



Security Council

Distr.: General
3 June 2020

Original: English

Letter dated 3 June 2020 from the Chair of the Security Council Committee established pursuant to resolution [1373 \(2001\)](#) concerning counter-terrorism and the Chair of the Security Council Committee pursuant to resolutions [1267 \(1999\)](#), [1989 \(2011\)](#) and [2253 \(2015\)](#) concerning Islamic State in Iraq and the Levant (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities addressed to the President of the Security Council

On behalf of the Security Council Committee established pursuant to resolution [1373 \(2001\)](#) concerning counter-terrorism, and the Security Council Committee pursuant to resolutions [1267 \(1999\)](#), [1989 \(2011\)](#) and [2253 \(2015\)](#) concerning the Islamic State in Iraq and the Levant (ISIL) (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities, we have the honour to refer to paragraph 36 of resolution [2462 \(2019\)](#) of 28 March 2019, in which the Council requested the Counter-Terrorism Committee and the Committee established pursuant to resolutions [1267 \(1999\)](#), [1989 \(2011\)](#) and [2253 \(2015\)](#) to hold, within 12 months, a joint special meeting on terrorist financing threats and trends as well as on the implementation of the provisions contained in that resolution. We have the honour to refer also to paragraph 37 of the same resolution in which the Council requested the Counter-Terrorism Committee Executive Directorate and the Analytical Support and Sanctions Monitoring Team to prepare, ahead of the joint special meeting, a report on actions taken by Member States to disrupt terrorist financing.

In this regard, we have the honour to transmit the joint report of the Counter-Terrorism Committee Executive Directorate and the Analytical Support and Sanctions Monitoring Team on actions taken by Member States to disrupt terrorism financing, which was prepared pursuant to paragraph 37 of Security Council resolution [2462 \(2019\)](#) (see annex).

We would appreciate it if the present letter and its annex were brought to the attention of the members of the Security Council and issued as a document of the Council.

(Signed) Kais **Kabtani**

Chair of the Security Council Committee established pursuant to resolution [1373 \(2001\)](#) concerning counter-terrorism

(Signed) Dian Triansyah **Djani**

Chair of the Security Council Committee pursuant to resolutions [1267 \(1999\)](#), [1989 \(2011\)](#) and [2253 \(2015\)](#) concerning Islamic State in Iraq and the Levant (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities



Annex**Joint report of the Counter-Terrorism Committee Executive Directorate and the Analytical Support and Sanctions Monitoring Team pursuant to resolutions [1526 \(2004\)](#) and [2253 \(2015\)](#) concerning Islamic State in Iraq and the Levant (ISIL) (Da'esh), Al-Qaida and the Taliban and associated individuals and entities on actions taken by Member States to disrupt terrorist financing, prepared pursuant to paragraph 37 of Security Council resolution [2462 \(2019\)](#)***Summary*

On 28 March 2019, the Security Council adopted resolution [2462 \(2019\)](#), which consolidates the Council's previous resolutions on the counter-financing of terrorism; underscores the central role of the United Nations, in particular the Council, in the fight against terrorism; and calls for new measures directed at preventing and suppressing terrorism financing. The adoption of the resolution reflects the Council's continued determination to deprive terrorists of funds, other financial assets and economic resources, as well as to deny them access to the financial system and to other economic sectors that are vulnerable to terrorism financing.

In paragraph 37 of the resolution, the Council requests the Counter-Terrorism Committee Executive Directorate and the Analytical Support and Sanctions Monitoring Team pursuant to resolutions [1526 \(2004\)](#) and [2253 \(2015\)](#) concerning Islamic State in Iraq and the Levant (ISIL) (Da'esh), Al-Qaida and the Taliban and associated individuals and entities to prepare a report on actions taken by States to disrupt terrorism financing. Member States were invited by the Directorate and the Monitoring Team to complete a questionnaire on actions taken to disrupt terrorism financing and the challenges encountered in implementing Security Council measures concerning terrorism financing. The full text of the questionnaire is attached as enclosure I to the present report, and the list of those States that submitted responses to the questionnaire is attached as enclosure II.

