, zones of conflict and remote areas. They inevitably very often are close to where the terrorist groups are situated. The participants learned that there is a strong tradition of charitable activity deeply rooted in Islam. The key question is cash donations versus total prohibition thereof. These discussions were followed by four workshops which took place at the same time. In the workshop on 'Implementation of CTF requirements in transition countries' experiences with CTF and AML were shared (chaired by Judith Shenker and John Mair). Another workshop developed a 'Checklist for financial institutions how to comply with CTF requirements'. Participants agreed that detecting terrorist financing was more difficult than detection of Money laundering.

The afternoon session was opened by a presentation/discussion on 'Cyber-terrorism'. Terrorists use the internet for research, recruitment, money laundering and information. Terrorist organisations have websites to reach people all over the world in an anonymous and low-cost manner, to reach, inform and recruit people. There are many different ways for terrorists to raise money. One of them is using fake online shops for donations (a bag/an object is purchased but no good is delivered despite the payment). This session was followed by another four workshops. In the workshop on 'Cyber-terrorism', the legal aspects of the fight against cyber-terrorism were highlighted as particularly challenging due to the complexity in legal drafting. There are billions of cyber attacks every day because it is very easy to get hacking software on the internet. The last presentation/discussion of the day was about the TF designation process and how it helped the Holy Land Case. The participants learned that a designation means various things depending by the type of designation. It can be an administrative act. A knowing violation of a designation can result in prosecution. There is a synergy between designation and prosecution: designation creates the criminal offense of material support.

3.3 Day 3, Thursday, 17th December 2009

The third day of the seminar started with a presentation/discussion on 'Supervising banks compliance with CTF requirements'. Discussions emphasized that the role of the supervisor was to ensure the implementation of preventative measures by financial institutions; it was not the responsibility of the supervisor to perform investigations. It was also discussed that an inventory of the difficulties encountered by financial institutions in implementing the terrorism financing provisions should be developed to enhance mutual understanding and build confidence between the private sector and the competent authorities.

The presentation/discussion on 'Use of Informal networks for TF: Modus operandi, risks and opportunities for control' discussed the vulnerabilities of informal remittances being used for financing of terrorism. This presentation/discussion was followed by a presentation/discussion on 'Disrupting terrorist financing with civil litigation'. The EU counter-terrorism strategy is based on four principles: prevention, protection, pursuing and response. Pursuing is the most effective principle for suppressing terrorism. The idea of disrupting terrorist financing with civil litigation is that people care more about money than being in jail.

In panel five on 'Countering terrorist financing in developing countries and emerging markets', the challenges for the future were discussed. There are social and economical challenges with the goal of stopping people from wanting to become terrorists. The Philippines have been relatively successful in combating terrorist financing because it is a punishable act (A number of countries have yet to criminalise financing of terrorism as a predicate offense). Asset tracing is very difficult in developing countries. There is a lack of records. It is very difficult to define terrorism in the first place and therefore also difficult to define terrorist financing.

In the afternoon the results of the workshops were presented: the conclusion of 'Sanctions screening' – current challenges and future solutions were that the targets in the sanctions lists were in need of an update. Damien Martinez from World check presented the results of the workshop on 'Use of risk intelligence technology in CTF': the use of the internet, and there as a main point Google, that carries with it several risks such as privacy and unscreened information. John Mair presented the findings of the conclusion of the workshop on 'Implementation of CTF requirements in transition countries' and highlighted the paramount importance of the adequacy of laws and regulations in those countries. Phil Cooper presented the conclusions of the workshop on 'Regulation of NGOs' and highlighted the potential weakness in the NGO system. Kristel Grace Poh demonstrated the results of 'Checklist for financial institutions how to comply with CTF requirements'. The results of the session on 'Role of FIUs in CTF' were presented by Yehuda Shaffer. There is limited cooperation and information exchange between FIUs on the national and international level

which can create problems. There is a need for improvement in the mutual trust between FIUs and other governmental bodies. The workshop on 'How to improve the legal framework' showed that there was a provocation raised in the group whether AML should be completely separated from CTF as it is in Switzerland or not. There was also the issue of whether the financial intelligence unit was the appropriate body to fight TF.

The seminar was concluded with a visit and a cocktail at Bourbaki Panaroma museum.

Conclusion

The seminar noted that while there had been progress made in the CFT field, the world continued to experience limited success in the fight against terrorism as there remain a number of countries that have yet criminalized financing of terrorism. In addition, trends and techniques of terrorism financing were constantly evolving which made the public and private sector tasks of detecting terrorism financing difficult. In addition, some participants shared that while a legal framework for CFT was mostly in place in their country, actual implementation of the measures was lacking. The seminar agreed that the basic requirements that must be consolidated in order to progress to the next level were political willingness, better public and private sector partnership and international cooperation. Toward these ends, it was felt that the seminar was useful in serving as an expert platform for promoting public and private sector partnership and international cooperation. The seminar also announced the launch of the Experts Network to Counter Terrorist Financing (Encounter) which is an electronic platform for experts to share and exchange information on CFT. The seminar also contributed to the enhancing of cooperation between developing and developed countries on CFT work.