Background to the RRA

• Key outcome of 2015 CTF Summit
• Commitment to regional collaboration
• A world first in regional TF assessments
In-scope region

- Australia
- Indonesia
- Malaysia
- Philippines
- Singapore
- Thailand
Methodology

How the RRA was conducted
Risk framework

Risk

Likelihood
- Threat
- Vulnerability

Consequences
- Operational
- Organisational
Information collection tools

See handout
### Section 2: Measuring ‘Threat’

<table>
<thead>
<tr>
<th>RISK FACTOR</th>
<th>THREAT SCORE</th>
<th>DESCRIPTION (please provide description of your answer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TERRORISM FINANCING CHANNEL</td>
<td>1 - 3 = Low</td>
<td>High potential for misuse, but limited examples uncovered to date.</td>
</tr>
<tr>
<td>RAISING FUNDS</td>
<td>4-6 = Medium</td>
<td>Some vulnerability, but not a particularly prominent issue.</td>
</tr>
<tr>
<td>LEGALLY</td>
<td>7-9 = High</td>
<td>Not observed, but possible.</td>
</tr>
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</table>

**TERRORISM FINANCING CHANNEL**

**RAISING FUNDS**

**LEGALLY**

- Charities and non-profit organisations
  - Low: 1, 2, 3
  - Medium: 4, 5, 6
  - High: 7, 8, 9

- Legitimate and front businesses
  - Low: 1, 2, 3
  - Medium: 4, 5
  - High: 6, 7, 8, 9

- Wealthy private donor
  - Low: 1, 2, 3
  - Medium: 4
  - High: 5, 6, 7, 8, 9
### RAISING FUNDS
- **LEGALLY:** Self-funding from legitimate income: 7.8
- **ILLEGALLY:** Other criminal activity: 5.2

### MOVING FUNDS
- **CASH:** By carrying cash or similar instruments, and cash smuggling: 7.2
- **BANKING:** The banking system: 5.8
- **NON BANKING:** Alternative remittance and money service businesses: 4.8
- **GOODS & SERVICES:** Through vehicle dealers & others: 4.8

### USING FUNDS
- **DIRECT:** Personnel mobility (vehicle): 7.2
- **INDIRECT:** Propaganda, radicalization, meetings: 6.5

### VULNERABILITY
- **Recommendation No. 8 (NPO):**
  - Quality and scope of border controls and comprehensiveness of customs regime on cash and BNI: 6.6
  - Other: 5.0
Validation of results
Key findings
Global security environment

- The rise of ISIL
- Other transnational terrorist groups
- Domestic conflicts
- Cross-border movement of extremists/foreign fighters
### Key features of TF landscape

<table>
<thead>
<tr>
<th>Geographic and structural features</th>
<th>Broad TF behaviours</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The reality of geography</td>
<td>• Continued use of established methods</td>
</tr>
<tr>
<td>• Cash-intensive and informal economies</td>
<td>• TF flows into, across and out of the region</td>
</tr>
<tr>
<td>• Financial and transit hubs</td>
<td></td>
</tr>
</tbody>
</table>
CTF capabilities and challenges

MORE EFFECTIVE

- Understanding national terrorism financing risks (FATF Recommendation 1)
  All countries have conducted national or thematic risk assessments.
  Understanding of terrorism financing risks varies in quality and depth.

- Domestic cooperation (FATF Recommendation 2)
  Successful terrorism disruption indicates generally good levels of cooperation.
  In some countries cooperation between different arms of government, including military and police, could be improved.
  Staffing and resources could be enhanced to improve operational capability.

- Cross-border movement of money controls and monitoring (FATF Recommendation 32)
  Gaps in monitoring border channels.
  Small amounts intended for terrorism financing (amounts below cash reporting thresholds) can be moved without the requirement to be reported.
  Limited typologies and indicators make it difficult to proactively identify suspected terrorism financing in the absence of other intelligence.

LESS EFFECTIVE

- Major or fundamental improvements needed

- Implementation of international conventions (FATF Recommendation 36)
  All countries have ratified relevant conventions and largely implemented them.

- Comprehensive terrorism financing offences (FATF Recommendation 5)
  All countries have criminalised terrorism financing but the scope of offences varies.
  Most, but not all, elements of the FATF standards are covered in some countries.

- Targeted financial sanctions (FATF Recommendation 6)
  Sanctions frameworks and lists of designated institutions are generally in place.
  Listing of entities varies.
  In some countries manual and legal processes hamper the automatic freezing of terrorist assets.

