



# Thematic summary assessment of gaps in implementing key countering the financing of terrorism provisions of Security Council resolutions

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# Table of Contents

- I. Background and methodology ..... 5
- II. Gaps in understanding terrorism-financing risks ..... 7
- III. Gaps in the criminalization of terrorism financing ..... 8
- IV. Gaps in investigating and prosecuting terrorism financing ..... 9
- V. Gaps relating to asset-freezing mechanisms ..... 12
- VI. Gaps relating to anti-money-laundering/countering the financing of terrorism supervision ..... 13
- VII. Gaps in preventing the use of money value transfer services, informal financial networks  
    . and cash couriers for terrorist purposes ..... 14
- VIII. Gaps in addressing terrorism financing risks related to  
    . virtual assets and crowdfunding platforms ..... 16
- IX. Gaps relating to preventing abuse of the non-profit organization  
    . sector for terrorism-financing purposes ..... 18
- X. Gaps in analysing and detecting links between organized crime and terrorism financing ..... 20
- XI. Highlights and Conclusions ..... 22

# I. Background and methodology

In its resolution [2462 \(2019\)](#), paragraph 35, Security Council requests the Counter-Terrorism Committee Executive Directorate (CTED) to provide, annually, on the basis of its reporting and in consultation with the Analytical Support and Sanctions Monitoring Team pursuant to resolutions [1526 \(2004\)](#) and [2253 \(2015\)](#) concerning ISIL (Da'esh), Al-Qaida and the Taliban and associated individuals and entities, to the United Nations Office on Counter Terrorism (UNOCT), through the Counter-Terrorism Committee, a thematic summary assessment of gaps identified and areas requiring more action to implement key countering the financing of terrorism (CFT) provisions of relevant Council resolutions for the purpose of designing targeted technical assistance and capacity-building efforts and taking into account, as appropriate, mutual evaluation reports of the Financial Action Task Force (FATF) and FATF-Style Regional Bodies (FSRBs).

The first annual [thematic summary assessment](#) prepared pursuant to the aforementioned paragraph was sent to UNOCT on 29 December 2021. The [2021 report](#) was based on the information collected through the virtual components of 13 visits conducted by CTED in accordance with the Committee's decision to conduct hybrid visits to some Member States pro tempore during the coronavirus disease (COVID-19) pandemic. In 2022, CTED completed the physical components of eight of those visits and conducted three visits under the Committee's normal procedures. ***The present summary assessment highlights additional gaps identified in 2022, without repeating those included in the 2021 assessment, and should therefore be read in conjunction with the 2021 findings, in particular with regard to hybrid visits conducted over these two years.*** It also incorporates the information gathered through CTED's ongoing analysis of terrorism-financing trends and threats, CFT-related events organized or attended by CTED throughout the year<sup>1</sup> (including its participation in the relevant analytical projects of the FATF), as well as inputs provided by the Monitoring Team and gathered from available FATF/FSRB mutual evaluation reports, as appropriate.

Pending the adoption of the 2022 assessment visit reports by the Committee, the gaps listed in the present report are based on preliminary findings and are not attributed to specific States. However, additional country-specific elements of CTED's preliminary analysis can be made available to UNOCT, upon request, to substantiate the findings relating to any particular gap.

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<sup>1</sup> Including CTED-led technical meetings on *Threats and opportunities related to new payment technologies and fundraising methods* (23 and 26 September 2022) and the Special Meeting of the Committee on *Countering the use of new and emerging technologies for terrorist purposes* (28 and 29 October 2022).

As requested by the Council in its resolution [2462 \(2019\)](#), the present summary assessment focuses on priority gaps and areas requiring further action in which Member States would benefit from technical assistance or specialized expertise.

## II. Gaps in understanding terrorism-financing risks



To increase the understanding of terrorism-financing risks, in its resolution [2462 \(2019\)](#), the Security Council calls on Member States to identify economic sectors most vulnerable to the financing of terrorism, including non-financial services (such as, for example, the construction, commodities, and pharmaceutical sectors). States should also consider and assess risks associated with specific products and payment methods, including the use and cross-border transportation of cash and bearer negotiable instruments (BNI), as well as other financial products, including value stored and prepaid cards and informal value transfer system providers (e.g., hawala), virtual assets and new financial instruments (including crowdfunding platforms). Member States are also called upon to continue to conduct research and collect information to enhance knowledge of, and better understand, the nature and scope of the linkages that may exist between terrorism and organized crime, whether domestic or transnational (see also section XII below).

