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The
G7 Research Group
at the Munk School of Global Affairs at Trinity College in the University of Toronto
presents the

2016 Ise-Shima G7 Interim Compliance Report

29 May 2016 to 19 February 2017

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“We have meanwhile set up a process and there are also independent institutions monitoring which objectives of our G7 meetings we actually achieve. When it comes to these goals we have a compliance rate of about 80%, according to the University of Toronto. Germany, with its 87%, comes off pretty well. That means that next year too, under the Japanese G7 presidency, we are going to check where we stand in comparison to what we have discussed with each other now. So a lot of what we have resolved to do here together is something that we are going to have to work very hard at over the next few months. But I think that it has become apparent that we, as the G7, want to assume responsibility far beyond the prosperity in our own countries. That’s why today’s outreach meetings, that is the meetings with our guests, were also of great importance.”

Chancellor Angela Merkel, Schloss Elmau, 8 June 2015

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5. Terrorism: Combatting Terrorist Financing

“We reassert our commitment to countering terrorist financing as declared in the G7 Action Plan on Combatting the Financing of Terrorism at the G7 Finance Ministers and Central Bank Governors’ meeting in Sendai.”

G7 Ise-Shima Leaders’ Declaration

Assessment

	Lack of Compliance	Work in Progress	Full Compliance
Canada			+1
France			+1
Germany		0	
Italy			+1
Japan		0	
United Kingdom			+1
United States			+1
European Union			+1
Average	+0.75		

Background

At the 2016 Ise-Shima Summit, G7 leaders and policymakers reaffirmed that concerted global action to combat the financing of terrorist activities remains a critical element in the fight against international, state, and sub-state terrorism.⁴¹⁸ Combating the financing of terrorism (CFT) is a global priority due to the fact that monetary support “provides the means for terrorists to perpetrate attacks, sustain networks and spread their ideology through propaganda.”⁴¹⁹

CFT has been a persistent issue on the G7 agenda. Following the 9/11 attacks, G7 Finance Ministers drafted the Action Plan to Combat the Financing of Terrorism.⁴²⁰ This October 2001 initiative called for immediate and concerted international action to freeze terrorist assets and impose appropriate sanctions.⁴²¹ In addition, the 2001 Action Plan to Combat the Financing of Terrorism urged countries to create functioning financial intelligence units (FIUs) with the purpose of identifying and tracking terrorist assets both domestically and internationally.⁴²²

⁴¹⁸ G7 Ise-Shima Leaders’ Declaration, G7/G8 Information Centre (Toronto) 27 May 2016. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/summit/2016shima/ise-shima-declaration-en.html#terrorism>.

⁴¹⁹ G7 Action Plan on Combatting the Financing of Terrorism, G7 Japan 2016 Finance Ministers and Central Bank Governors’ Meeting (Sendai) 20-21 May 2016. Date of Access: 7 November 2016. http://www.g7sendai2016.mof.go.jp/summary/pdf/g7_action_plan_on_cft_en.pdf.

⁴²⁰ G7 Combatting the Financing of Terrorism: First Year Report, U.S. Department of the Treasury (Washington, D.C.) 27 September 2002. Date of Access: 22 September 2016. <https://www.treasury.gov/press-center/press-releases/Pages/po3474.aspx>.

⁴²¹ Statement of G-7 Finance Ministers and Central Bank of Governors, United Nations: International Conference on Financing for Development. 6 October 2001. Date of Access: 20 December 2016. <http://www.un.org/esa/ffd/themes/g7-10.htm>.

⁴²² Statement of G-7 Finance Ministers and Central Bank of Governors, United Nations: International Conference on Financing for Development. 6 October 2001. Date of Access: 20 December 2016. <http://www.un.org/esa/ffd/themes/g7-10.htm>.

The G7 members agreed to join the Egmont Group, an organization which facilitates coordination between national FIUs, with the ultimate goal of sustaining an international, financial intelligence network.⁴²³

In a further attempt to encourage international coordination, the Action Plan to Combat the Financing of Terrorism (2001) declared that the Financial Action Task Force (FATF), “should play a vital role in fighting the financing of terrorism,”⁴²⁴ and supported the FATF’s decision to expand its mandate “to combat terrorist financing.”⁴²⁵ Established by the Group of Seven in 1989, the FATF is an inter-governmental body that seeks to, “set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.”⁴²⁶ Since 2001, the G7 members have been working to implement the FATF’s recommendations regarding combatting the financing of terrorist activities.⁴²⁷

At the 2002 Evian Summit, the G7 established the Counter-Terrorism Action Group (CTAG), an international body with a mandate to support the United Nations Security Council Counter-Terrorism Committee.⁴²⁸ Collectively, these organizations coordinate donations to counterterrorism capacity-building assistance, including anti-money laundering and anti-terrorism financing training, and monitor member states’ adherence to the UN’s counterterrorism instruments.⁴²⁹

From 2004 to 2015, the UN Security Council issued several binding resolutions, including 1540 (2004), 2170 (2014), 2199 (2015), and 2253 (2015). By and large, these resolutions condemn foreign funding of terrorist organizations, and seek to suppress all forms of the financing of terrorism.⁴³⁰ At the 2015 Elmau Summit, G7 leaders reaffirmed their commitment to combatting terrorist financing through “coordinated action.”⁴³¹ In particular, G7 leaders agreed to “effectively implement the established international framework for the freezing of terrorists’ assets, and will facilitate cross-border freezing requests among G7 countries,”⁴³² and to “take further actions to ensure

⁴²³ Statement of G-7 Finance Ministers and Central Bank of Governors, United Nations: International Conference on Financing for Development. 6 October 2001. Date of Access: 20 December 2016. <http://www.un.org/esa/ffd/themes/g7-10.htm>.

⁴²⁴ Statement of G-7 Finance Ministers and Central Bank of Governors, United Nations: International Conference on Financing for Development. 6 October 2001. Date of Access: 22 September 2016. <http://www.un.org/esa/ffd/themes/g7-10.htm>.

⁴²⁵ Statement of the G7 Finance Ministers and Central Bank Governors, G7/G8 Information Centre (Toronto) 6 October 2001. Date of Access: December 20, 2016. <http://www.g8.utoronto.ca/finance/fm100601.htm>.

⁴²⁶ FATF: Who We Are, FATF-GAFI 2016. Date of Access: 20 December 2016. <http://www.fatf-gafi.org/about/>.

⁴²⁷ G8 Counter-Terrorism Cooperation since September 11, Prime Minister of Japan and his Cabinet (Tokyo) 2002. Date of Access: December 20, 2016. http://japan.kantei.go.jp/koizumispeech/2002/06/26g8_1tero_e.html.

⁴²⁸ Building International Political Will and Capacity to Combat Terrorism: A G8 Action Plan, G7/G8 Information Centre (Toronto) 2 June 2003. Date of Access: 25 September 2016. http://www.g8.utoronto.ca/summit/2003evian/will_action_en.html.

⁴²⁹ Counter-Terrorism Action Group (CTAG), Global Affairs Canada (Ottawa) 17 September 2012. Date of Access: 24 September 2016. <http://www.international.gc.ca/crime/ctag-gact.aspx?lang=eng>.

⁴³⁰ UN Security Council Resolution 1540, 2004. Date of Access: 20 December 2016.

<https://www.un.org/disarmament/wmd/sc1540/>; Security Council Adopts Resolution 2170 (2014) Condemning Gross, Widespread Abuse of Human Rights by Extremist Groups in Iraq, Syria, The United Nations Security Council 15 August 2014. Date of Access: 20 December 2016. <https://www.un.org/press/en/2014/sc11520.doc.htm>; Unanimously Adopting Resolution 2199 (2015), Security Council Condemns Trade with Al-Qaida Associated Groups, Threatens Further Targeted Sanctions, United Nations Security Council 12 February 2015. Date of Access: 20 December 2016. <http://www.un.org/press/en/2015/sc11775.doc.htm>; Unanimously Adopting Resolution 2253 (2015), Security Council Expands Sanctions Framework to Include Islamic State in Iraq and Levant, United Nations Security Council 17 December 2015. Date of Access: 20 December 2016. <https://www.un.org/press/en/2015/sc12168.doc.htm>.