The present report contains analysis and findings based on States' responses to the questionnaire. Its objective is to provide greater insight into measures taken by States to disrupt terrorism financing, including through effective implementation of measures required by the relevant Council resolutions. It also seeks to highlight the challenges encountered by States in disrupting the financing of terrorism. States' responses to the questionnaire reflect the deep commitment of the international community to support a broad array of legal and policy measures aimed at denying terrorist groups access to funding and financial services.

Based on responses from 112 Member States, the report provides an overview of measures, good practices and challenges encountered by Member States in their implementation of international counter-financing of terrorism standards. The analysis of States' responses reveals a comprehensive understanding of counter-financing of terrorism requirements, including the legal framework necessary for effective counter-financing of terrorism measures, as well as the asset-freezing and sanctions-designation measures set forth in Council resolutions [1267 \(1999\)](#) and [1373 \(2001\)](#) and successor resolutions. It also reveals that certain counter-financing of terrorism measures called for in resolution [2462 \(2019\)](#) have not yet been tested or fully operationalized.

In the questionnaire, the Directorate and the Monitoring Team requested information about States' implementation of the sanctions measures set forth in resolutions [1267 \(1999\)](#) and [1373 \(2001\)](#), including whether and how assets subject to those measures are frozen, how designations are communicated to the relevant stakeholders, and how States define the requirement to implement "without delay" in the case of sanctions targeting individuals and entities contained in the list established pursuant to resolution [1267 \(1999\)](#) ("ISIL (Da'esh) and Al-Qaida sanctions list"). The vast majority of responding States have established mostly Internet-based mechanisms to communicate sanctions listings, pursuant to resolution [1267 \(1999\)](#), and to require implementation by the relevant financial institutions. However, the implementation of sanctions measures by non-financial entities presents a more mixed picture. Around two thirds of reporting States define "without delay" as within 24 hours or less. A number of States noted that the relevant Council resolutions do not define "without delay" in terms of a specific time period.

With regard to the implementation of asset-freezing requirements in relation to domestically designated parties pursuant to resolution [1373 \(2001\)](#), most States reported that they had neither designated individuals or entities nor frozen their assets. However, only half of those States that had designated individuals or entities had frozen the assets of designated individuals or entities listed pursuant to resolution [1373 \(2001\)](#) or tested legal safeguards (e.g., rights of appeal and the granting of partial access to frozen funds). Only a few States reported having submitted or received third-party requests for designations. Most States, including most of those that have frozen assets, publish their freezing lists.

Most States have conducted a terrorism-financing risk assessment as part of their national risk assessment or broader money-laundering risk assessments and adopted a counter-financing of terrorism strategy implemented through multi-stakeholder formal or informal coordination. Most States also reported recently revising their counter-financing of terrorism laws. Although the financing of terrorist acts, the financing of terrorist organizations and the financing of an individual terrorist for any purpose appear to be broadly covered in States' counter-financing of terrorism laws, shortcomings remain in the implementation of provisions governing economic resources of any kind that are not financial assets and the financing of foreign terrorist fighter travel.

Most States reported working collaboratively with law enforcement, the judiciary, financial intelligence units, the private sector and non-profit organizations. Most have also sought to raise awareness of terrorism-financing risks through public-private partnerships and outreach campaigns. However, the degree of cooperation varies considerably. There are few examples of formalized public-private partnerships and consultation mechanisms with civil society, as defined by the Financial Action Task Force, aimed at assessing inherent terrorism-financing risks faced by the non-profit sector. The responses also suggest that States face challenges in finding policies or practical measures to ensure, pursuant to paragraph 24 of resolution [2462 \(2019\)](#), that measures to counter the financing of terrorism take into account the potential effect of those measures on exclusively humanitarian activities, including medical activities, that are carried out by impartial humanitarian actors.

