

Regional risk assessment (RRA) on terrorism financing

December 2016

AUSTRAC





Overview

Background to the RRA

Methodology

Key findings

Reflections and lessons learned



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





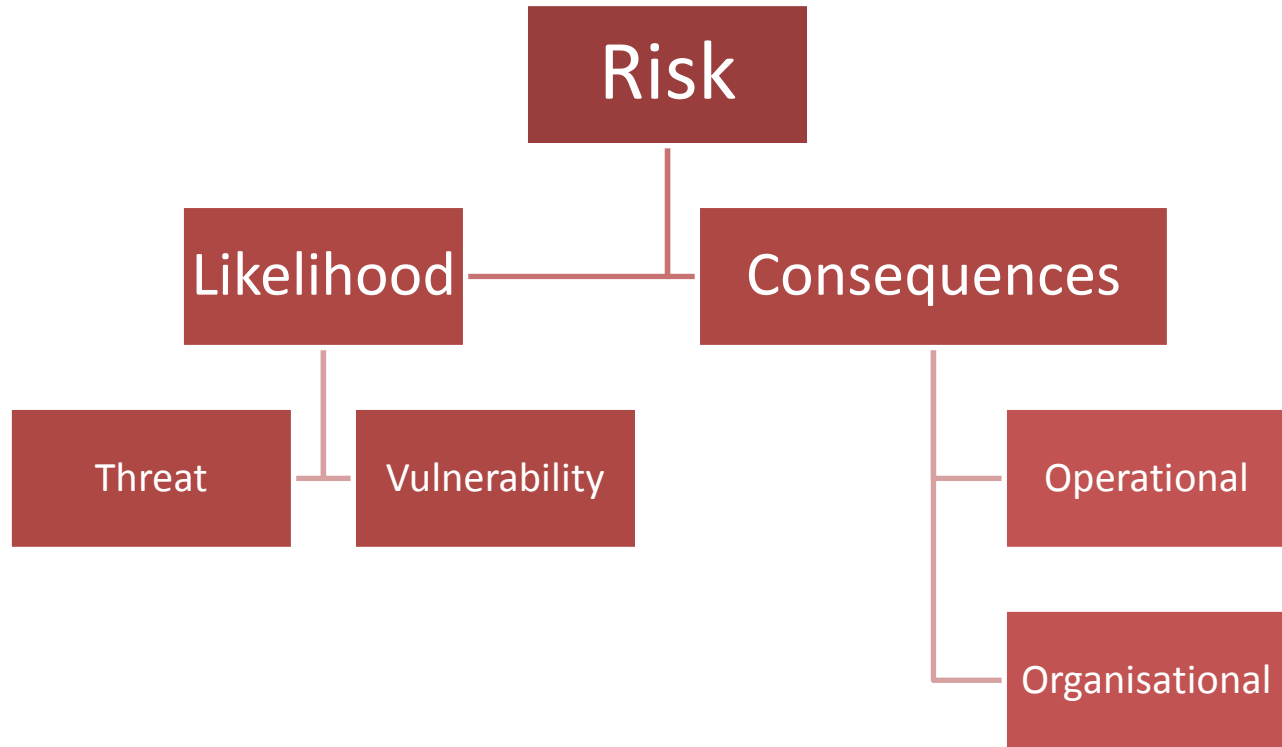
Methodology

*How the RRA was
conducted*



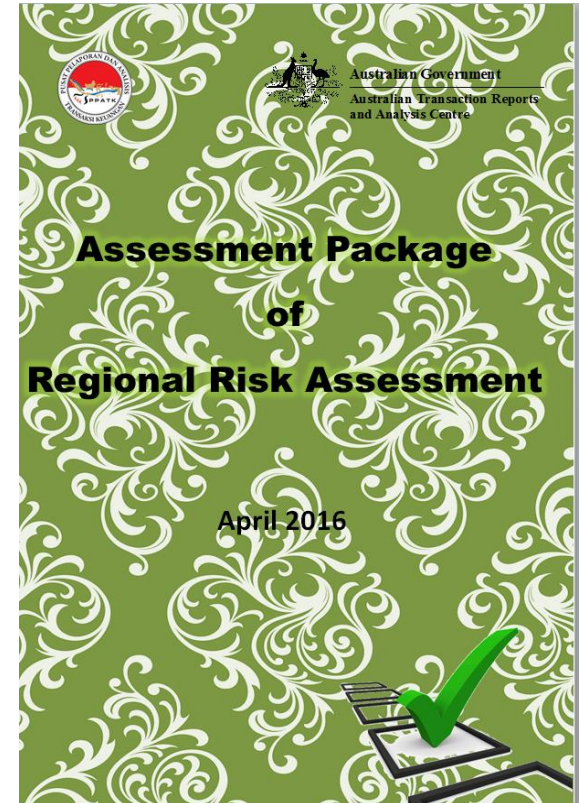
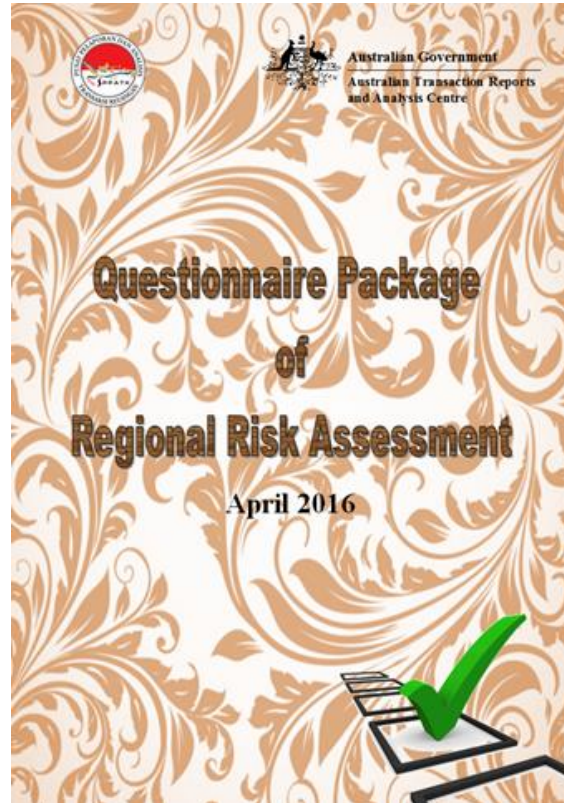