⁴³¹ Leaders' Declaration: G7 Elmau Summit, G7/G8 Information Centre (Toronto) 8 June 2015. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/summit/2015elmau/2015-G7-declaration-en.html>.

⁴³² Leaders' Declaration: G7 Elmau Summit, G7/G8 Information Centre (Toronto) 8 June 2015. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/summit/2015elmau/2015-G7-declaration-en.html>.

greater transparency of all financial flows, including through an appropriate regulation of virtual currencies and other new payment methods.”⁴³³ Finally, G7 leaders committed to effectively implementing FATF standards, “including through a robust follow-up process.”⁴³⁴

Commitment Features

The G7 remains committed to bilateral, regional, and global efforts to counter terrorist financing. Despite the establishment of the FATF as a functional, institutionalized actor that provides a comprehensive global framework for combatting CFT standards, the G7 remains concerned, “that the evolving nature of current terrorist financing threats requires us to adapt our existing measures to combat those threats.”⁴³⁵

Due to the aforementioned global security concerns, G7 leaders adopted the G7 Action Plan on Combating the Financing of Terrorism at the G7 Finance Ministers and Central Bank Governors’ meeting in Sendai ahead of the Ise-Shima Summit in May 2016. As stipulated in these documents, the G7 countries have agreed to: 1) “enhance G7 information exchange and cooperation”⁴³⁶ regarding CFT; 2) review FATF standards in light of evolving terrorist financing threats;⁴³⁷ 3) implement coordinated and targeted financial sanctions;⁴³⁸ and 4) reinforce the FATF to meet “current challenges.”⁴³⁹

The first element of this commitment recognizes that information exchange and international cooperation are critical in combatting terrorist financing. The G7 commits to build on the work of international organizations, such as FATF and the Egmont Group, to further address potential vulnerabilities. Specifically, each G7 member commits to conducting a “mapping exercise” of its existing domestic and international financial intelligence bodies. This includes G7 FIUs and pertinent domestic authorities. The purpose of this “mapping exercise” is to ascertain if better coordination and cooperation are possible, both within nations and between G7 members.⁴⁴⁰ Member states also commit to exploring “new and innovative forms of information exchange and international cooperation.”⁴⁴¹ Finally, members agree to evaluate cooperation between G7 FIUs and relevant private sector entities, with the goal of improving “timely access to information, adequate support and feedback to financial institutions, and effective mechanisms of dialogue to share contextual information and useful guidance, in order to improve the quality of terrorist financing detection.”⁴⁴²

The second element of this commitment recognizes that the development of the FATF as a comprehensive global framework of CFT standards is vital in helping governments detect, analyze,

⁴³³ Leaders' Declaration: G7 Elmau Summit, G7/G8 Information Centre (Toronto) 8 June 2015. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/summit/2015elmau/2015-G7-declaration-en.html>.

⁴³⁴ Leaders' Declaration: G7 Elmau Summit, G7/G8 Information Centre (Toronto) 8 June 2015. Date of Access: 24 September 2016. <http://www.g8.utoronto.ca/summit/2015elmau/2015-G7-declaration-en.html>.

⁴³⁵ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 6 November 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴³⁶ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 6 November 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴³⁷ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴³⁸ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴³⁹ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴⁴⁰ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴⁴¹ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴⁴² G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

and report terrorist financing activity. Broadly, G7 members commit to conducting a review of the FATF Standards, with the ultimate goal of adjusting each member’s national requirements. Specifically, G7 members commit to: reduce the threshold for the declaration of cross-border cash transactions (EUR/USD/CAD 15,000 and JPY 2,000,000 to EUR/USD/CAD 10,000 and JPY 1,000,000⁴⁴³); ensure that all G7 members are applying the FATF standards to new payment methods, such as virtual currency and prepaid cards; and assess other criteria used to develop preventative measures, for instance by exploring thresholds for “account, account-like products and cross-border wire transfers.”⁴⁴⁴

The third element reaffirms the G7’s commitment to implementing targeted financial sanctions, primarily, by way of terrorist asset freezing as set out in the UN Security Council Resolution 2253 (2015).⁴⁴⁵ Specifically, G7 members commit to: strengthen the capacity of the G7 to put forward effective proposals to the UN Security Council in a timely manner; encourage individual G7 members to propose resolutions at the national level that can be supplemented by those recommended to the UN Security Council; and use national legal frameworks to fulfil the requests of other G7 members to freeze the assets of individuals who are suspected of engaging in terrorist financing activities.⁴⁴⁶

The final element of this commitment recognizes the FATF as “the most legitimate and effective body to shape the global effort to tackle terrorist financing worldwide.”⁴⁴⁷ The G7 is cognizant that the implementation of FATF standards is vital to address the evolving nature of terrorist financing activities. Specifically, the G7 commits to reinforcing the FATF network worldwide to promote further cooperation and enable G7 members to more adequately tackle security threats.⁴⁴⁸

A G7 member will have fully complied with this commitment if it takes action on three or more of the proposed CFT commitments listed in the G7 Action Plan on Combatting the Financing of Terrorism. If the member makes efforts on only two of these commitments, it will have partially complied. Finally, if the member fails to take action, or makes an effort in only one of these areas, it will be assigned a score of –1, or non-compliance.

Scoring Guidelines

-1	G7 member takes action on one proposed commitment to combat the financing of terrorism (CFT) OR fails to take any action on any proposed CFT commitment listed in the G7 Action Plan on Combatting the Financing of Terrorism
0	G7 member takes action on AT LEAST TWO of the proposed CFT commitments listed in the G7 Action Plan on Combatting the Financing of Terrorism
+1	G7 member takes action on THREE OR MORE of the proposed CFT commitments listed in the G7 Action Plan on Combatting the Financing of Terrorism

Lead Analyst: Cas Legrand

⁴⁴³ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 20 December 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴⁴⁴ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 6 November 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴⁴⁵ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 6 November 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴⁴⁶ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 6 November 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴⁴⁷ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 6 November 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

⁴⁴⁸ G7 Action Plan on Combatting the Financing of Terrorism, G7/G8 Information Centre (Toronto) 21 May 2016. Date of Access: 6 November 2016. <http://www.g8.utoronto.ca/finance/fm160520-terrorism.html>.

Canada: +1

Canada has fully complied with its commitment to take further action on combating terrorist financing.

Canada has taken extensive steps to apply the standards set by the Financial Action Task Force (FATF) to new payment methods, such as virtual currency and prepaid cards.

On 15 September 2016, the FATF released an assessment of Canada's anti-money laundering and combating the financing of terrorism (AML/CFT) framework.

Following the publication of the International Monetary Fund's report, its provisions were adopted by the FATF at its plenary meeting in Busan, Korea on 22-24 June 2016. The following statement was included in the report: "Following OSFI's [Office of the Superintendent of Financial Institutions] supervisory interventions, the two institutions are now implementing prepaid access controls in reloadable card programs similar to controls over deposit accounts. Regulatory amendments to include prepaid cards in the regulations are being developed. Other new products used — albeit to a very limited extent — include virtual currencies, which fall outside the current framework but which the government has proposed to regulate for AML/CFT purposes."⁴⁴⁹

Canada strengthened the FATF network's ability to respond to international security threats. During the 2016 North American Leaders' Summit on 29 June 2016, Prime Minister Justin Trudeau commented on Canada's participation in illicit financial flows by claiming that "through various forums — including the Financial Action Task Force, its global network, and the Egmont Group of Financial Intelligence Units — the countries exchange information and reinforce their shared commitment to increasing the global implementation of measures to counter illicit financial flows. Canada, the United States, and Mexico also coordinate and complement each other's efforts to provide assistance to international partners working to increase their ability to address this issue."⁴⁵⁰

On 20 December 2016, the United Nations Security Council adopted Resolution 2331 (2016), condemning all forms of human trafficking in the strongest terms. The council also encouraged the FATF to include analyses of human trafficking in relation to terrorism financing. Michael Douglas, Canada's Deputy Permanent Representative to the United, remarked that, "human trafficking also created extraordinary profits for both terrorist and criminal organizations," and highlighted Canada's support for the work of the Financial Action Task Force.⁴⁵¹ Canada has taken actions to enhance information exchange and cooperation in collaboration with financial intelligence units (FIUs) and the Egmont Group.