### **In addition to the gaps highlighted in the 2021 assessment, the following priority gaps were identified during the reporting period:**

- *Insufficiently comprehensive assessment of national terrorism-financing risks.* States should analyse terrorism-financing risks and trends in greater detail, including in the context of regional and global trends. Most States visited during the reporting period need to conduct a more detailed analysis relating to the use of the financial proceeds of organized crime for terrorism-financing purposes and deepen their analysis of risks and trends relating to the financing of terrorism motivated by xenophobia, racism and other forms of intolerance, and other relevant new trends that may emerge. Several States have yet to analyse terrorism-financing risks related to new financial products and payment methods and any risks and vulnerabilities from non-resident activity and cross-border payments related to financial innovations.
- *Lack of attention to potential terrorism-financing risks related to “environmental crimes” (as defined by FATF) in money-laundering/terrorism-financing national risk assessments (NRAs).* Member States tend to analyse some types of environmental crimes as predicate offences for money-laundering but few collect information on the scope and scale of the use of proceeds from the exploitation, trade, and trafficking of natural resources for the purposes of terrorism financing (TF). Since natural resources are widely used in complex international supply chains (e.g., the formal banking sector is used in the trade of gold and precious stones, which are sourced from high-risk regions, refined by foreign companies, and sold on international markets, or in the trading of minerals which are used in electronic equipment such as mobile phones and computers), even States that do not have

domestic natural resource industries should nevertheless consider these risks in their NRAs.<sup>2</sup>

- *Lack of available and comprehensive statistical data for the purposes of NRAs.* Some NRAs lack clear statistical data to support the conclusions reached. In addition, several NRAs are based on outdated statistics and information collected from various stakeholders several years prior to completing the NRA.
- *Delays in updating NRAs.* In States where formal updates are procedure heavy and resource intense, outdated NRA results continue to be used for strategic and actionable responses developed to mitigate risks. In addition to ongoing sectoral assessments (which are more manageable and dynamic), States should use platforms for flexible and regular exchange of information involving multiple stakeholders.

**The following are examples of technical assistance recommended during the reporting period:**

- Facilitate exchanges of experience with regard to successfully employing a multi-stakeholder approach when analysing the existing and evolving risks, including the relevant national authorities, the private sector, civil society and academia.
- Provide support to update NRAs in line with the requirements of resolution [2462 \(2019\)](#).
- Provide support to conduct regional terrorism-financing risk assessments.

### III. Gaps in the criminalization of terrorism financing



In its resolutions [1373 \(2001\)](#), [2178 \(2014\)](#), [2253 \(2015\)](#), [2368 \(2017\)](#), [2396 \(2017\)](#) and [2462 \(2019\)](#), the Security Council calls upon States to criminalize the financing of terrorism for any reason, including, but not limited to, recruitment, training or travel, even if there is no link to a specific terrorist act. Council resolution [2341 \(2017\)](#) contains additional provisions on the financing of terrorist attacks aimed at destroying critical infrastructure or rendering it unusable.

<sup>2</sup> CTED, *Concerns over the use of proceeds from the exploitation, trade, and trafficking of natural resources for the purposes of terrorism financing* (June 2022); FATF, *Money Laundering from Environmental Crime* (July 2021); GAFILAT, *Fortalecimiento del abordaje afectivo de la minería ilegal como amenaza emergente de lavado de activos en la región* (December 2021).



**In this regard and in addition to the gaps highlighted in the 2021 assessment, the following priority gaps were identified during the reporting period:**

- Persisting technical deficiencies in the criminalization of terrorism financing:
  - Purposive element for the TF offence is wrongly prescribed for all the offences, including the ones specified under the conventions and protocols listed in the annex to the International Convention for the Suppression of the Financing of Terrorism.
  - Financing of individual terrorists requires link to specific terrorist acts.
  - Lack of clarity as to whether all “funds and other assets” as defined by FATF are covered by the offence.
  - Lack of clarity in the legal framework and/or judicial practice regarding criminalization of the financing of foreign terrorist fighter (FTF) travel.
  - Disproportionate punishment/sanctions.

**The following are examples of technical assistance recommended during the reporting period:**

- Support legislative review process and drafting of amendments as applicable, to ensure full compliance with paragraph 5 of resolution [2462 \(2019\)](#) and FATF Recommendation 5.

## IV. Gaps in investigating and prosecuting terrorism financing



In its resolutions [2462 \(2019\)](#) and [2482 \(2019\)](#), the Security Council highlights the value of financial intelligence and financial investigations in counter-terrorism and include new and focused requirements in this regard. In resolution [2462 \(2019\)](#), it also calls for strengthening frameworks allowing competent national authorities, in particular financial intelligence units (FIUs), intelligence services, law enforcement agencies, prosecutorial and/or judicial authorities, to gather and share information on the financing of terrorism, as well as to accelerate the timely exchange of relevant operational information and financial intelligence of terrorist networks, including FTFs and FTF returnees and relocators. The Council further requires Member States to ensure that designated law enforcement authorities have responsibility for terrorism-financing investigations within their national CFT framework. In accordance with resolution [2462 \(2019\)](#) and FATF recommendations, there should be a proactive financial-investigation component in all terrorism-related investigations and when conducting investigations into the financing of terrorism.