Most States consider that effectively disrupting terrorism financing will require more effective coordination mechanisms at both the national and international levels. Noting the relevance and potential effectiveness of United Nations sanctions measures, in particular, asset-freezing measures, States nonetheless expressed concern at the challenges posed by designation, and uneven implementation worldwide.

In addition to challenges relating to the detection of transactions through both the formal and informal financial systems, the most frequently cited challenges include the integration of financial intelligence into counter-terrorism efforts, a lack of enhanced and specialized investigative and enforcement capabilities, and a lack of legal frameworks to keep pace with the rapid evolution in financial tools and terrorism-financing methods.

Methodology

The present report reflects responses from 112 Member States. Although States were initially provided with two months to respond, the deadline was subsequently extended to ensure broader participation and facilitate a more substantive and expansive analysis.

In some cases, States' responses were incomplete. In a smaller number of cases, the answers provided appeared to differ from the information contained in the assessments of the Counter-Terrorism Committee Executive Directorate carried out on behalf of the Counter-terrorism Committee, the mutual evaluation reports of the Financial Action Task Force or Financial Action Task Force-style regional bodies, or other publicly available sources of information. In view of the resource demands involved in cross-referencing responses against information from other sources, it was decided to consider only the information provided in the responses. The vast majority of responses reflect States' determination to provide comprehensive and detailed information.

I. Implementation of sanctions measures pursuant to Security Council resolutions 1267 (1999) and 1373 (2001)

1. The questionnaire begins by asking Member States how they have implemented sanctions targeting individuals and entities included in the ISIL (Da'esh) and Al-Qaida sanctions list. The questions address whether States have submitted updates or proposed listings pursuant to resolution 1267 (1999); whether they have identified and frozen assets; and, if so, the value of such assets. States are also requested to provide information about the ways in which information is communicated between national authorities and the private sector.

2. Twenty-two per cent of responding Member States stated that they had submitted requests or updates to the Security Council Committee pursuant to resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities. Twenty-four per cent stated that they had identified and frozen assets of listed individuals and/or entities.

3. In recent years designations made pursuant to the ISIL (Da'esh) and Al-Qaida sanctions list have included substantially more identifying data than many earlier listings, including with respect to entities or individuals involved in financing the activities of ISIL (also known as Da'esh) or Al-Qaida. Such listings might therefore be expected to result in more "freezing actions" than have been reported in the context of the present report.

4. Ten per cent of responding States provided a monetary value for financial assets frozen. The overall total value of assets reported was \$61,318,210.77. It should be noted that several States included the value of assets belonging to entities and individuals that fall outside the scope of Security Council sanctions. The total value of assets frozen strictly pursuant to resolution 1267 (1999)-related sanctions measures therefore cannot be provided on the basis of the responses. Eight States reported they had frozen economic resources (e.g., vehicles, residential dwellings, plots of land, companies, commercial entities and agricultural or farmland).

5. Eighty-five per cent of responding States reported that their respective private sectors were required by current regulations to freeze listed parties' assets and to report the freezing actions to the appropriate financial authority without delay. Several of those States reporting that assets had been frozen pursuant to the sanctions regime under resolution 1267 (1999) also required that financial institutions submit reports on the status of frozen assets at specified intervals. In one case, reports are required twice annually; in another, annually. Such reporting reflects good practices.

6. Fifty per cent of responding States reported that they publicized their national freezing lists. Some noted that information about freezing actions was included in annual reports issued by financial authorities.

Most States communicate changes to the ISIL (Da'esh) and Al-Qaida sanctions list electronically

7. States were requested to report how their national authorities communicated changes made to the ISIL (Da'esh) and Al-Qaida sanctions list to financial institutions and designated non-financial businesses and professions or to other bodies responsible for implementing asset-freezing measures.