On 22 December 2016, Canada and several G7 nations participated in a mapping exercise to examine new methods to improve information exchange capabilities and increase cooperation between FIUs and private sector entities. Specifically, this exercise reaffirmed Canada's commitment to working alongside FINTRAC,⁴⁵² a partner of the Egmont Group that seeks to facilitate communication among FIUs.

⁴⁴⁹ Anti-money laundering and counter-terrorist financing measures - Canada, Fourth Round Mutual Evaluation Report, FATF (Paris) 2016. Date of Access: 10 January 2017. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Canada-2016.pdf>

⁴⁵⁰ Statement by Prime Minister Justin Trudeau at the 2016 North American Leaders' Summit, Office of the Prime Minister (Ottawa) 29 June 2016. Date of Access: 10 January 2017. <http://pm.gc.ca/eng/news/2016/06/29/security-and-defence>

⁴⁵¹ Security Council Condemns Human Trafficking in Strongest Terms, Unanimously Adopting Resolution 2331 (2016), United Nations Meeting Coverages and Press Releases (New York) 20 December 2016. Date of Access: 10 January 2017. <http://www.un.org/press/en/2016/sc12647.doc.htm>

⁴⁵² Mr. Kevin Stephenson (Executive Secretary, Egmont Group of Financial Intelligence Units) at the Finance Committee, Finance Committee on 5 May 2015 (Ottawa) openparliament.ca. Date of Access: 10 January 2017. <https://openparliament.ca/committees/finance/41-2/79/kevin-stephenson-1/only/>

Canada acknowledged the necessity of freezing the assets of individuals connected to terrorist groups. Global Affairs Canada, the country's leading agency for foreign affairs, trade, and development, contends that the Canadian government has the right to freeze an entity's assets and financial transactions if that entity is in violation of the Criminal Code.⁴⁵³ Further, Global Affairs Canada is responsible for enforcing relevant UN Security Council resolutions and the Special Economic Measures Act,⁴⁵⁴ in particular those articles that sanction the freezing of assets.⁴⁵⁵ Canada's Standing Committee on Foreign Affairs and International Development is in the process of reviewing the Special Economic Measures Act and the Freezing Assets of Corrupt Foreign Officials Act, which may strengthen or change the capacities of the government to freeze assets and respond to requests.⁴⁵⁶ The Canadian government continues to adhere to structural frameworks put in place to facilitate the freezing of assets.

Canada has made effective contributions to the international framework on combating terrorist financing by enhancing its information exchange capabilities and strengthening its commitment to asset-freezing at the governmental level. Thus, Canada has been awarded a score of +1.

Analyst: Emerson Segismundo

France: +1

France has fully complied with its commitment to continue implementing relevant measures to combat terrorist finance during the compliance period.

France has established TRACFIN, a branch within the Ministry of Finance and Public Accounts whose purpose is to combat money laundering as well as the financing of terrorism.⁴⁵⁷ In 2015, TRACFIN published a report stating that illicit financing could be found in four professions: banks and credit institutions, the insurance industry, payment institutions, and manual changers.⁴⁵⁸ According to new data acquired in 2016, the number of reported cases of illicit financing rose by 49 per cent from January to September.⁴⁵⁹ In December 2016, TRACFIN published a report that outlined the phenomenon of crowdfunding — online donation platforms — as a popular means through which people are financing terrorism.⁴⁶⁰ According to the report, EUR50 million was made through crowdfunding, a figure that has doubled since 2014.⁴⁶¹ TRACFIN has implemented new

⁴⁵³ Building Resilience Against Terrorism: Canada's Counter-terrorism Strategy, Public Safety Canada, Government of Canada (Ottawa) 2013. Date of Access: 10 January 2017. <https://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/rsln-c-gnst-trrrsm/rsln-c-gnst-trrrsm-eng.pdf>

⁴⁵⁴ Canadian Economic Sanctions, Global Affairs Canada (Ottawa) 18 April 2016. Date of Access: 10 January 2017. <http://www.international.gc.ca/sanctions/index.aspx?lang=eng>

⁴⁵⁵ G7 Collaboration in the Implementation of Targeted Financial Sanctions, Ministry of Finance Japan (Tokyo), 22 December 2016. Date of Access: 10 January 2017. http://www.mof.go.jp/english/international_policy/convention/g7/g7_161222_2.htm

⁴⁵⁶ Statutory Review of the Freezing Assets of Corrupt Foreign Officials Act and the Special Economic Measures Act, Parliament of Canada (Ottawa) 14 December 2016. Date of Access: 10 January 2017. <http://www.parl.gc.ca/Committees/en/FAAE/StudyActivity?studyActivityId=8977138>

⁴⁵⁷ TRACFIN Mission Statement, TRACFIN. Revised September 2016. Date of Access: January 13 2017. http://www.economie.gouv.fr/files/tracfin_septembre2016_fr.pdf

⁴⁵⁸ "TRACFIN: Panorama of 2015-2016 of Laundering of Capital and Financing Terrorism", Argus de l'Assurance. 8 December, 2016. Date of Access: 15 January 2017. <http://www.argusdelassurance.com/juriscope/actus/tracfin-panorama-2015-2016-du-blanchiment-de-capitaux-et-du-financement-du-terrorisme.114066>

⁴⁵⁹ "TRACFIN: Panorama of 2015-2016 of Laundering of Capital and Financing Terrorism", Argus de l'Assurance. 8 December, 2016. Date of Access: 15 January, 2017. <http://www.argusdelassurance.com/juriscope/actus/tracfin-panorama-2015-2016-du-blanchiment-de-capitaux-et-du-financement-du-terrorisme.114066>

⁴⁶⁰ "The Agency TRACFIN's Investigation on Crowdfunding Sites Diverted to Finance Jihadist Networks", France Inter. 8 December, 2016. Date accessed: 15 January, 2017. <https://www.franceinter.fr/economie/ces-plateformes-de-dons-en-ligne-qui-financent-le-terrorisme>

⁴⁶¹ "Online Donation Platforms that Finance Terrorism", France Inter. 8 December, 2016. Date accessed: 15 January, 2017. <https://www.franceinter.fr/economie/ces-plateformes-de-dons-en-ligne-qui-financent-le-terrorisme>

legislation within France that is expected to take effect on 1 January 2017, stipulating that those attempting to organize a crowdfunding campaign must register with financial control organizations and provide identification of both the person running the project as well as the person hoping to benefit from the funds obtained.⁴⁶²

France has taken action to increase the European Union's ability to implement targeted financial sanctions. On 3 August 2016, an initiative to "introduce an autonomous EU sanctions regime with respect to groups and individuals supporting groups affiliated with or linked to ISIL or AlQaida" was accepted.⁴⁶³ This decision was proposed jointly by France and the United Kingdom for the purpose of allowing the EU to move forward on combating terrorist financing in this area without a directive from the United Nations.⁴⁶⁴

On 10 November 2016, the French Government issued a decree pertaining to electronic money which bolsters TRACFIN. The new framework is more stringent than that of the European Union 4th Directive on Anti Money Laundering.⁴⁶⁵

It has also adopted measures to strengthen its asset freezing regulations. On 24 November 2016, France published "an order bolstering measures for freezing assets."⁴⁶⁶

On 24 February 2017, Michel Sapin, Minister of the Economy and Finance of France, addressed the FATF Plenary meeting. During his speech, Sapin suggested that "the FATF be granted legal status by France, its host country."⁴⁶⁷ Sapin asserted that "This option would make the FATF a stable legal entity that reflects the importance of its current role on the international stage."⁴⁶⁸

France has implemented new measures that comply with its commitment to combat the financing of terrorism during the compliance period and has taken concerted effort to facilitate coordinated action through the FATF. Thus, France has been awarded a score of +1.