**In this regard and in addition to the gaps highlighted in the 2021 assessment, the following priority gaps were identified during the reporting period:**

- *No formal investigative strategies for terrorism financing or provisions for mandatory parallel financial investigations in terrorism cases.* The recommended actions include introducing a clear legal basis for mandatory parallel financial investigations and establishing policies or standard operating procedures (SOPs) to ensure that relevant financial flows are considered in every terrorism investigation.
- *No financial investigations/terrorism-financing charges initiated in relation to known/convicted FTFs.* While some countries have an overall proportionally low number of TF investigations and convictions compared to terrorism-related cases, several countries do not launch any financial investigations in relation to their known (or convicted) FTFs.
- *Limited statistics on TF-related referrals between FIUs and law enforcements agencies and on subsequent investigations.* Very few TF-related reports submitted by FIUs to relevant law enforcement authorities trigger further action, including criminal investigations. In one State, the existing system does not allow authorities to distinguish between the different terrorist qualifications and disaggregate data on the number of investigations and convictions in relation to terrorist financing; another State does not keep such statistics at all. Systematic feedback and information exchange between all relevant authorities serves to improve the quality and relevance of the information disseminated to law enforcement authorities by the FIUs, and ultimately to enhance the overall understanding of terrorism-financing trends and enhance the quality of information that the authorities provide to one another.
- *Limited parallel investigations regarding the real or intended use of the proceeds from natural-resources-related crimes.* There is a need to increase capacity and expertise to investigate cases with potential terrorism-financing linkages, including by improving national expertise across government agencies and authorities.<sup>3</sup> National and regional cooperation should therefore be strengthened by building networks of practitioners and establishing channels for intelligence sharing (including relevant environmental agencies, customs authorities and FIUs) to identify illicit financial flows from the trade of natural resources that finance terrorist activity.<sup>4</sup> Capacity also needs to be strengthened with respect to the use of new technologies, for example to help to trace crime across supply chains (see also section XII below).
- *Limited focus on effective investigation and prosecution of the terrorism-financing aspects related to the traffic and illicit trade of cultural property.* This often stems from the lack of awareness and prioritization of the issue at the national level<sup>5</sup> (see also section XII below).

<sup>3</sup> CTED, *Concerns over the use of proceeds from the exploitation, trade, and trafficking of natural resources for the purposes of terrorism financing* (June 2022).

<sup>4</sup> CTED, *Concerns over the use of proceeds from the exploitation, trade, and trafficking of natural resources for the purposes of terrorism financing* (June 2022); FATF *Money Laundering from Environmental Crime* (July 2021); GAFILAT, *Fortalecimiento del abordaje afectivo de la minería ilegal como amenaza emergente de lavado de activos en la región* (December 2021).

<sup>5</sup> CTED, *Threat and trends: the traffic and illicit trade of cultural property for terrorist purposes*, Roundtable discussion, 7 September 2022.

- *Existing inter-agency platforms to exchange information on terrorist threats and investigations do not include FIUs.* In countries where FIUs are of the administrative type, there are legal and/or practical impediments to including the FIU in the platforms/communication channels for exchanging information between law enforcement agencies.
- *Gaps in technical capacity of FIUs and other relevant authorities.* While specific gaps vary by department/authority, several States recognized that they lack the technical capacity and expertise to detect, disrupt and investigate terrorism-financing cases, especially those that involve new and emerging payment technologies.
- Gaps in (or lack of) automatization of communication and reporting channels between reporting entities in all sectors, supervisory authorities, and the FIU.

**The following are examples of technical assistance recommended during the reporting period:**

- Support responsible and proportional use of technology to facilitate data collection, processing and analysis and help authorities and reporting entities to identify and manage terrorist-financing risks more effectively and closer to real time.<sup>6</sup>
- Provide training to relevant judiciary, prosecutorial and investigative authorities, as well as FIU experts, on terrorism-financing investigations and prosecutions, with reference to the FATF 2021 Guidance on Investigating and Prosecuting Terrorism Financing (confidential), including in relation to cases involving digital terrorism-financing methods.
- Strengthen the capacities of all relevant authorities involved in CFT (including law enforcement and customs authorities), in particular with respect to enhancing the use and integration of financial intelligence in terrorism-related investigations.
- Support the provision of software and other relevant tools to automate transaction analysis reporting for all entities subject to financial monitoring, including designated non-financial businesses and professions; support the implementation of innovative solutions, such as data standardization and machine-readable regulations, that can help regulated entities to report more efficiently to supervisors and other competent authorities.