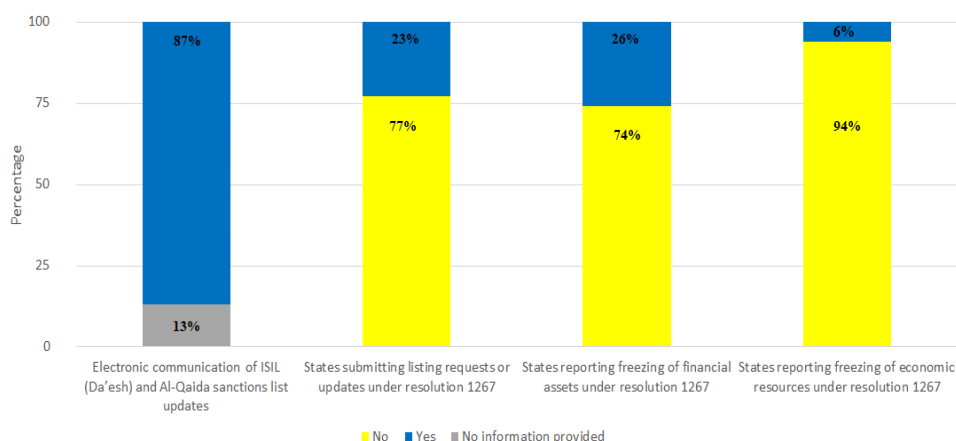
8. As reflected in figure I, almost 90 per cent of responding States communicate changes electronically to financial institutions and non-financial businesses and professions via the websites of the authority for overseeing sanctions implementation. Typically, such authorities are the Ministry of Foreign Affairs, the Ministry of Finance, financial intelligence unit or equivalent body. Many reported that they disseminated information about list changes through a combination of digital and non-digital means (including publication in an official journal or gazette).

9. Some States noted that, upon receipt of information from the United Nations, and as soon as the national list had been updated, their private sectors received updates electronically. In other cases, financial institutions receive updates directly from the United Nations or via a third party.

10. In other cases, the list is subject to further translation and dissemination to the private sector (although implementation is required as soon as the United Nations updates the ISIL list). In such cases, it is a good practice for States to clarify to their private sectors that implementation of the sanctions is not conditional upon their publication in an official gazette, which may not occur for days or weeks after a change is made to the list.

11. As a further good practice, States should encourage financial institutions and non-financial businesses and professions to subscribe directly to the Security Council sanctions list and to take the necessary measures to ensure that sanctions-screening systems are updated accordingly. National regulators of financial institutions should consider requesting evidence from financial institutions and non-financial businesses and professions that screening systems are updated in a timely manner.

Figure I
Implementation of Security Council resolution 1267 (1999) ISIL (Da'esh) and Al-Qaida Sanctions



Most States interpret “without delay” as requiring freezing actions immediately or within 24 hours

12. States were requested to report whether their financial institutions and non-financial businesses and professions were required to implement the freezing of assets “without delay” and, if so, how that phrase was defined. The relevant Council resolutions and associated guidance do not provide a definition of implementation “without delay”.¹ Member States reported a range of interpretations, but most

¹ In the glossary of the Financial Action Task Force Recommendations “without delay” is defined as “ideally, within a matter of hours of a designation by the Security Council or its relevant Sanctions Committee (e.g., the ‘1267 Committee’, the ‘1988 Committee’ and the ‘1718 Sanctions Committee’). For the purposes of Security Council resolution 1373 (2001), the phrase ‘without delay’ means upon having reasonable grounds, or a reasonable basis, to suspect or believe that a person or entity is a terrorist, one who finances terrorism or a terrorist organization. In both cases, the phrase ‘without delay’ should be interpreted in the context of the need to prevent the flight or dissipation of funds or other assets which are linked to terrorists, terrorist organizations, those who finance terrorism, and to the financing of proliferation of weapons of mass destruction, and the need for global, concerted action to interdict and disrupt their flow swiftly”. See www.fatf-gafi.org/glossary/u-z/.

interpreted “without delay” to mean immediate implementation or implementation within 24 hours.