Analyst: Sarah Bear

Germany: 0

Germany has partially complied with its commitment to take further action on combating terrorist financing, although it has taken extensive steps to enhance information exchange between domestic partners and G7 members.

In the wake of the terrorist attacks in Paris on 13 November 2015 and in Brussels on 22 March 2016, Germany passed the Act to Improve Information Exchange in the Fight Against International Terrorism, an amendment signed into law on 30 July 2016 that enhances information-sharing

⁴⁶² "Online Donation Platforms that Finance Terrorism", France Inter. 8 December, 2016. Date Accessed: 15 January, 2017. <https://www.franceinter.fr/economie/ces-plateformes-de-dons-en-ligne-qui-finacent-le-terrorisme>

⁴⁶³ The Key Steps in Countering the Financing of Terrorism at Domestic, European, and International Level Since 2015, French Ministry of Finance and the Economy (Paris) 21 December 2016. Date of Access: 6 March 2017. http://www.economie.gouv.fr/files/files/PDF/The_key_steps_in_countering_the_financing_of_terrorism.pdf, 12.

⁴⁶⁴ The Key Steps in Countering the Financing of Terrorism at Domestic, European, and International Level Since 2015, French Ministry of Finance and the Economy (Paris) 21 December 2016. Date of Access: 6 March 2017. http://www.economie.gouv.fr/files/files/PDF/The_key_steps_in_countering_the_financing_of_terrorism.pdf, 12.

⁴⁶⁵ Décret n° 2016-1523 du 10 novembre 2016 relatif à la lutte contre le financement du terrorisme, Legifrance. 13 November 2016. Date of Access: 8 April 2017. <https://www.legifrance.gouv.fr/eli/decret/2016/11/10/ECFT1608399D/jo>

⁴⁶⁶ The Key Steps in Countering the Financing of Terrorism at Domestic, European, and International Level Since 2015, French Ministry of Finance and the Economy (Paris) 21 December 2016. Date of Access: 6 March 2017. http://www.economie.gouv.fr/files/files/PDF/The_key_steps_in_countering_the_financing_of_terrorism.pdf, 12.

⁴⁶⁷ M. Michel Sapin, Speech at the Plenary meeting of the FATF (Paris) 24 February 2017. Date of Access: 8 April 2017. http://www.fatf-gafi.org/media/fatf/documents/speeches/Discours-Michel-Sapin-Plénière-fev-2017-FIN_EN%20.pdf

⁴⁶⁸ M. Michel Sapin, Speech at the Plenary meeting of the FATF (Paris) 24 February 2017. Date of Access: 8 April 2017. http://www.fatf-gafi.org/media/fatf/documents/speeches/Discours-Michel-Sapin-Plénière-fev-2017-FIN_EN%20.pdf

capabilities between the Federal Office for the Protection of the Constitution (BfV), Germany's domestic security bureau, and other German domestic intelligence agencies. For instance, the act enables the BfV to "create or participate in common databases with foreign intelligence services for the investigation of attempts or completed actions directed at events or groups of people."⁴⁶⁹

Moreover, the act called for increased cooperation among the members of the Club de Berne, a European intelligence-sharing forum that incorporates 28 neighbouring European Union governments and member states of the North Atlantic Treaty Organization.⁴⁷⁰ In 2016, a derivative of the Club de Berne, the Counter Terrorist Group (CTG), established a new information-sharing platform in The Hague, Netherlands.⁴⁷¹ The new legislation will allow the BfV to fully participate in the CTG's operations.

Germany has also emphasized the importance of the Financial Action Task Force (FATF) in the fight against terrorist financing. As host of the G20 this year, Germany has set out a number of priorities for the organization which include an "aim to ensure global and comprehensive implementation of the recommendations of the Financial Action Task Force (FATF)."⁴⁷²

Cognizant that the trading of artwork can engender the financing of terrorist activities, Germany adopted a revised version of the Act on the Protection of Cultural Property on 23 July 2016. The new legislation included new provisions to prevent the destruction of cultural sites, an activity employed by terrorists as an important source of funding, in particular in zones of conflict. The adoption of the Act reaffirmed Germany's commitment to UN Security Council Resolution 2199, a resolution unanimously adopted by member states in 2015 that condemned the destruction of world cultural heritage sites in Syria and Iraq as well as the illicit trafficking of cultural property to fund terrorism activities. Germany reaffirmed its commitment to the Act on the Return of Cultural Property of 2007, a revision of the UNESCO 1970 Convention⁴⁷³ that sought to outline Germany's regulations for importing and exporting cultural property. Specifically, the new agreement mandated compulsory licensing procedures to export cultural property from Germany and provided a rigid sanctions framework to prevent the illegal trade of imported cultural property within Germany.⁴⁷⁴

Germany has made effective contributions to the international framework on combating terrorist financing by enhancing its information exchange capabilities and reinforcing UN commitments to sanction the violation of cultural property, a considerable financial source for terrorism activities. It has acted on two of the proposed CFT commitments and thus has been awarded a score of 0.

Analyst: Jude Haj Ali

Italy: +1

Italy has fully complied with its commitment to combat terrorist financing.

Italy has taken actions to enhance information exchange and cooperation between the Bank of Italy and the Vatican's Financial Information Authority (AIF).

⁴⁶⁹ Germany: Act to Improve Anti-Terror Information Exchange in Force, Library of Congress, September 8 2016.

⁴⁷⁰ Germany: Act to Improve Anti-Terror Information Exchange in Force, Library of Congress, September 8 2016. Access date: January 21 2017. <http://www.loc.gov/law/foreign-news/article/germany-act-to-improve-anti-terror-information-exchange-in-force/>

⁴⁷¹ Germany: Act to Improve Anti-Terror Information Exchange in Force, Library of Congress, September 8 2016.

⁴⁷² Priorities of the 2017 G20 Summit, G20 Germany 2017 (Hamburg) 1 December 2016. Date of Access 6 March 2017. https://www.g20.org/Content/DE/_Anlagen/G7_G20/2016-g20-praesidentschaftspapier-en.pdf?__blob=publicationFile&v=, 11..

⁴⁷³ Key aspects of the new Act on the Protection of Cultural Property in Germany, Federal Government Commissioner for Culture and the Media, September 2016. Date accessed: January 21 2017.

⁴⁷⁴ Key aspects of the new Act on the Protection of Cultural Property in Germany, Federal Government Commissioner for Culture and the Media, September 2016. Date accessed: January 21 2017.

On 26 July 2016, the Bank of Italy and the AIF signed a cooperation agreement aimed at enhancing the exchange of information in the field of financial supervision on the basis of reciprocity.⁴⁷⁵ This declaration builds on a similar agreement concluded in 2013 between the AIF and the Italian financial intelligence unit (FIU) that sought to disrupt money laundering and terrorist financing activities.⁴⁷⁶ As President of the AIF René Brühlhart explains, the new agreement seeks to broaden channels geared at monitoring the relationship between Italian financial intermediaries and entities carrying out financial activities in order to “strengthen the bilateral cooperation between the Holy See and Italy in the common fight against illicit financial activities.”⁴⁷⁷

In October 2016, Italy took on a more prominent role in the Counter-ISIL Finance Group (CIFG), an organization that Italy co-established in January 2015⁴⁷⁸ to enhance coordination among international partners to arrest the financing of Da’esh operations. On 26 October 2016, CIFG hosted its sixth meeting with delegations from over 35 countries.⁴⁷⁹ The meeting provided an opportunity for Coalition members to sharpen their understanding of ISIL’s financial infrastructure⁴⁸⁰ as a way to propose viable strategies to disrupt ISIL’s sources of revenues and its access to the international financial system.