Risk framework





Information collection tools





Sample: TF assessment package

Section 2: Measuring 'Threat'

RISK FACTOR	THREAT SCORE 1 -3 = Low 4-6 = Medium 7-9 = High	DESCRIPTION (please provide description of your answer)
TERRORISM FINANCING CHANNEL		
RAISING FUNDS		
LEGALLY		
Charities and non-profit organisations	<p style="text-align: center;">← Low Medium High →</p> <p style="text-align: center;">1. 2. 3. 4. 5. 6. 7. 8. 9.</p> <p style="text-align: center;"><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	High potential for misuse, but limited examples uncovered to date.
Legitimate and front businesses	<p style="text-align: center;">← Low Medium High →</p> <p style="text-align: center;">1. 2. 3. 4. 5. 6. 7. 8. 9.</p> <p style="text-align: center;"><input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	Some vulnerability, but not a particularly prominent issue.
Wealthy private donor	<p style="text-align: center;">← Low Medium High →</p> <p style="text-align: center;">1. 2. 3. 4. 5. 6. 7. 8. 9.</p> <p style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	Not observed, but possible.



THREAT

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)

6.6

Quality and scope of border controls and comprehensiveness of customs regime on cash and BNI

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

Geographic and structural features

- The reality of geography
- Cash-intensive and informal economies
- Financial and transit hubs

Broad TF behaviours

- Continued use of established methods
- TF flows into, across and out of the region

MORE EFFECTIVE

Minor or moderate improvements needed*

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 makes 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.

International cooperation, particularly in South-East Asia and Australia (FATF Recommendations 37 & 40)

Sound high-level international cooperation.
Formal exchange agreements in place but information sharing is uneven.
Scope for closer operational cooperation, particularly through analyst exchange programs.

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.

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 terrorism 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.

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.

Alternative remittance and money service businesses regulation oversight (FATF Recommendations 14 & 16^a)

Regulation and oversight varies.
Illegal, underground remitters operate to varying degrees in each country.
Weak understanding of terrorism financing risks within the remitter sector limits transaction reporting quality and reporting tends 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.

CTF capabilities and challenges



Key TF risks – *raising funds*

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



Self-funding

Australia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Overall rating
						
High	High	High	Negligible	Medium	High	High

Highest risk method for raising funds

Response opportunities

- FIUs should provide the critical bridge
- Improved guidance on customer risk profiles
- Regional 'pooling' of knowledge



NPOs

Australia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Overall rating
						
High	High	Medium	Medium	Low	High	High

High risk, but clearer picture needed

Response opportunities

- Targeted country NPO risk assessments
- Implement revised FATF Rec 8 fully
- Greater collaboration



Online funding



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

Australia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Overall rating
						
High	High	High	High	Medium	High	High

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

Australia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Overall rating
						
High	Medium	Low	Medium	Medium	Low	Medium

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

Organisational

























Likely use of terrorism financing	Australia	Indonesia	Malaysia	Philippines	Singapore	Thailand
						
Country risk rating						
Widow and family charity						
Propaganda, radicalisation, meetings	Negligible					
Salary						
Terrorist network maintenance	Negligible					



Key TF risks - *using funds*

Higher likelihood and risk of operational funding

Operational

Likely use of terrorism financing	Australia	Indonesia	Malaysia	Philippines	Singapore	Thailand
						
	Country risk rating					
Personnel mobility/travel						
Weapon and explosive materials						
Training personnel						



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