13. Some responding States have introduced provisions requiring implementation “not more than one business day” from the date of the list change. In figure II, those States’ responses are included in the category “more than 24 hours” because “one business day” may effectively become two or even three days if the change occurs at the end of the working week or prior to a national holiday. In States where “without delay” is defined as “within the shortest possible period of time”, the response is included under “no definition provided”.

14. One State acknowledged the inconsistency between the concept “without delay” and the policy of its own domestic authorities, which gives legal effect to sanctions measures upon publication in an official gazette. In that case, the State requests financial institutions to take appropriate measures even before the issuance of formal notices by government authorities. Another Member State noted that, although its own national sanctions lists should be updated immediately upon publication of a change by the Security Council, in practice, they were updated on the first working day after publication by the United Nations.

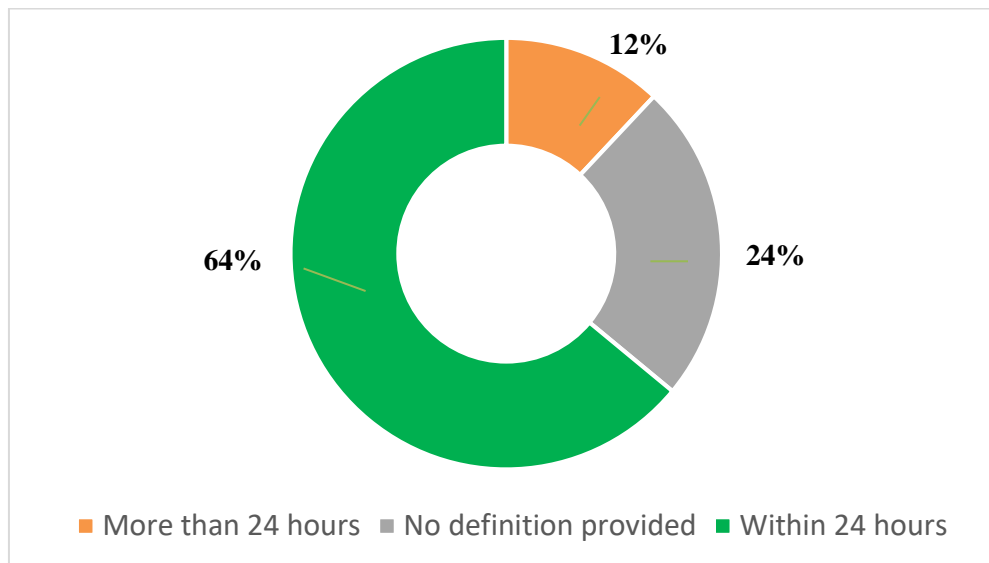
15. In addition to requiring the immediate freezing of financial assets and economic resources relating to sanctions measures, some States require their financial institutions to have in place mechanisms to guarantee the full and effective execution of any restrictive measures.

16. Most European States noted that, as a practical matter, their financial institutions and non-financial businesses and professions identified and froze assets without delay and that the phrase “without delay” was understood to mean “immediately” or “within 24 hours at most”. However, several States noted that there was no legal obligation for European Union States to do so. The obligation to freeze assets occurs whenever the European Union formally incorporates Security Council designations pursuant to European Union Council Regulation No. 881/2002, which can involve a delay of several days for translation into all European Union languages. The Council of the European Union issued guidance in 2018 regarding the implementation of Security Council resolutions,² which states that it is “important that the European Union implement such United Nations restrictive measures as quickly as possible. Speed is particularly important in the case of asset freezes where funds can move quickly. In such cases, each Member State could consider the possibility of interim national measures”. Many European Union States reported that they had introduced national decrees or legislation intended to complement and enhance European Union sanctions measures, in particular to give them immediate effect. Such legislation is pending in some jurisdictions.

17. Some European States also predicate the implementation of sanctions on further administrative action such as the need for prior notification by a government authority or the need for the sanctions measure to be published in the national gazette. These requirements typically delay implementation. A good practice highlighted by one State was to require financial institutions and non-financial businesses and professions to autonomously monitor updates to the United Nations sanctions regime while also requiring a wide range of government authorities to remain abreast of those updates and to ensure that non-financial businesses and professions under their supervision comply with the “without delay” requirement.