On 13 December 2016, Giuseppina Pellicano, Head of Countering the Financing of Terrorism and International Financial Sanctions, emphasized the need for collaboration among Italy’s authorities at the United Nations’ joint special meeting on “Depriving Terrorist Groups from Accessing, Raising, and Moving Funds: Practices and Lessons Learned.” Italian customs is closely cooperating with several FIUs to implement and enforce a viable system to prevent cross-border cash transactions and exchange and update information in the customs database to detect terrorist financing and money-laundering activities.⁴⁸¹

Pellicano also discussed Italy’s efforts to implement Targeted Financial Sanctions, a series of economic sanctions that are under the purview of the Financial Security Committee (FSC), an independent body in the Ministry of Economics and Finance. The FSC receives and designates evidence for identifying terrorism concerns and entities. As Pellicano explained, “the FSC has the power to ask of sharing information even in case covers by secrecy laws.”⁴⁸² Within this national

⁴⁷⁵ Press Release: Cooperation agreement between the Financial Information Authority (AIF) and the Bank of Italy (Vatican City) 26 July 2016. Date of access: 11 January 2017.

<https://press.vatican.va/content/salastampa/en/bollettino/pubblico/2016/07/26/160726c.html>.

⁴⁷⁶ Press Release: Cooperation agreement between the Financial Information Authority (AIF) and the Bank of Italy (Vatican City) 26 July 2016. Date of access: 11 January 2017.

<https://press.vatican.va/content/salastampa/en/bollettino/pubblico/2016/07/26/160726c.html>.

⁴⁷⁷ Press Release: Cooperation agreement between the Financial Information Authority (AIF) and the Bank of Italy (Vatican City) 26 July 2016. Date of access: 11 January 2017.

<https://press.vatican.va/content/salastampa/en/bollettino/pubblico/2016/07/26/160726c.html>.

⁴⁷⁸ The Italian Contribution to the Global Coalition Against Daesh, 4 October 2016. Date of access: 11 January 2017.

<http://theglobalcoalition.org/italian-contribution-daesh/>.

⁴⁷⁹ The Sixth Counter ISIL Finance Meeting Convenes in Kuwait (Kuwait) 26 October 2016. Date of access: 11 January 2017. <https://www.treasury.gov/connect/blog/Pages/The-Sixth-Counter-ISIL-Finance-Meeting-Convenes-in-Kuwait.aspx>.

⁴⁸⁰ The Sixth Counter ISIL Finance Meeting Convenes in Kuwait (Kuwait) 26 October 2016. Date of access: 11 January 2017. <https://www.treasury.gov/connect/blog/Pages/The-Sixth-Counter-ISIL-Finance-Meeting-Convenes-in-Kuwait.aspx>.

⁴⁸¹ Address by Head of Countering the Financing of Terrorism and International Financial Sanctions, Treasury of Italy Giuseppina Pellicano at the United Nations (New York) 13 December 2016. Date of access: 11 January 2017. <http://webtv.un.org/meetings-events/watch/part-4-depriving-terrorist-groups-from-accessing-raising-and-moving-funds-practices-and-lessons-learned/5246807038001-full-text>.

⁴⁸² Address by Head of Countering the Financing of Terrorism and International Financial Sanctions, Treasury of Italy Giuseppina Pellicano at the United Nations (New York) 13 December 2016. Date of access: 11 January 2017. <http://webtv.un.org/meetings-events/watch/part-3-depriving-terrorist-groups-from-accessing-raising-and-moving-funds-practices-and-lessons-learned/5246363314001>.

framework, Italian FIUs can issue a five-working-day freezing order in case of suspected transactions of terrorist financing.⁴⁸³

In addition, Pellicano spoke about Italy's cross-border cash transaction system. In her remarks, she explained that, "all cash and bearer negotiable instruments must be declared where equal or above the fixed threshold of EUR10,000," and the exceeding part that was not correctly declared is ceased.⁴⁸⁴ Moreover, she reminded the body that in the case of incomplete or false declarations, Italy would act resolute in applying severe administrative sanctions.⁴⁸⁵

On 14 December 2016, the National Institution of Statistics published Italy's Sustainable Development Goals of the 2030 Agenda for 2016. As part of its sixteenth goal, Italy anticipates strengthening its relevant national institutions, increasing capacity-building at all levels, and concentrating its efforts on putting an end to violence, terrorist financing activities, and crime in developing countries by way of enhanced international cooperation.⁴⁸⁶

Italy has made effective contributions to the international framework on combating terrorist financing by enhancing its information exchange capabilities between FIUs and the Bank of Italy, engaging in a robust system that prevents cross-border cash transactions, and reaffirming its commitment to enforcing sanctions against those who perpetrate terrorist financing and money laundering activities. Thus, Italy has been awarded a score of +1.

Analyst: Zisbu (Bianca) Gao

Japan: 0

Japan has partially complied with its commitment to take further action on combating terrorist financing, including assessing and implementing relevant measures. Japan has taken steps to reinforce standards set by the Financial Action Task Force (FATF) to inhibit the financing of terrorist activities.

On 11 October 2016, Japan's Ministry of Finance released the Outcome of the G7 Assessment of Potential Standards Enhancements. In this document, the Japanese government released a review of the G7's progress in meeting its obligations under its commitment to "assessing potential standards enhancements of the preventive measures."⁴⁸⁷ It found that all G7 members will soon have adopted legislation to include new payment methods such as virtual currency and prepaid cards. Finally, it noted that the G7 is carrying out an investigation into the costs and benefits of additional threshold changes to strike a balance between the necessity of stronger regulations and regulatory costs.⁴⁸⁸

⁴⁸³ Address by Head of Countering the Financing of Terrorism and International Financial Sanctions, Treasury of Italy Giuseppina Pellicano at the United Nations (New York) 13 December 2016. Date of access: 11 January 2017. <http://webtv.un.org/meetings-events/watch/part-3-depriving-terrorist-groups-from-accessing-raising-and-moving-funds-practices-and-lessons-learned/5246363314001>.

⁴⁸⁴ Address by Head of Countering the Financing of Terrorism and International Financial Sanctions, Treasury of Italy Giuseppina Pellicano at the United Nations (New York) 13 December 2016. Date of access: 11 January 2017. <http://webtv.un.org/meetings-events/watch/part-4-depriving-terrorist-groups-from-accessing-raising-and-moving-funds-practices-and-lessons-learned/5246807038001-full-text>.

⁴⁸⁵ Address by Head of Countering the Financing of Terrorism and International Financial Sanctions, Treasury of Italy Giuseppina Pellicano at the United Nations (New York) 13 December 2016. Date of access: 11 January 2017. <http://webtv.un.org/meetings-events/watch/part-4-depriving-terrorist-groups-from-accessing-raising-and-moving-funds-practices-and-lessons-learned/5246807038001-full-text>.

⁴⁸⁶ Italian Data for UN-SDGs, 14 December 2016. Date of access: 11 January 2017. http://www.istat.it/en/files/2016/12/2016_SDG_16_Italy.pdf.

⁴⁸⁷ Outcome of the G7 Assessment of Potential Standards Enhancements, Japanese Ministry of Finance (Tokyo) 11 October 2016. Date of Access: 6 March 2017. <http://www.fsa.go.jp/inter/etc/20161011-1/01.pdf>.

⁴⁸⁸ Outcome of the G7 Assessment of Potential Standards Enhancements, Japanese Ministry of Finance (Tokyo) 11 October 2016. Date of Access: 6 March 2017. <http://www.fsa.go.jp/inter/etc/20161011-1/01.pdf>.