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<sup>6</sup> See for example FATF, *Opportunities and Challenges of New Technologies for AML/CFT* (July 2021).

## V. Gaps relating to asset-freezing mechanisms



In its resolution [2462 \(2019\)](#), the Security Council stresses the need for effective implementation of asset-freezing mechanisms pursuant to resolution [1373 \(2001\)](#), including considering third-party requests from other States. It also calls upon States to invest resources in the implementation of sanctions regimes pursuant to resolutions [1373 \(2001\)](#), [1267 \(1999\)](#), [1989 \(2011\)](#) and [2253 \(2015\)](#) and in seizure of funds in the course of investigations.

**In this regard and in addition to the gaps highlighted in the 2021 assessment, the following gaps were identified during the reporting period:**

- *Gaps in procedures of national designations.* States should align the criteria for national designations with the specific criteria set forth in resolution [1373 \(2001\)](#) and clarify the applicable processes and the respective roles of responsible agencies to propose and discuss designations and underlying grounds, with due consideration for the guidance contained in “International Best Practices Targeted Financial Sanctions Related to Terrorism and Terrorist Financing”.
- *Gaps in reviewing national designations and/or in delisting procedures.* States should establish and implement clear procedures for regular periodic reviews of national designations to allow for new designations to be added based on the applicable criteria, as well as procedures for reviewing the grounds for maintaining existing designations.
- *Gaps in the contents and communication of designation notices.* Designation notices should include relevant information on the grounds for, and the consequences of, designation, appeal and delisting procedures, as well as on applicable procedures to request access to funds for basic or extraordinary needs.

**The following are examples of technical assistance recommended during the reporting period:**

- Support the development of manuals for various types of reporting entities on implementing freezing measures without delay.
- Facilitate exchanges of experience with jurisdictions on good practices regarding the contents and communication of designation notices.

## VI. Gaps relating to anti-money-laundering/ countering the financing of terrorism supervision



**In addition to the gaps highlighted in the 2021 assessment, the following priority gaps were identified during the reporting period:**

- *Gaps in carrying out risk assessments of supervised entities.* According to FATF’s analysis, many supervisors are still unable to carry out proper risk assessments of the supervised entities at the sectoral or institutional level. In that regard, many supervisors lack the ability to collect and process data because of resources and tool shortages. Some supervisors’ risk assessments are not adequately and routinely updated and lack the needed critical basis for the adoption of the risk-based approach and for providing adequate feedback to supervised entities.<sup>7</sup>
- *Lack of targeted TF inspections.* States generally conduct “full scope” on-site inspections of banks and fail to target vulnerable or higher risk categories of supervised entities in relation to TF.
- *Insufficient use of innovative supervisory technology (SupTech).* While the numbers of digital identity and anti-money-laundering/countering the financing of terrorism (AML/CFT) transaction monitoring and reporting solutions are increasing, there is still a significant gap in supervisors’ and regulators’ capacity and adoption of these technologies.<sup>8</sup> The application of more advanced analytics by regulators can also strengthen examination and supervision, including by potentially providing more accurate and immediate feedback.
- *Insufficient understanding of the virtual asset service provider (VASP) market by supervisors.* Supervisors need to deepen their understanding of the VASP market, its structure, and its role in the financial system and the country’s economy to better inform their assessment of risk in the sector.<sup>9</sup>

**The following are examples of technical assistance recommended during the reporting period:**

- Support countries in strengthening the coverage of all supervised entities with risk scoring methodologies.

<sup>7</sup> See also, FATF, *Opportunities and Challenges of New Technologies for AML/CFT* (July, 2021).

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

- Support training and tools that enable supervisors to gain the practical skill sets and expertise needed to regulate and supervise the range of VASPs and activities described in virtual assets services or business models.<sup>10</sup>

## VII. Gaps in preventing the use of money value transfer services, informal financial networks and cash couriers for terrorist purposes



Security Council resolution [2462 \(2019\)](#) explicitly mentions abuse of legitimate businesses for terrorism-financing purposes (see also section VIII below). In it, the Council further calls upon Member States to assess the risks associated with the use of cash and BNI, including the risk of illicit cross-border transportation of cash, as well as to strengthen cross-border cooperation between customs and tax administrations and improve the coordination of international police and customs operations.