² Council of the European Union, Sanctions Guidelines – update, 4 May 2018. Available at <https://data.consilium.europa.eu/doc/document/ST-5664-2018-INIT/en/pdf>.

Figure II
Definition of implementation “without delay”



Most Member States have adopted measures to freeze or block financial assets pursuant to Security Council resolution 1267 (1999) but have been less effective at freezing or blocking economic resources

18. In the questionnaire, States were requested to provide information about measures to ensure that no funds, other financial assets or economic resources are made available to listed parties, whether directly or indirectly.

19. Paragraph 1 (a) of Security Council resolution 2368 (2017) requires States to take three measures:

(a) Freeze without delay the funds and other financial assets or economic resources of ISIL, Al-Qaida, and associated individuals, groups, undertakings and entities, including funds derived from property owned or controlled directly or indirectly, by them or by persons acting on their behalf or at their direction;

(b) Ensure that these frozen assets are not made available, directly or indirectly for such persons' benefit, by their nationals or by persons within their territory;

(c) Ensure that any other funds, financial assets or economic resources are not made available, directly or indirectly for such persons' benefit, by their nationals or by persons within their territory.³

20. The purpose of the asset freeze is to deny listed individuals, groups, undertakings and entities the means to support terrorism. The freeze applies to all assets owned or controlled by the listed individuals, groups, undertakings and entities. It also applies to funds that derive from property that they own or control, directly or indirectly, or that are owned or controlled by persons acting on their behalf or at their

³ This measure concerns any financial resource, as well as any economic resource not yet owned or controlled by listed parties and therefore not frozen.

direction. Security Council resolution 2368 (2017) clearly establishes that this definition applies to all types of financial and economic resources.⁴

21. Responses to the questionnaire show that almost all responding States have measures in place imposing an obligation to freeze financial resources owned or controlled by listed parties and to prohibit such assets from being made available to listed parties unless authorized under the exemptions procedures established by the sanctioning regime. Almost all responding States have measures to ensure that any other financial resources are not made available, directly or indirectly, to the benefit of listed parties.

22. With respect to measures freezing economic resources, however, States' responses indicate their approaches are less comprehensive. Around 40 per cent of responding States explicitly highlighted measures to ensure that economic resources were not made available to listed parties. However, given that the measures might concern both movable and immovable property of any type, States' legislation should clearly prohibit their nationals or any persons and entities within their territories from making any economic resources, as defined in paragraph 20 above, available directly or indirectly for the benefit of listed parties.

23. Moreover, for those types of resources, other stakeholders should be engaged in identifying property subject to the above three measures, including authorities responsible for maintaining public registers (e.g., for real estate transactions) as well as customs agencies, as they are generally the only authorities that monitor the transnational movement of goods entering, leaving or transiting through the Member State customs territory. Only 5 per cent of responding States reported that their customs authorities included third parties on the ISIL (Da'esh) and Al-Qaida sanctions list in risk-management and customs controls relating to commodities.

24. Most responding States interpret "economic resources" to include economic resources of "every kind". States specified summary conviction, fines, and imprisonment among the penalties available in the event that economic resources are made available to listed parties.

A large majority of States have not imposed sanctions measures against individuals or entities pursuant to Security Council resolution 1373 (2001); many of those who have done so have granted access to partial funds following a court challenge