On 22 December 2016, the MoF conducted a mapping exercise of financial intelligence units (FIUs) and outlined several measures to improve cooperation in a published document titled Enhancing G7 Information Exchange and Cooperation for Countering the Financing of Terrorism. These proposals included new methods for cooperation between FIUs and law enforcement agencies, as well as coordination among private sector agencies.⁴⁸⁹

On 22 December 2016, the Ministry of Finance also took steps to implement coordinated and targeted financial sanctions through proposals outlined in the G7 Collaboration in the Implementation of Targeted Financial Sanctions report. These proposals suggested ways for the G7 to collaborate and strengthen sanctions through the United Nations, as well as supplementing these measures through individual action and coordinating national legal frameworks to freeze assets.⁴⁹⁰

Since the Ise-Shima Summit, the Japanese FIU and the Japan Financial Intelligence Centre have reinforced the international FATF network by signing Statements of Cooperation with the FIUs of Cuba, Laos and Ghana during the compliance period.⁴⁹¹

Japan has made contributions to the international framework on combating terrorist financing by reaffirming its commitment to FATF standards and by supporting increased cooperation with other countries. Thus, Japan has been awarded a score of 0.

Analyst: Jeffrey Li

United Kingdom: +1

The United Kingdom has fully complied with its commitment to take further action on combating terrorist financing. The UK has taken extensive steps to implement targeted financial sanctions, primarily by way of terrorist asset freezing.

On 13 October 2016, the House of Commons passed the Criminal Finances Bill⁴⁹² that is designed to improve the government's ability to, among other things, combat terrorist financing. The following month, the House introduced an asset-freezing bill that outlined provisions to "impose restrictions on assets owned by persons involved in supplying terrorist organizations in the UK with arms, for the purpose of securing compensation for citizens of the United Kingdom affected by the supply of such arms."⁴⁹³ The UK reaffirmed its commitment to supporting national charities operating in difficult environments overseas in order to mitigate the risk of their funds being abused for terrorist purposes.⁴⁹⁴ In August 2016, the UK, along with over 20 other countries, met in Bali at

⁴⁸⁹ Enhancing G7 Information Exchange and Cooperation for Countering the Financing of Terrorism, Policy Research Institute, and Ministry of Finance (Tokyo) 22 December, 2016. Date of Access: 6 February 2017. http://www.mof.go.jp/english/pri/publication/mf_review/cy2017/522/522.pdf.

⁴⁹⁰ G7 Collaboration in the Implementation of Targeted Financial Sanctions, Policy Research Institute, and Ministry of Finance (Tokyo) 22 December, 2016. Date of Access: 6 February 2017. http://www.mof.go.jp/english/pri/publication/mf_review/cy2017/522/522.pdf

⁴⁹¹ Statements of Cooperation between JAFIC and foreign FIUs concerning Exchange of Information related to Money Laundering and Terrorist Financing, Japan Financial Intelligence Centre (Tokyo). Date of Access: 6 February 2017. https://www.npa.go.jp/sosikihanzai/jafic/en/kokusai_e/mousin_e.htm

⁴⁹² Criminal Finances Bill, Home Office, Government of the United Kingdom (London) 2016. Access Date: 28 January 2017. <https://www.gov.uk/government/collections/criminal-finances-bill>.

⁴⁹³ Asset Freezing Compensation Bill 2016-2017. United Kingdom Parliament (London) 2016. Access Date: January 28 2017. <http://services.parliament.uk/bills/2016-17/assetfreezingcompensation.html>.

⁴⁹⁴ Financial Services Flash Report. Protiviti Inc. (London) 2016. Access Date: 28 January 2017. https://www.protiviti.com/sites/default/files/united_states/financial-services-flash-report-uk-action-plan-aml-and-ctf-051116_0_0.pdf.

the Counter-Terrorism Financing Summit, where it reinforced its commitment to strengthen, collaborate, and share financial intelligence between partnering nations to track terrorist activities.⁴⁹⁵

The UK has taken steps to improve its information-exchange capabilities and increase its international cooperation. The Home Office proposed to create new legislation by October 2017⁴⁹⁶ to achieve better information-sharing between law enforcement agencies and private sector entities. In an effort to strengthen the UK's national security, the government passed the Investigatory Powers Bill that received royal assent on 29 November 2016.⁴⁹⁷ This act is intended to strengthen the UK's ability to intercept communications and retrieve intelligence that may pose a terrorist threat to the country's national security.⁴⁹⁸ This bill coincides with the Home Office's October 2017 commitment to gain stronger intelligence to reduce vulnerabilities and close loopholes that can be exploited by terrorists.⁴⁹⁹ Furthermore, the Home Office committed to deliver "prevent campaigns" to raise awareness among professionals in the regulated sector regarding actions needed to mitigate money laundering and terrorist financing risks.⁵⁰⁰

The UK reaffirmed its commitment to abide by the FATF standards that were revised in 2012.⁵⁰¹ These amendments recommended a greater emphasis on a risk-based approach to facilitate anti-money laundering and combat the financing of terrorism. The UK is tentatively scheduled to undergo an assessment against the prevailing standards in March or April 2018. The Financial Action Task Force agreed to suspend financial crime and counter-measures against Iran for 12 months.⁵⁰² The UK agreed to amend the Fourth European Union Anti-Money Laundering Directive (4AMLD) by June 2017. The 4AMLD adopted in May 2015 sought to bring European Union legal frameworks in line with the revised FATF standards, while taking into account the European Commission's review of the implementation of the third directive. The changes introduced in the 4AMLD will increase the transparency of legal persons and arrangements⁵⁰³ and strengthen the enhanced checks ("due diligence measures/counter measures") for high-risk countries.⁵⁰⁴

⁴⁹⁵ Second Counter-Terrorism Financing Summit, Australian Government (Canberra) 2016. Access Date: 28 January 2017, <http://www.austrac.gov.au/sites/default/files/ctf-summit-program-FINAL.pdf>.

⁴⁹⁶ Action Plan for anti-money laundering and counter-terrorist finance, Home Office, HM Treasury (London) 2016. Access Date: 28 January 2017, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517992/6-2118-Action_Plan_for_Anti-Money_Laundering_web_.pdf.

⁴⁹⁷ Investigatory Powers Act 2016, United Kingdom Parliament (London) 2016. Access Date: January 28 2017, <http://services.parliament.uk/bills/2015-16/investigatorypowers.html>.

⁴⁹⁸ Investigatory Powers Act 2016, United Kingdom Parliament (London) 2016. Access Date: January 28 2017, <http://services.parliament.uk/bills/2015-16/investigatorypowers.html>.

⁴⁹⁹ Financial Services Flash Report. Protiviti Inc. (London) 2016. Access Date: 28 January 2017. https://www.protiviti.com/sites/default/files/united_states/financial-services-flash-report-uk-action-plan-aml-and-ctf-051116_0_0.pdf

⁵⁰⁰ Financial Services Flash Report. Protiviti Inc. (London) 2016. Access Date: 28 January 2017. https://www.protiviti.com/sites/default/files/united_states/financial-services-flash-report-uk-action-plan-aml-and-ctf-051116_0_0.pdf

⁵⁰¹ United Kingdom: Financial Sector Assessment Program, International Monetary Fund (Washington, D.C.) 2016. Access Date: January 28 2017, <https://www.imf.org/external/pubs/ft/scr/2016/cr16165.pdf>

⁵⁰² Snapback, FATF-style: Counter-measure Suspension Unlikely to Address Core Banking Issues, RUSI (London) 2016. Access Date: 28 January 2017, <https://rusi.org/commentary/snapback-fatf-iran>

⁵⁰³ United Kingdom: Financial Sector Assessment Program, International Monetary Fund (Washington, D.C.) 2016. Access Date: January 28 2017, <https://www.imf.org/external/pubs/ft/scr/2016/cr16165.pdf>

⁵⁰⁴ Questions and Answers: Anti-money Laundering Directive, European Commission (Strasbourg) 2016. Access Date: 28 January 2017, http://europa.eu/rapid/press-release_MEMO-16-2381_en.htm

The UK has made effective contributions to the international framework on combating terrorist financing by introducing asset-freezing legislation, increasing its information-exchange capabilities, and reaffirming its commitment to FATF standards. Thus, the United Kingdom has been awarded a score of +1.

