

Eurasian Group on combating money laundering and financing of terrorism is a FATF-style regional body, established in 2004 overlooking the Eurasian region and comprises of 9 member-states, being: Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan. It was. Our main focal points in the countries are the Financial Intelligence units.

EAG is intended to play an important role in reducing the threat of international terrorism and ensure the transparency, reliability and security of the financial systems of states and their further integration into the international infrastructure for combating money laundering and terrorism financing (AML/CFT). The creation of the group coincided with the launch of efforts to create conditions for the formation and development of effective anti-money-laundering systems in the region.

Issues related to countering the financing of terrorism has been a standing item on the EAG agenda for many years, and are considered as top priority for EAG and its member states. To date we have accomplished a number of typologies projects concerning CFT. The latest and currently on-going project is the joint project with APG on the links between TF and organized crime, with three jurisdictions leading the project. Upon consideration of the project, we had in mind the following thesis in the concept note:

With the rise of ISIL and expanding of the combat zone in Syria and Iraq, various reports state that a great number of FTFs who prior to traveling to conflicts zones had police records and criminal convictions. Another reports suggest that the intensity of criminality among the individuals varied from one-time criminals to repeat offenders and more sustained career criminals, most of whom operated on a low local level, with only very few operating on a national or transnational level. ISIL has also demonstrated how a terror organization can effectively finance a large part of its operations through criminal activities not directly related to terrorism.

Once regarded as simply co-existing, organized crime and terrorist activities have the effect of reinforcing one another.

Project aims are:

- Better understand to what extent and how proceeds of crime (including organised crime) are being used, or might be used, for TF by individual terrorists and terrorist organisations.
- Identify methodologies being used to collect, move and use funds from the proceeds of crime including organised crime, for terrorism-related purposes.
- Identify best practices to detect, investigate and prevent the use of proceeds of crime by terrorist and terrorist organizations.

UNSCRs 2195 and 2322 formed a firm basis for the project, as well as unified and common threats emanating from the nexus voiced by the EAG/APG member-states.

The information was gathered in two stages, one being the dissemination of questionnaires, while the second was the joint EAG/APG typologies workshop, where a separate breakout session was held on the links between TF and organized crime.

The outcomes of the discussions, as well as the responses to the questionnaires were the basis for the preliminary findings of the project report and as such the following was identified:

1. The methods used to raise and to move proceeds of crime

a. Methods to raise

The analysis revealed that the methods used to raise funds for terrorist purposes are very wide and mostly depend on the region and type of TF.

Small terrorism cells use non-significant funds, generally incoming from self-funding and in most cases from legitimate sources. Some instances were detected on the use of NPOs to collect donations for the purposes of raising funds to move FTFs to conflict zones.

In most of the cases jurisdictions reported that drug trafficking, illegal migrant smuggling and illicit arms trafficking, as well as robberies, thefts, and illegal business activities were amongst the crimes committed to raise funds for TF.

Extortion and kidnapping for ransom was used numerous as well as registered instances of incoming cash flow from abroad.

Minority of responses have noted religious taxes, such as zakat, were also used to raise funds.

In cases where there are little or no evidence of the nexus or where it was not common, extremists were suspected of petty criminal activities (theft, credit/debit card fraud, tax fraud, and social security fraud to finance terrorist activities).

b. Methods to move

No matter how scrutinized the banking channels are, they are still being used as a principal method to move funds for the purposes of TF. Money transfers without opening an account, cash couriers, use of E-wallets, as well as hawala were also amongst the majority of methods that are being utilized by terrorists.

Some noted that peer-to-peer payments (cryptocurrency) and online payments through social networks were gaining momentum in specific parts of the regions.

2. Partnership and merger between OCG and terrorists

Another area for consideration was on the partnership and merger of terrorists and organized criminal groups. Terrorist Organisations typically use radical propaganda to recruit new supporters, which is happening everywhere, including social networks and prisons.

While in prison, Convicted terrorists recruit other high profile criminals, such as leaders and specific members of criminal groups. Upon release, these recruited criminals commit crimes and proceeds are used to support both, terror organisation and the criminal group.

Convicted militants in prisons and out of them preach radical Islamic ideas and recruit more criminals. In one jurisdiction, a convicted militant created a terrorist group that carried out robberies. The proceeds of crime were used to support militant groups operating in their jurisdiction.

