


PREVENTING TERRORISM FINANCING

The webinar will begin shortly.

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INTRODUCTION



Andrew Hill

WELCOME

Today's webinar on terrorism financing will be brought to you by the Ministry of Justice and the NZ Police, and we'll be joined by the Council for International Development .

Andrew Hill, from the **Ministry of Justice**, leads New Zealand's work with the Financial Action Taskforce and other international anti-money laundering/counter terrorism financing work.



Christiaan Barnard

Detective Inspector Christiaan Barnard is the Head of the Financial Intelligence Unit within Police.




Aaron Davy is from **Council for International Development (CID)** and coordinates their Humanitarian Network and Code of Conduct.



Aaron Davy

LOGISTICS

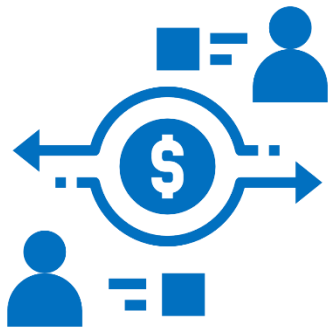
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- Webinar is being recorded – you will receive a link to the recording **tomorrow**
- Listen-only webinar. Click  icon to type questions. If your question doesn't get answered during the webinar, email us at events@charities.govt.nz
- Download the handout (click on  icon on right panel of screen)

MYTHS

- Terrorism financing is complicated
- It can't happen here
- Its not that bad anyway
- Only really bad people are involved
- Someone else will stop it

WHAT IS TERRORISM FINANCING?



Raise funds:

- Collect money anyway possible eg:
 - Crime
 - Normal income, such as wages
 - Donations

Move funds

Move that money to where it will be used:

- Carry cash
- Hide transactions in businesses/NPOs

Use funds:

- Fund attacks
- Fund training, recruitment, travel
- Fund terrorist organisations

WHAT ARE OUR INTERNATIONAL OBLIGATIONS?



- Financial Action Taskforce:
 - Understand our terrorism financing risks
 - Prevent terrorism financing
 - Targeted financial sanction
 - Prevent terrorists from abusing Non-Profit Organisations
 - Investigate/prosecute

WHAT WE NEED TO SHOW



That we apply focused and proportionate measures to NPOs vulnerable to terrorism financing abuse, without disrupting or discouraging legitimate NPO activities.

HOW NPOS ARE ABUSED FOR TERRORISM

- Most common method is *diversion of funds* by either people inside an NPO, or external people such as offshore partners
- NPOs or directing officials maintaining an *affiliation with a terrorist entity*. In these instances, an NPO could be abused for multiple purposes
- NPOs abused to provide *support to recruitment* terrorist entities
- *Abuse of programming* where legitimate donations were abused at the point of delivery
- Some terrorist entities abuse the NPO sector through *false representation*. Terrorist entities start 'sham' NPOs in order to deceive donors into providing support.

UNDERSTAND THE RISK

Risk is primarily determined by

1. The value of a NPO's resources or activities to terrorist entities
2. The NPO's proximity to an active terrorist threat

UNDERSTAND THE RISK

- A significant risk to NZ based charities is *abuse of programming*. High risk areas are *service activities* such as housing, social services, education, or health care.
- Low risk areas are *expressive activities* such as sports and recreation, arts and culture, interest representation, or advocacy.
- High risk populations are those where there is a correlation between terrorist movements and the population targeted by the NPO.
- High risk jurisdictions are where there is conflict or low governance. This also brings risk of corruption.

UNDERSTAND THE RISKS

Risks will **increase** in situations where:

- Your NPO uses alternative remittance services and/or cash
- Your NPO engages with other individuals or organisations to deliver aid without conducting screening processes
- Your NPO is not able to provide direct oversight of programmes or projects you are funding

It is important that NPOs conduct ongoing risk assessments and customer due diligence (CDD)

INDICATORS

Activity **inconsistent** with the NPO's operations

- Financial transactions occur for which there appears to be no logical purpose or in which there appears to be no link between the stated activity of the organisation and parties in the transaction.

Fund transfers that are **structured** or smurfed

- A large number of donations made via fund transfers ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements; or foreign exchange transactions performed on behalf of donors or beneficiaries, followed by fund transfers to locations having no apparent connection with the donors or beneficiaries or to high risk areas.

ANTI-TERRORISM FUNDING & DEVELOPMENT/ HUMANITARIAN NGOS



- Considerations of legislation on topical development issues – i.e. Localisation agenda.

Council for International Development **Code of Conduct** requirements:

B.2.3 Control of funds and resources:

“1. A signatory organisation will only disburse donated funds or resources to a third party (including affiliates or partner agencies) for aid and development activities where it is satisfied that:

d. the funds or resources will be disbursed in accordance with relevant laws including taxation, counter terrorism financing and anti-money laundering legislation; and

e. appropriate control and risk management mechanisms are in place to mitigate the risk of misappropriation or improper use of the funds or resources once disbursed.”

ANTI-TERRORISM FUNDING & DEVELOPMENT/ HUMANITARIAN NGOS

- Risk assessments
- Reporting procedures



CASE STUDY: DIVERSION OF DISASTER RELIEF

- Overseas a large international NPO was providing disaster relief in an area where a terrorist organisation was active
- The NPO delivered cash payments through a local money service business
- An examination by the NPO's partner revealed that the money service provider was taking a 'tax' to pass to terrorists
- In other instances, the beneficiaries of the charity were being 'taxed' by the terrorist organisation.



CASE STUDY: THEFT OF COLLECTIONS

- In the UK, two men volunteered to collect for a charity for one day
- They held on to the collection buckets and vests and continued to collect
- They used the funds to travel overseas and take part in terrorist training and videos
- They were later arrested for a domestic terrorist plot.

MITIGATE THE RISK

- **Know** Your Customer
- **Know** your partners
 - Only deal with organisations you can trust – do you really know them?
 - Ask questions - review governance documents
 - Verify documents and identities where possible
 - Check sanction lists
- **Know** where your money is going
 - Don't commence transactions until you've done your due diligence
 - Use formal financial mechanisms such banks and/or reputable remittance agencies
 - Get receipts
 - Understand the route that money will take and that you are satisfied that sufficient due diligence is done at each step until it reaches its destination

IF IN DOUBT...

If your risk assessment raises any doubts – do not establish or continue a relationship with the organisation.

FURTHER READING

Sanction Lists

<https://www.police.govt.nz/advice/personal-community/counterterrorism/designated-entities>

FATF Terrorist Abuse in Non-Profit Organisations

<https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-of-terrorist-abuse-in-non-profit-organisations.pdf>

New Zealand National Risk Assessment of Money Laundering and Terrorism Financing

<https://www.police.govt.nz/sites/default/files/publications/fiu-nra-2018.pdf>
[NZ Police FIU Quarterly Typology Report Q2 2015/16 Terrorist Financing](#)

Australian Institute of Criminology, Misuse of the non-profit sector for money laundering and terrorism financing

<https://aic.gov.au/publications/tandi/tandi424>

WRAP-UP

Future webinars

- Webinar 3: How to detect and prevent fraud (Thursday 24 October 2019, 12.00pm-1.00pm)
- Register here: <https://register.gotowebinar.com/register/1016965093222200588>

If we didn't have time to answer your questions

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