The Monitoring Team consistently reports that Islamic State in Iraq and the Levant (ISIL), also known as Da’esh, relies most heavily on unregistered hawala networks and cash couriers.<sup>11</sup> “Cash payments are said to be regularly couriered into the Syrian Arab Republic from neighbouring States, with ISIL cells receiving reduced payments monthly. While transfers in previous years to ISIL provinces may have been in the range of \$90,000 per month, they are now closer to \$40,000, or less in some cases. Several hawaladars (brokers) are reported to operate in Hawl [camp in the Syrian Arab Republic]”.<sup>12</sup>

**In this regard and in addition to the gaps highlighted in the 2021 assessment, the following priority gaps were identified during the reporting period:**

- *Gaps in the outreach to the MVTs sector and in inter-agency cooperation.* In one State, some money value transfer service (MVTs) providers recognized that they were exposed to being used for hawala banking. Yet only one suspicious transaction report on potential hawala providers was submitted by the bank and none from other financial institutions operating in the payment sector. Several

<sup>10</sup> FATF, *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers*, (October 2021).

<sup>11</sup> [S/2022/547](#), paras. 82–83; and [S/2022/83](#), para. 72.

<sup>12</sup> [S/2022/83](#), para. 72; and [S/2021/655](#), para. 68.

States need to enhance efforts to engage with the affected sector to raise its awareness of TF risks and the requirements in place to mitigate them. There were also cooperation gaps between the national authorities on this matter, limiting their ability to allocate targeted measures to prevent unlicensed businesses from operating.

- *Insufficient international cooperation.* Given the cross-border nature of most informal money transfers, States should further enhance their efforts to obtain the necessary information from foreign counterparts.
- *Gaps in monitoring compliance of mobile money operators.* Addressing such gaps requires enforcement of robust onboarding and customer due diligence procedures, as well as increasing security requirements for transactions.
- *Insufficient powers and capacity of the customs authorities* to stop cash on suspicion of terrorism financing pending further investigation by the relevant authorities, including in the absence of violations of declaration requirements.
- *Insufficient control measures at international air/seaports.* States should clearly display the requirements of cash and BNI declarations above a certain monetary threshold. Compared to air travellers, maritime passengers appear to be subject to less rigorous controls related to cross-border transportation of cash. At least one State is not implementing a cash declaration system for cargo or post, or cruise ship passengers. The lack of a cash declaration system for cruise ship passengers is a vulnerability for terrorism financing and transnational organized crime.
- *No TF risk profiles developed at borders.* While front-line law enforcement officers at border crossings, in particular customs officials, are generally equipped to detect the illicit transportation of goods and cash, they rarely develop profiles specifically related to TF risks.
- *Insufficient cross-border cooperation.* States lack cross-border cooperation and coordination to disrupt and dismantle networks involved as cash couriers and in illegal trade across borders that finance terrorism.

**The following are examples of technical assistance recommended during the reporting period:**

- Support the identification and evaluation of money laundering/TF risks that can emanate from the development of new payment products and the use of new technologies in the MVTs sector.
- Enhance the capacity of relevant authorities to detect and prevent the use of informal MVTs, including hawala-type systems, for terrorism-financing purposes, as well as to engage with the relevant sectors and raise their awareness about risks and mitigation measures.
- Assist with capacity-building initiatives and trainings to enhance the ability of relevant authorities, including customs authorities, to detect and stop cash couriers' activity for terrorism-financing purposes, both with respect to equipment and expertise.
- Assist national authorities to promote and strengthen the cooperation and the exchange of terrorist-financing-related intelligence at borders to prevent the use of cash couriers for terrorism-financing purposes.

## VIII. Gaps in addressing terrorism financing risks related to virtual assets and crowdfunding platforms



In its resolution [2462 \(2019\)](#), the Security Council calls upon States to enhance the traceability and transparency of financial transactions, including through assessing and addressing potential risks associated with virtual assets and new financial instruments, including crowdfunding platforms, that may be abused for terrorism-financing purposes, ensuring that they are subject to AML/CFT obligations. It further encourages all States to apply risk-based AML/CFT regulations to VASPs and to identify effective systems to conduct risk-based monitoring or supervision of VASPs.

Throughout 2022, at the expert discussions organized or attended by CTED<sup>13</sup>, examples of methods to raise funds for terrorist purposes included abuse of social media and networking services (used to solicit donations through traditional payment methods), content hosting services, online merchandise sales, and crowdfunding platforms (often disguising the use of funds as for charitable or humanitarian causes). In relation to storing and moving money, there is an increase in the use of hawala-like systems and cash couriers in combination with the new payment methods.<sup>14</sup> Terrorists are also known to have abused mobile payment systems, virtual assets (including bitcoins, lesser-known cryptocurrencies, and privacy coins), and online exchanges and wallets. Understanding the exact nature and scope of these abuses remains critical for developing appropriate regulation.

