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Remarks of Mr. Masood Karimipour

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**Joint special meeting of the Counter-Terrorism Committee and the 1267/1989/2253
ISIL (Da'esh) and Al-Qaida Sanctions Committee:
“Terrorist-financing threats and trends and the implementation of Security Council
resolution 2462 (2019)”**

“Understanding and mitigating terrorism financing risks associated with cash and
money and value transfer services”

Online, 18 November 2021

Excellencies, Ladies and Gentlemen, Esteemed Colleagues,

I am honoured to be here at today’s joint special meeting on “Terrorist-financing threats and trends and the implementation of Security Council resolution 2462 (2019)”.

I would like to express my gratitude to the Counter-Terrorism Committee and the 1267/1989/2253 ISIL (Da’esh) and Al-Qaida Sanctions Committee for bringing together a diverse group of panellists representing the spectrum of the CFT landscape and to CTED and the Monitoring Team for their continued coordination with UNODC and other UN entities.

Understanding and mitigating terrorism financing risks associated with cash and money and value transfer services (MVTs) is a key element in countering the financing of terrorism. UNODC has responded to UNSCR 2462 by calling for an understanding of CFT risks associated with cash and MVTs, their financial transactions and enhanced international cooperation.

MVTs provide the main form of financial intermediation in most developing countries. They facilitate financial inclusion domestically and support vital international remittance corridors, which, in some countries, account of a large percentage of GDP. The use of cash and MVTs is crucial to the sustainable development of their economies. Many Member States lack physical infrastructure, trust, or developed



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regulatory regimes to encourage individuals and businesses to use regulated banking services. Cash and MVTS may also provide the only opportunity for women and other vulnerable population groups such as displaced persons or refugees to access funds for basic human needs.

In countries which do have retail banking intermediation, the lack of identity documents also excludes large portions of the population from the sector.

But we cannot have financial inclusion without financial integrity.

In addition, in many developed countries, cash and MVTS remain key parts of the shadow economy and provide an opportunity to avoid taxation. International and non-government organisations make use of MVTS and cash disbursements to provide invaluable humanitarian assistance to populations crisis caused by food shortage, natural disasters, displacement and conflict. Simply put, in many cases there is no alternative to making payments using cash or MVTS.

Thus – for a myriad of reasons – licensed and regulated MVTS are a necessary part of a functioning economy in many countries.

In countries which lack the appropriate regulatory framework or effective supervision, there can be two MVTS sectors – one licensed and supervised, and one which remains a key part of the shadow economy. This exists in developed and developing countries alike – in developed countries this ‘shadow economy’ could be related to evasion of law or revenue enforcement or labour or immigration authorities. In some countries unlicensed MVTS could provide an opportunity to evade taxation.

The risk of MVTS Sectors comes from the necessary and customary services they provide in many areas at high risk for terrorist acts and the financing of terrorism as well as their international and global reach and their systemic importance to the vast majority of low-income countries.



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However, their inherent risk comes from the nature of their transactions and the anonymity they provide, especially when they are not under effective supervision.

Criminal money launderers, known as “cash controllers”, abuse MVTS by managing extensive cash collection and payment networks in both developed and developing countries.

These criminals utilize MVTS to commit invoice fraud and other trade-based money laundering techniques, particularly with major industrial economies and those with strict currency controls, to route their funds into the international banking system.

UNODC works closely with other international organisations, FATF and the FATF Global Network, civil society, the private sector and MS to understand these risks and provide assistance.

UNODC has undertaken a careful review of our programme of assistance to UN Member States on mitigating CFT risk to the sector to develop programmes which address risk and effectively disrupt TF while preserving the necessary financial inclusion these sectors provide. This involves careful communication with all stakeholders, which begins at the policy level.

For this reason, over the last decade, many of our organisations, notably FATF, the World Bank, the IMF, the Financial Stability Board (FSB) and my own, have made efforts to ensure that properly supervised MVTS are not ‘de-risked’ from the intermediation and payments infrastructure they need they need to function while still mitigating the risks they face.

That responsibility falls to the sector, to their government supervisors, and to those of us involved in elaborating policy.

The FATF’s recent efforts at mitigating the unintended consequences of the FATF Recommendations, as well as the guidance they have provided on CFT risk related to MVTS, as well as our own, have led



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us to a much more effective and targeted approach to assisting Member States to understanding and mitigating these risks.

In technical assistance efforts, it is important that the focus remain on risk and effectiveness. For us this has involved – (i) focusing on understanding the threats to the sector and investigating the use of the sector by TF networks, (ii) widening the TF disruptions options and (iii) strengthening law enforcement, security and regulatory institutions and the professional skills within those competent authorities.

As part of broader international counter terrorism efforts, UNODC is delivering long term training and mentoring programmes on AML/CFT in over 25 countries. This has allowed us to develop strong long-term relationships with national counterparts whereby we can observe strategic and operational level impact. In many of these countries, we are the leading provider of AML/CFT technical and legislative assistance and support national counterparts to create systems that prioritise and coordinate technical assistance needs and inward offers of assistance, as well as strong legal frameworks. In countries which are struggling with conflict or crisis we also assist development partners to understand any risks posed by cash disbursements or emanating from the MVTs sector.

We consider that Member States themselves should be the lead for managing the wide range of technical assistance opportunities available, especially those identified in FATF and CTED evaluations, and in National Risk Assessments, and that external providers such as UNODC are ancillary to their mechanisms for inter-agency coordination and risk-based prioritisation. We have seen that this approach leads to a cost effective and sustainable path for Member States to develop the effectiveness of their AML/CFT frameworks.

During UNODC's training courses, we have supported MS to follow the financial trail used by terrorist facilitation and to attack cells when they use MVTs, to locate and safely arrest the suspects before they could do harm. UNODC also brings together a range of MS on a six-



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month basis to discuss professional money laundering networks – those individuals who provide financial services to criminals, terrorists, corrupt officials and those seeking to evade vast amounts of taxes.

We have seen from the case studies at our professional money laundering network events that new technologies such as virtual assets and mobile currency are being used to facilitate the reconciliation of debts within large scale networks abusing MVTs. This presents new but not insurmountable challenges for investigators, regulators and prosecutors, as well as the private sector.

But this phenomenon perhaps also serves as a reminder that we cannot look at capabilities such as the use of cash or MVTs in isolation.

UNODC, within its mandate on AML/CFT, can provide legislative assistance as well as technical assistance, to ensure that Member States have effective responses in place to counter abuses by criminal organisations or terrorist groups using MVTs and cash.

For example, in East and West Africa we have supported three MS to develop strategic plans which focus on understanding risk and disrupting the ability of specific terrorist groups from raising and using funds including from environmental crime and massive shadow networks of extortion of local businesses, especially where cash and MVTs are almost the only laundering mechanism being used.

For these strategies to work, a whole of government approach is required, whereby agencies consider the full range of human rights compliant tools at their disposal, and crucially also consider what negative collateral impacts their actions may have. This includes strong legislative and regulative frameworks to develop effective responses to counter the AML/CFT risks posed by the use of MVTs or cash.

I encourage the steps taken today to facilitate ongoing coordination in observing the use of cash or MVTs within the wider AML/CFT landscape.



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We welcome also FATF's continued work in providing guidance on supervision and risk related to money value transfer services, including their most recent projects on mitigating 'unintended consequences' which both UNODC and the UN are important members of.

We very much look forward to continuing and enhancing our work with all our partners to ensure strong responses against the financing of terrorism.

Thank you very much.