One of other reason for their partnership is the use by terrorists of well-established channels for money transfer, set up by the criminal groups, as well as illegal channels to move terrorists to neighboring and foreign countries for terrorist training or other terrorist activity. Some jurisdictions noted that accomplices of terrorists residing abroad were used to transfer funds to help FTFs travel abroad to participate in a conflict or otherwise support the activities of a terrorist organization.

In some regions terrorists merged with OCG to gain from drugs business and further use proceeds for TF, in other regions OCG were contacted to get arms, ammunition and transportation either purchased with proceeds of crime or simply stolen.

Other dimensions of terror funding include: recruitment to further objectives of terrorists and do not recruit specifically for raising funds. Collected ransom is distributed amongst members as commission and to support widows and family members of the group.

3. Use of proceeds of crime

Not all of the proceeds collected are used specifically for a terrorism act, jurisdictions noted that some parts of criminal proceeds are transferred to terrorist organizations and the other part is invested in legitimate business, thus making it harder to track and make extra profit. Profits from these businesses are channeled to support terrorist organization. Another case describes that foreign terrorist organizations engage in illegal business activities to generate profits.

Those criminal proceeds are then used to buy weapons, ammunition and materials used for bombs, in other cases they are being used to buy movable and immovable property, including purchasing of physical assets in other countries to further perpetuate their activities

4. Ways to detect and suppress TF using proceeds of crime including organized crime

We have also discussed various ways to detect and suppress the crime, as well challenges jurisdictions faced on their path.

While establishing a possible link between terrorists and members of organized criminal groups, a comprehensive screening, including their financial dealings, is conducted in some jurisdictions. These screenings are performed on the basis of intelligence inputs. No indiscriminate screening of all members are conducted. Screening measures target specific groups suspected of terrorist financing.

In most of the cases terrorists and criminal groups were operating across jurisdictions, therefore the only way to detect and suppress is through effective domestic and international cooperation and coordination. As was reported in the media around the recent terrorist attacks in Sri Lanka, those crimes and victims could have been avoided if competent authorities share the operative information and have better coordination in place.

Some jurisdictions after completing its NRA have developed a number of red-flags for the private sector to detect early any possible crime.

These red flags are a combination of risk factors and indicators, that includes:

- Adverse media information
- High risk jurisdiction (from terrorist activity point of view) in conjunction with suspicion of money laundering
- Money laundering and high risk business relationships from TF point of view
- Suspicious money laundering transaction patterns linked with terrorism or TF.

5. Challenges, actions and recommendations

The final part of the report talks about the challenges that member-states face in combating the phenomenon.

In a cash based economy general people to almost all business owners prefer to transact in cash. In such a scenario, reporting entities fail to recognize and identify suspicious TF transactions or reported STRs may be tagged other in appropriate predicate offences. As such, FIUs in such jurisdictions fail to identify TF related transactions from the suspicious transactions.

Furthermore, the lack of access to the wide range of information, including criminal databases causes unnecessary delays upon analyzing suspicious cash transactions. Such constraints limit FIU analysis in finding links to TF or link between TF and proceeds of crime.

Reporting entities fail to lodge any proactive STRs on TF. FIU database shows that TF related STRs/SARs submitted by the reporting entities are reactive in nature. Only reactive STRs limits FIU's ability for prior identification of TF cases, which may or may not have links to criminal proceeds. Declaration systems in place are not able to detect suspicious cash under the threshold being moved from another country.

Some FIUs reported that limitation of analysis capacities (knowledge, skill, experience and tools) in identifying TF case which use proceeds of crime. The roles of reporting entities are hardly beyond doing KYC&CDD, screening UN sanction list and reporting STR to FIU. The challenges faced by REs are also similar.

Small amount transferred through mobile financing service in violation of the set regulatory framework makes the work of LEAs to track money trail extremely difficult and time consuming, as well as the hand to hand transaction and Hawala. Besides use of protected text for chatting, use of fake NID for Mobile banking, mixture of illegitimate business with legitimate one makes the identification of a link between proceeds of crime and TF extremely difficult.

Participants have also voiced that achieving convictions is hard due to LEAs capacity in handling TF cases, especially Lack of Awareness on AML/CFT laws and available tools among lower level investigation officers of LEAs.

Other challenges highlighted by the member-states were the lack of capacity in synthesizing necessary information on capital transaction, personnel identity, checking backgrounds, trading records and establishing the ultimate beneficial owner, cross regional and cross border characteristics of assets flow.

We are expecting to finalize the report towards the APG annual meeting in early August this year with its immediate publication soon after the adoption at the EAG Plenary in November this year.