According to FATF, some countries have started to regulate the virtual asset sector in recent years, while others have prohibited virtual assets altogether. However, as of yet, the majority of countries have not started regulating the sector. These gaps in the global regulatory system have created significant loopholes for criminals and terrorists to abuse. Of the 98 jurisdictions that responded to FATF's March 2022 survey, only 29 jurisdictions have passed relevant laws and a small subset of these jurisdictions have started enforcement.<sup>15</sup>

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<sup>13</sup> Including CTED-led technical meetings on *Threats and opportunities related to new payment technologies and fundraising methods* (23 and 26 September 2022) and the Special Meeting of the Committee on *Countering the use of new and emerging technologies for terrorist purposes* (28 and 29 October 2022).

<sup>14</sup> See also examples cited in [S/2022/547](#), paras. 63, 85–86, including transactions involving privacy-enhancing cryptocurrencies cashed through virtual asset exchanges and abuses of social media platforms such as Telegram, Rocket.Chat, Hoop, and TamTam.

<sup>15</sup> FATF, *Targeted update on implementation of FATF's standards on VAs and VASPs* (June 2022).



**In this regard and in addition to the gaps identified in the 2021 assessment, the following priority gaps were identified during the reporting period:**

- *Slow progress in rolling out AML/CFT regulations and supervision to cover all types of VASPs.* Implementing AML/CFT measures is becoming more challenging with a growing use and materiality of decentralized finance, nonfungible tokens, and unhosted wallets.<sup>16</sup> Risks are greater when anonymous cross-border peer-to-peer fund transfers occur without the involvement of a VASP. While VASPs are regulated in different ways across jurisdictions, their interaction activity is not subject to the same requirements. Global and coordinated regulation is needed as well as coherent implementation of the “travel rule” across jurisdictions.<sup>17</sup>
- *Lack of experience/capacity to investigate TF with the use of virtual assets.* Authorities in several States acknowledged their capacity gaps in following the complex money trail posed by blockchain, cryptocurrencies, and crowdfunding (see also section III above).
- *Non-existing or insufficient TF risk assessment in relation to crowdfunding platforms.* Very few States have performed any kind of assessment of TF-risks related to crowdfunding platforms or developed any targeted measures to address such risks. Several States have started regulating certain types of crowdfunding platforms (including to implement a supranational directive) but only three States made them reporting entities under the AML/CFT regime.
- *Gaps in the enforcement of terms of services and internal monitoring mechanisms for social media platforms.* There is a persisting need to address fundraising loopholes, such as the super chat facility or brands’ advertising and monetization alongside terrorist content.<sup>18</sup> Similar concerns were raised regarding the abuse of social media platforms by terrorists to advance the trade of cultural property and generate proceeds through other related activities, including the monetization of advertisement content.<sup>19</sup>

**The following are examples of technical assistance recommended during the reporting period:**

- Facilitate experience exchanges with jurisdictions that successfully assess, regulate, and supervise new and emerging payment services for AML/CFT purposes, including virtual assets and VASPs, as well as crowdfunding platforms.
- Assist with training programmes and tools to investigate terrorism-financing cases with the involvement of cryptocurrencies and other emerging payment technologies (see also section III above).
- Support identification and assessment of terrorism-financing risks associated with social media platforms in order to prioritize and target financial intelligence

<sup>16</sup> CTED-led technical meetings on *Threats and opportunities related to new payment technologies and fundraising methods* (23 and 26 September 2022) informing the Special Meeting of the Committee on *Countering the use of new and emerging technologies for terrorist purposes* (28 and 29 October 2022).

<sup>17</sup> FATF, *Targeted update on implementation of FATF’s standards on VAs and VASPs* (June 2021).

<sup>18</sup> CTED-led technical meetings on *Threats and opportunities related to new payment technologies and fundraising methods* (23 and 26 September 2022) informing the Special Meeting of the Committee on *Countering the use of new and emerging technologies for terrorist purposes* (28 and 29 October 2022).

<sup>19</sup> CTED, *Threat and trends: the traffic and illicit trade of cultural property for terrorist purposes*, Roundtable discussion, 7 September 2022.

and investigation activities that address the specific threats faced, in full compliance with international human rights law.<sup>20</sup> This includes identification of context and geographical factors that may impact social media TF vulnerabilities and consequences; social media services typologies and red flags; and social media services features and integration with payment services.

- Facilitate the development of robust public-private partnerships to share information, understand evolving trends, increase knowledge and skills of relevant experts, and strengthen the integrity of the financial sector.<sup>21</sup>

## IX. Gaps relating to preventing abuse of the non-profit organization sector for terrorism-financing purposes



In its resolution [2462 \(2019\)](#), the Council explicitly recognizes the vital role played by non-profit organizations (NPOs) in national economies and social systems and encourages Member States to work cooperatively with the NPO sector to prevent the abuse of such organizations by terrorists and their supporters, while recalling that States must respect human rights and fundamental freedoms. The Council also calls upon Member States to periodically conduct a risk assessment of their NPO sectors or update existing assessments to determine the organizations particularly vulnerable to terrorism financing and to inform the implementation of a risk-based approach.