Analyst: Pitasanna Shanmugathas

United States: +1

The United States has fully complied with its commitment to take further action on combating terrorist financing. The US has taken extensive steps to promote counter-terrorism cooperation with other countries and implement sanctions in order to undermine terrorists and their sources of funding.

On 27 May 2016, the Office of the Press Secretary at the White House released the G7 Ise-Shima Leaders' Declaration.⁵⁰⁵ The statement reaffirmed the US's commitment to improving the transparency of individuals' properties that are vital to preventing the financing of terrorism activities. Moreover, the report indicated a responsibility to reduce terrorist groups' access to sources of funding and adhere to the provisions declared in the G7 Action Plan on Combatting the Financing of Terrorism.

On 29 June 2016, Senators Bob Casey and Johnny Isakson introduced the Stop Terrorist Operational Resources and Money bill, which allowed the United States to penalize countries that fund terrorists or terrorist groups.⁵⁰⁶ Under this bill, the president is "empowered to limit credit, levy economic sanctions, and reduce development assistance and military sales in an effort to penalize countries tolerating terrorism financiers."⁵⁰⁷

The United States contributed to implantation and enforcement mechanisms of financial sanctions that seek to discourage terrorist financing activities. On 1 July 2016, the Office of Foreign Assets Control (OFAC) issued regulations to execute the Federal Civil Penalties Inflation Adjustment Act of 1990.⁵⁰⁸ The regulations increased the maximum amount of civil monetary penalties under OFAC regulations. The amended regulations included global terrorism sanctions regulations, terrorism sanctions regulations, and foreign terrorist organizations sanctions regulations. According to current legislation that was formalized on 1 August 2016, the applicable maximum civil penalty for the violation of the International Emergency Economic Powers Act is \$284,582 or an amount that is twice the amount of the transaction that violates the Act, whichever is greater.⁵⁰⁹ For the foreign terrorist organizations sanctions regulations, the applicable maximum civil penalty is \$75,122 or twice the amount of which a financial institution was required to retain possession.⁵¹⁰

Following the Ise-Shima Summit, the US stressed the importance of promoting cooperation among countries in the international system to tackle terrorist security and issues pertaining to terrorist financing. On 27 July 2016, US officials met India's officials in Washington DC for the 14th US-

⁵⁰⁵ G7 Ise-Shima Leaders' Declaration, The White House Office of the Press Secretary 27 May 2016. Date of Access: 5 January 2017. <https://www.whitehouse.gov/the-press-office/2016/05/27/g7-ise-shima-leaders-declaration>

⁵⁰⁶ The Stop Terrorist Operational Resources and Money Bill, U. S. Government Publishing Office 29 June, 2016. Date of Access: 11 January 2017. http://www.isakson.senate.gov/public/_cache/files/9616da63-8df0-464b-adcc-64f5090637a5/S.3125%20Stop%20Terrorist%20Operational%20Resources%20and%20Money%20Act.pdf

⁵⁰⁷ Senators Bob Casey and Isakson Introduce Uncertain Bill on Combating Terrorism, The Consortium Against Terrorist Finance (CATF) 13 July, 2016. Date of Access: 11 January 2017. <http://stopterrorfinance.org/stories/510958579-senators-casey-and-isakson-introduce-uncertain-bill-on-combating-terrorism-financiers>

⁵⁰⁸ Implementation of the Federal Civil Penalties Inflation Adjustment Act, U.S. Department of Treasury 1 July 2016. Date of Access: 5 January 2017. https://www.treasury.gov/resource-center/sanctions/Documents/fr81_43070.pdf

⁵⁰⁹ Implementation of the Federal Civil Penalties Inflation Adjustment Act, U.S. Department of Treasury 1 July 2016. Date of Access: 5 January 2017. https://www.treasury.gov/resource-center/sanctions/Documents/fr81_43070.pdf

⁵¹⁰ Implementation of the Federal Civil Penalties Inflation Adjustment Act, U.S. Department of Treasury 1 July 2016. Date of Access: 5 January 2017. https://www.treasury.gov/resource-center/sanctions/Documents/fr81_43070.pdf

India Counterterrorism Joint Working Group collaboration.⁵¹¹ The meeting enhanced the partnership between the two countries and solidified their mutual commitment to combat terrorist financing.

From 19 to 21 October 2016, the plenary meeting of Financial Action Task Force (FATF) was held in Paris under the Spanish presidency of Juan Manuel Vega-Serrano. The meeting discussed the US's 2016 FATF mutual evaluation reports, which indicated that the US was highly effective in countering terrorism and terrorism financing by prosecuting individuals for terrorist financing and executing financial sanctions.⁵¹²

On 22 November 2016, Daniel Glaser, the United States Treasury Assistant Secretary for Terrorist Financing, and Luis Caputo, Secretary of Finance of the Republic of Argentina discussed a partnership agreement to combat the financing of international terrorism.⁵¹³ This cooperation has helped both countries to conduct research on illicit finance threats of mutual concern that can be used for designing strategies to counter terrorist financing.

On 20 December 2016, the supervisors of the Anti-Money Laundering and Countering Financing of Terrorism Act met at the International Supervisors Forum in Washington DC.⁵¹⁴ Established in 2013, this platform serves to enhance collaborative efforts made by governmental regulatory agencies in the United States, New Zealand, the United Kingdom, Australia and Canada to combat terrorist financing, money laundering, and other financial crimes.⁵¹⁵ In December 2016, participants discussed the challenges and successes of supervision and identified reporting methods to recognize terrorist financing activities. The discussion acted as a critical step in enhancing transnational cooperation, essential for regulating the financing of terrorism activities in a volatile world of rapidly changing technology and global financial provisions.

As well, in December 2016, the US reported that it had cut the Islamic State's financing and trade in looted antiquities.⁵¹⁶ The US Department of Justice filed a lawsuit in Washington DC to seize cultural artifacts held by ISIS. The Department claimed that ISIS not only massively destroyed these rare antiques, but also acquired a significant portion of its funding from illegally trading these ancient relics. In line with US law, these artifacts were deemed to represent assets of a designated terrorist organization and were subsequently seized by the US government.

The US has made effective contributions to the international framework on combating terrorist financing by enforcing sanctions against individuals who engage in terrorist financing activities,

⁵¹¹ U.S.-India Counterterrorism Joint Working Group, U.S. Department of State, Office of the Spokesperson July 27, 2016. Date of Access: 5 January 2017. <https://www.state.gov/r/pa/prs/ps/2016/07/260581.htm>

⁵¹² Outcomes of the Plenary meeting of the FATF, Paris, 19-21 October 2016, Financial Action Task Force (FATF) 21 October 2016. Date of Access: 6 January 2017. <http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2016.html>

⁵¹³ U.S. & Argentina hold Inaugural Argentina-U.S. Dialogue on Illicit Finance, U.S. Embassy in Argentina 29 November 2016. Date of Access: 11 January 2017. <https://ar.usembassy.gov/u-s-argentina-hold-inaugural-argentina-u-s-dialogue-illicit-finance/>

⁵¹⁴ International Anti-Money Laundering Supervisors meet in Washington, Department of Internal Affairs of New Zealand, 20 December 2016. Date of Access: 6 January 2017. <https://www.dia.govt.nz/press.nsf/d77da9b523f12931cc256ac5000d19b6/2e29337822a0f7c7cc25808e007b58c3!OpenDocument>

⁵¹⁵ International Anti-Money Laundering Supervisors meet in Washington, Department of Internal Affairs of New Zealand, 20 December 2016. Date of Access: 6 January 2017. <https://www.dia.govt.nz/press.nsf/d77da9b523f12931cc256ac5000d19b6/2e29337822a0f7c7cc25808e007b58c3!OpenDocument>

⁵¹⁶ U.S. Steps Up Fight to Cut Islamic State Financing and Trade in Looted Antiquities, the Washington Post (Washington) December 15, 2016. Date of Access: 5 January 2017. https://www.washingtonpost.com/local/public-safety/us-steps-up-fight-to-cut-islamic-state-financing-and-trade-in-looted-antiquities/2016/12/15/77a7b40e-c2e1-11e6-9578-0054287507db_story.html?utm_term=.c90b847fc95d

increasing information exchange and cooperation with other countries, and identifying a reporting mechanism to better track terrorist financing activities. Thus, the United States has been awarded a score of +1.