- NPO regulation and oversight (FATF Recommendation 8)
  Understanding of higher risk NPOs is fragmented.
  Regulation and oversight is uneven.
  Multiple regulators for different NPO categories can hinder coordination.
  Outreach to vulnerable NPOs needs to be improved.

- Quality and use of financial intelligence to detect, investigate and disrupt terrorism financing (FATF Recommendation 29)
  Actionable terrorism financing intelligence is shared between FIUs and operational authorities.
  Routine use of financial intelligence to follow terrorist financing money trails by operational and investigating authorities can be improved in some countries.
  Sharing of security intelligence with FIUs generally can be enhanced in many countries.

- Alternative remittance and money service businesses regulation oversight (FATF Recommendations 14 & 16)
  Regulation and oversight varies.
  Illegal, underground remitters operate to varying degrees in each country.
  Weak understanding of terrorism financing risks within the remittance sector limits transaction reporting quality and reporting trends to be low.

- Quality and number of terrorism financing STRs (FATF Recommendation 20)
  Low reporting numbers.
  Poor quality.
  Largely reactive to law enforcement requests or media reports.
  Limited indicators for terrorism financing self-funding restricts reporting institutions from proactively identifying suspicious activity.
Key TF risks – raising funds

- Self-funding from legitimate sources
- Non-profit organisations (NPOs)
- Online funding
- Criminal activity
Self-funding

Highest risk method for raising funds

Response opportunities
- FIUs should provide the critical bridge
- Improved guidance on customer risk profiles
- Regional ‘pooling’ of knowledge
High risk, but clearer picture needed

Response opportunities

• Targeted country NPO risk assessments
• Implement revised FATF Rec 8 fully
• Greater collaboration
Use is minimal, but vulnerability is high

Response opportunities
- Dedicated ‘cyber operations teams’
- Using social media as a detection tool
Criminal activity

Key source of funds for some groups

**Response opportunities**

- Multi-agency and cross-border task forces
- Parallel CT and TF investigations
Key TF risks - moving funds

- Cross-border movement of funds/value
- Banking system
- Alternative remittance and money service businesses
Cross-border movement

Proven method which will persist

Response opportunities

• Stronger intelligence collaboration
• Rectify reporting/monitoring gaps
Banking system

Still exploited despite AML/CTF frameworks

Response opportunities
• Continue to build trusted relationships
• Ensure transaction monitoring is updated
• Collaborate on CTF training initiatives
Alternative remittance and money service businesses

Known misuse is lower than inherent vulnerability, role in regional economies and risk

Response opportunities
• Identify indicators of high-risk services
**Key TF risks - using funds**

*Organisational funding most likely for widow/family and propaganda*

<table>
<thead>
<tr>
<th>Likely use of terrorism financing</th>
<th>Australia</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Singapore</th>
<th>Thailand</th>
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</thead>
<tbody>
<tr>
<td>Widow and family charity</td>
<td></td>
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<tr>
<td>Propaganda, radicalisation, meetings</td>
<td>Negligible</td>
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<tr>
<td>Salary</td>
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<tr>
<td>Terrorist network maintenance</td>
<td>Negligible</td>
<td></td>
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Higher likelihood and risk of **operational** funding

### Operational

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<th>Singapore</th>
<th>Thailand</th>
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</thead>
<tbody>
<tr>
<td>Personnel mobility/travel</td>
<td><img src="image" alt="Australia" /></td>
<td><img src="image" alt="Indonesia" /></td>
<td><img src="image" alt="Malaysia" /></td>
<td><img src="image" alt="Philippines" /></td>
<td><img src="image" alt="Singapore" /></td>
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<tr>
<td>Weapon and explosive materials</td>
<td><img src="image" alt="Australia" /></td>
<td><img src="image" alt="Indonesia" /></td>
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<td><img src="image" alt="Philippines" /></td>
<td><img src="image" alt="Singapore" /></td>
<td><img src="image" alt="Thailand" /></td>
</tr>
<tr>
<td>Training personnel</td>
<td><img src="image" alt="Australia" /></td>
<td><img src="image" alt="Indonesia" /></td>
<td><img src="image" alt="Malaysia" /></td>
<td><img src="image" alt="Philippines" /></td>
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Potential change factors

• Uptake of new payment methods
  – Stored value cards
  – Online payment platforms

• Increased TF into the region
Priority actions

Address highest priority risks:
- self-funding from legitimate sources
- at-risk NPOs
- cross-border movement of funds/value
- external funding into the region
Reflections & lessons learned

- Clear and agreed Terms of Reference
- Start early
- Regular project team meetings
- Know your environment
- Essential vs desired information requirements
- Simple collection tools
Thank you