In its thirtieth report, the Monitoring Team notes a recently dismantled clandestine financial network that diverted funds raised by religious associations under the cover of using them as humanitarian aid for Syrian orphans to finance Al-Qaida militias that exist in the region of Idlib in the Syrian Arab Republic. In addition, part of the funding was used to finance a school for orphaned children with the intention of recruiting and training future terrorist fighters.<sup>22</sup> More broadly, the report notes zakat and direct donations among additional sources of revenue for ISIL.

<sup>20</sup> CTED-led technical meetings on *Threats and opportunities related to new payment technologies and fundraising methods* (23 and 26 September 2022) informing the Special Meeting of the Committee on *Countering the use of new and emerging technologies for terrorist purposes* (28 and 29 October 2022).

<sup>21</sup> Ibid. See also, Council resolution 2462 (2019), para. 22; S/2020/493, para. 68; Counter-Terrorism Committee, *Global survey of the implementation of Security Council resolution 1373 (2001) and other relevant resolutions by Member States*, 2021, para. 732.

<sup>22</sup> S/2022/547, para. 62.

**In this regard and in addition to the gaps identified in the 2021 assessment, the following priority gaps were identified during the reporting period:**

- *Lack of transparency measures for donations.* Several States have recently enhanced (or are in the process of doing so) the transparency of NPOs and their obligations regarding accounting, authorization, publication, approval, internal and external controls, and storage and disclosure of documents. However, further measures could be taken to develop new transparency measures for donations and encourage NPOs to use regulated financial systems for their operations whenever possible.
- *Gaps in international cooperation.* Several States need to further enhance their capacity to obtain the necessary information from their foreign counterparts with respect to possible misuse of funds collected or transferred through NPOs, especially in situations where formal judicial cooperation channels are ineffective.
- *Insufficient inter-agency cooperation.* Different authorities within States may have a role in registering and supervising the NPO sector. Some States should enhance the awareness of all relevant authorities (e.g., law enforcement agencies, tax authorities, police, intelligence departments, and military) and need to increase the exchange of information between them on terrorist financing risks.
- *Need to review and update appropriate safeguards and features for new AML/CFT solutions.* In their efforts to maintain advanced AML/CFT oversight, it is essential that authorities continuously develop privacy-enhancing technologies and encryption rules to protect sensitive information, including when collecting and maintaining NPOs' data. Some States are still in the process of digitizing NPO records and the registration process.
- *Lack of mechanisms/platforms for regular consultations with the NPO sector and civil society.* Mechanisms/platforms are needed to discuss and assess the impact of applicable CFT measures on the functioning of, inter alia, legitimate charities and exclusively humanitarian activity, in full compliance with their obligations pursuant to international law, including international human rights and international humanitarian law.
- *Loopholes in the regulation of specific types of NPOs/activities.* In one State, there is a considerable number of unregistered religious private boarding schools where no monitoring mechanism is in place (and no TF risk assessment has been conducted with respect to these organizations). In another State, a considerable number of NPOs are allowed to function without registration, while AML/CFT regulation measures only apply to registered ones. One State has identified gaps in regulations with respect to donations collected by public funds and religious organizations and is currently working on addressing them.

**The following are examples of technical assistance recommended during the reporting period:**

- Facilitate exchanges of experience with jurisdictions that successfully implement risk-based CFT regulation and supervision of specific subsets of NPOs that are considered the most vulnerable to terrorism-financing abuse (instead of blanket-style regulations introduced for entire categories of NPOs).
- Facilitate exchanges of experience with respect to establishing consultation mechanisms for the government, donors, NPOs, and humanitarian actors to improve their common understanding of terrorism-financing risks<sup>23</sup> and of the possible impact of counter-financing-terrorism requirements on international human rights and international humanitarian law.

## **X. Gaps in analysing and detecting links between organized crime and terrorism financing**



In several resolutions (including resolutions [2388 \(2017\)](#), [2462 \(2019\)](#) and [2482 \(2019\)](#)), the Security Council calls upon Member States to increase their capacity to conduct proactive financial investigations to identify potential linkages between organized crime, such as human trafficking, and terrorism financing. In its resolution [2482 \(2019\)](#), the Council acknowledges that the nature and scope of such linkages vary by context and highlights the need to coordinate efforts at the local, national, regional, subregional, and international levels to respond to this challenge.