Jiayue (Joy) Li

European Union: +1

The European Union has fully complied with its commitment to combating the financing of terrorism.

Since the 2016 Ise-Shima Summit, the European Union has continued to reiterate support for the swift implementation of the Financial Action Task Force's (FATF) standards, as well as for the United Nations Security Council Resolution 2253.⁵¹⁷

On 5 July 2016, the European Commission, under Jean-Claude Juncker, adopted a proposal to both strengthen EU rules on anti-money laundering to terrorist organizations and increase transparency rules on ownership of companies and trusts.⁵¹⁸ This proposal updated the May 2015 Fourth Anti-Money Laundering Package, which required all member states to nationally register the beneficiaries of companies and trusts by the end of 2016. Enhanced cooperation among EU financial intelligence units (FIUs) increased their access to information in centralized banks, payment account registers, and central data retrieval systems. To ensure transparency, all member states were urged to establish holders of bank and payment accounts.⁵¹⁹

The proposal adopted by the European Commission on 5 July 2016 also explicitly tackled terrorist financing risks linked to virtual currencies and anonymous pre-paid cards.⁵²⁰ In working to prevent misuse of virtual currencies being used for the financing of terrorist purposes, the European Commission recognized that "customer-due diligence controls" would be necessary in exchanging virtual for real currencies to end anonymity in virtual exchanges. Furthermore, the European Commission proposed to minimize usage of anonymity in pre-paid instruments by lowering the need for identification from EUR250 to EUR150 and widening verification requirements.⁵²¹

On 14 July 2016, the European Commission also formally adopted a list of developing countries with strategic deficiencies in their regimes on the countering of terrorist financing. Banks were mandated to enhance diligence measures on financial flows from 11 countries, which mirror the list published by the FATF. The EU authorized targeted technical assistance to these 11 countries to enhance capacity in countering the financing of terrorism and improving anti-money laundering measures.⁵²²

⁵¹⁷ G20 Leaders' Communique Hangzhou Summit, European Commission (Hangzhou, China) 5 September 2016. Date of Access: 3 January 2017. http://europa.eu/rapid/press-release_STATEMENT-16-2967_en.htm

⁵¹⁸ State of the Union: Paving the Way Towards a Genuine and Effective Security Union – Questions and Answers, European Commission (Strasbourg) 14 September 2016. Date of Access: 3 January 2017. http://europa.eu/rapid/press-release_MEMO-16-3004_en.htm

⁵¹⁹ Commission Strengthens Transparency Rules to Tackle Terrorism Financing, Tax Avoidance, and Money Laundering, European Commission (Strasbourg) 5 July 2016. Date of Access: 3 January 2017. http://europa.eu/rapid/press-release_IP-16-2380_en.htm

⁵²⁰ European Agenda on Security: First Report on Progress Towards an Effective and Sustainable Security Union, European Commission (Brussels) 12 October 2016. Date of Access: 4 January 2017. http://europa.eu/rapid/press-release_IP-16-3367_en.htm

⁵²¹ Commission Strengthens Transparency Rules to Tackle Terrorism Financing, Tax Avoidance, and Money Laundering, European Commission (Strasbourg) 5 July 2016. Date of Access: 3 January 2017. http://europa.eu/rapid/press-release_IP-16-2380_en.htm

⁵²² State of the Union: Paving the Way Towards a Genuine and Effective Security Union – Questions and Answers, European Commission (Strasbourg) 14 September 2016. Date of Access: 3 January 2017. http://europa.eu/rapid/press-release_MEMO-16-3004_en.htm

On 2 June 2016, the Netherlands Presidency of the Council of the EU hosted Dimitris Avramopoulos, the Commissioner for Migration, Home Affairs, and Citizenship, and Vra Jourová, the European Union Commissioner for Justice, Consumers, and Gender Equality, as well as Loretta E. Lynch, the United States Attorney General, and Alejandro Mayorkas, the Deputy Secretary of Homeland Security, to discuss trans-Atlantic cooperation in freedom, security, and justice.⁵²³ This meeting yielded a reaffirmed commitment to the maintenance of high standards for protection of personal data transferred by law enforcement authorities and strengthened the rights of citizens to facilitate cooperation. The agreement called on both the EU and the United States to improve border security, cooperate in identifying terrorists, and legislate initiatives to improve information sharing between the two G7 groups.⁵²⁴

In his address delivered on 14 September 2016, President Juncker explained that the European Commission needed to mutually recognize criminal asset freezing and confiscation orders, recommending an additional proposal to combat fraud and non-cash payment counterfeit. By early 2017, the European Commission anticipates that the powers of customs authorities will be widened to address terrorism financing through the illicit trading of general and cultural goods.⁵²⁵

In his same speech, President Juncker also announced the intention of the European Commission to legislate the harmonization of money laundering offences, as proposed in the Fourth Anti-Money Laundering Directive that was previously adopted in 2015. The European Commission presented updated reports on an EU terrorist financing tracking system as well as an RU asset freezing regime that would complement existing regimes currently held under the Common Foreign and Security Policy.⁵²⁶

The State of the Union address also reaffirmed the European Commission's commitment to a platform that would better connect FIUs from EU member states, a plan that was established in early 2016. With the help of Commission services, this initiative serves to further enhance cooperation, develop tools, and better identify suspicious financial transactions. These FIUs developed information technology tools for direct information exchange (at FIU.NET) that have been utilized by the European Counter-Terrorism Centre since 1 January 2016.⁵²⁷

On 16 November 2016, the European Commission released its Second Report on Progress Towards an Effective and Sustainable Security Union, outlining several necessary provisions⁵²⁸ for EU autonomous listings against terrorist groups such as al Qaeda and the Islamic State in Iraq and the Levant (ISIL,) also referred to as Da'esh.

⁵²³ Joint EU-US Press Statement Following the EU-US Justice and Home Affairs Ministerial Meeting, European Commission (Amsterdam) 2 June 2016. Date of Access: 3 January 2016. http://europa.eu/rapid/press-release_STATEMENT-16-2040_en.htm

⁵²⁴ Joint EU-US Press Statement Following the EU-US Justice and Home Affairs Ministerial Meeting, European Commission (Amsterdam) 2 June 2016. Date of Access: 3 January 2016. http://europa.eu/rapid/press-release_STATEMENT-16-2040_en.htm

⁵²⁵ State of the Union: Paving the Way Towards a Genuine and Effective Security Union – Questions and Answers, European Commission (Strasbourg) 14 September 2016. Date of Access: 3 January 2017. http://europa.eu/rapid/press-release_MEMO-16-3004_en.htm

⁵²⁶ State of the Union: Paving the Way Towards a Genuine and Effective Security Union – Questions and Answers, European Commission (Strasbourg) 14 September 2016. Date of Access: 3 January 2017. http://europa.eu/rapid/press-release_MEMO-16-3004_en.htm

⁵²⁷ State of the Union: Paving the Way Towards a Genuine and Effective Security Union – Questions and Answers, European Commission (Strasbourg) 14 September 2016. Date of Access: 3 January 2017. http://europa.eu/rapid/press-release_MEMO-16-3004_en.htm

⁵²⁸ European Agenda on Security: Second Report on Progress Towards an Effective and Sustainable Security Union, European Commission (Brussels) 16 November 2016. Date of Access: 4 January 2017. http://europa.eu/rapid/press-release_IP-16-3681_en.htm

The European Union has made effective contributions to the international framework on combating terrorist financing by reinforcing its FATF standards, increasing cooperation among FIUs, and calling on the European Commission to recognize criminal asset-freezing. Thus, the European Union has been awarded a score of +1.

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