In its thirtieth report, the Monitoring Team also highlights several relevant examples in this regard, including laundering of criminal proceeds; generating proceeds through the extortion of the shipping industry; illicit taxation; kidnapping for ransom; and a criminal network managed by a terrorist cell with links to Da'esh involving oil smuggling, false passports, and money in tax havens.<sup>24</sup> The report also notes that several Member States anticipated that the lifting of travel restrictions related to the COVID-19 pandemic could increase the flow of returning terrorist fighters involved in the looting and smuggling of cultural property from conflict zones as a source of terrorist financing. South-Eastern Europe continues to be a key transit route for illicitly trafficked antiquities from Iraq and the Syrian Arab Republic to private collectors and auction houses in Western Europe and the United States, with growing markets in Asia and the Gulf

<sup>23</sup> See also, GAFILAT, *Report on guidelines and challenges to prevent the misuse of NPOs for terrorist financing in GAFILAT countries* (July 2021).

<sup>24</sup> [S/2022/547](#).

region. The report also acknowledged that details of the smuggling routes used to transport looted antiquities, including who is moving artefacts to markets and which networks support this broader criminal-terrorist enterprise, are difficult to trace.<sup>25</sup>

**In this regard and in addition to the gaps identified in the 2021 assessment, the following priority gaps were identified during the reporting period:**

- *No dedicated research on the nature and scope of possible links between organized crime and terrorism financing.*
- *No coordination mechanism to ensure timely information exchange and parallel investigations regarding potential terrorism financing when investigating organized crime.*
- *Weak or no public-private partnerships.* Partnerships to understand the linkages could include providers of new payment technologies, the humanitarian community, associations working with victims of human trafficking, dealers in archaeological and cultural goods, and others. More broadly, partnerships with the private sector also present opportunities to promote the meaningful involvement of civil society aimed at ensuring that such partnerships do not infringe upon financial inclusion and civic space.<sup>26</sup>
- See also section III above.

**The following are examples of technical assistance recommended during the reporting period:**

- Facilitate exchanges of experience in establishing permanent platforms for public-private partnerships on countering the financing of terrorism and analysing the nexus between terrorism and organized crime.
- See also section III above.

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<sup>25</sup> S/2022/547, para. 87.

<sup>26</sup> Global Counterterrorism Forum, *Good practices memorandum for the implementation of CFT measures while safeguarding civic space* (September 2021).

# XI. Highlights and Conclusions

The main trends and challenges in improving States' CFT responses are largely consistent with the findings of the [2021 gaps assessment](#). Many States continue to face shortfalls in understanding the multifaceted risks relating to the financing of terrorism, including the risk that terrorists continue to benefit from the proceeds of organized crime, including but not limited to crimes involving natural resources and cultural property.

Gaps related to the criminalization of terrorism financing are being progressively addressed and are currently primarily technical in nature, requiring limited adjustments in legislation or mere clarifications in judicial practice. However, investigating and prosecuting terrorism financing remains challenging on many levels, from technical expertise to international and inter-agency cooperation.

Progress in assessing and addressing TF risks related to new and emerging payment and fundraising technologies remains alarmingly slow despite consistent calls for action from the Security Council and FATF. Most countries require technical assistance, or at least access to good practices from other States, to enhance their capacity to address TF risks related to new technologies, including with the effective and responsible use of financial technology (FinTech) and SupTech for AML/CFT purposes. In this regard, in the Delhi Declaration on Countering the Use of New and Emerging Technologies for Terrorist Purposes, adopted by the Counter-Terrorism Committee on 29 October 2022<sup>27</sup>, the Committee specifically calls upon Member States to “further enhance the specialized expertise and capacity of the authorities engaged in handling increasingly complex cases on terrorism financing that involve advanced investigation techniques and complex international cooperation mechanisms in order to keep pace with the rapid evolution in financial tools and terrorism-financing methods”.

Although most States have by now established national designation and freezing mechanisms as required by resolution 1373 (2001), more than half of the visited States underutilize them and have not made any national designations/frozen funds in recent years, despite having prosecuted terrorism cases and identified their nationals as FTFs. Several States still struggle with ensuring the necessary safeguards to ensure the legality of the process.

States continue to face significant challenges with respect to the institutionalization of public-private partnerships, the integration of human rights obligations and gender considerations into their CFT measures, and cooperation with civil society actors in developing policies to ensure risk-based supervision of the NPO sector. Only a handful of States have adopted dedicated measures to evaluate, and eventually mitigate, the impact of CFT measures on purely humanitarian activities, including in conflict zones with active terrorist activity.

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<sup>27</sup> Available at <https://www.un.org/securitycouncil/ctc/news/delhi-declaration-counteracting-use-new-and-emerging-technologies-terrorist-purposes-now-available>.

CTED – in close partnership with international and regional organizations – will continue to work closely on monitoring and supporting Member States’ efforts to implement the requirements of the relevant Security Council resolutions on the prevention and suppression of terrorism financing, as well as standards and recommendations developed by FATF, while ensuring compliance with their obligations under international human rights law, international humanitarian law, and international refugee law.



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 [cted@un.org](mailto:cted@un.org)