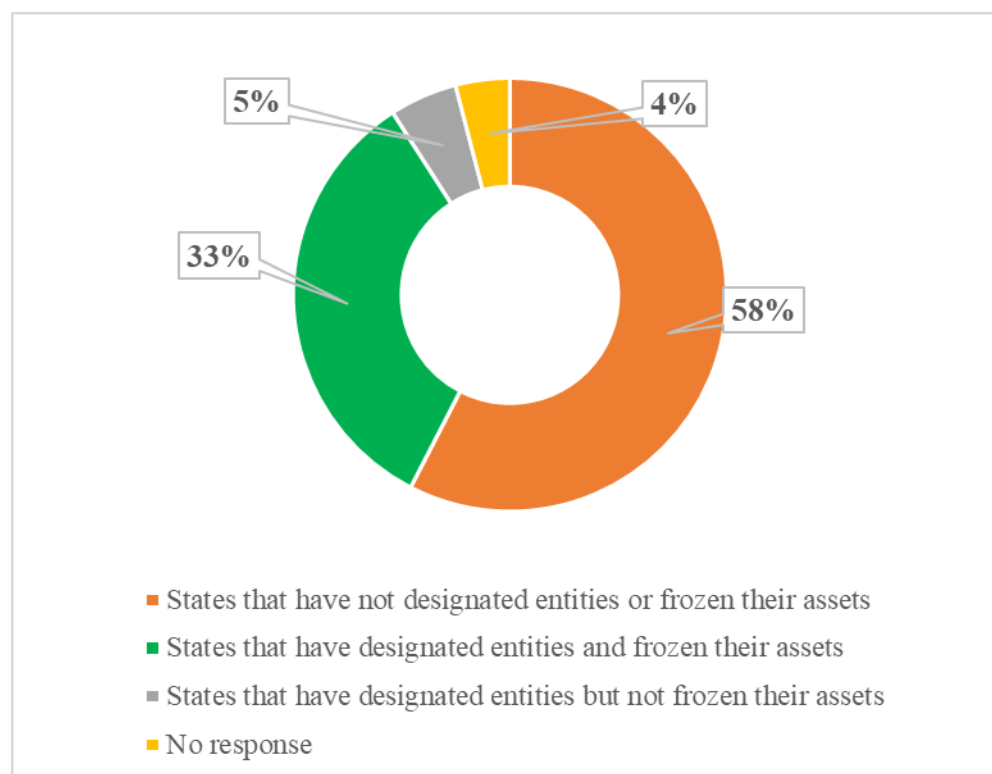
25. States were requested to indicate whether they had designated individuals or entities, frozen assets and published their freezing lists. States that had frozen assets were requested to indicate whether such actions had been challenged in court or related to a request for partial access to frozen funds for basic expenses in accordance with Security Council resolution 1452 (2002).

⁴ Security Council resolution 2368 (2017), para. 1 (a): "Freeze without delay the funds and other financial assets or economic resources of these individuals, groups, undertakings and entities, including funds derived from property owned or controlled directly or indirectly, by them or by persons acting on their behalf or at their direction, and ensure that neither these nor any other funds, financial assets or economic resources are made available, directly or indirectly for such persons' benefit, by their nationals or by persons within their territory"; *ibid.*, para. 5: "Confirms that the requirements in paragraph 1 (a) above apply to financial and economic resources of every kind including but not limited to those used for the provision of Internet hosting and related services, used for the support of Al-Qaida, ISIL and other individuals, groups, undertakings or entities included on the ISIL (Da'esh) and Al-Qaida sanctions list". See also "Assets freeze: explanation of terms", approved by the 1267/ 1989/2253 ISIL (Da'esh) and Al-Qaida Sanctions Committee on 24 February 2015. Available at www.un.org/securitycouncil/sites/www.un.org.securitycouncil/files/eot_assets_freeze_-_english.pdf.

26. More than 60 per cent of responding States have established national asset-freezing sanctions mechanisms pursuant to Security Council resolution 1373 (2001). However, most responding States had not designated individuals or entities. Fifty-eight per cent of all responding States reported that they had neither designated individuals or entities nor frozen assets to their domestic lists; 33 per cent stated that they had designated terrorist actors and frozen their assets; 5 per cent stated that they had designated actors but not frozen their assets. Four per cent of States did not answer this question.

Figure III

Designation of entities and asset-freezing pursuant to Security Council resolution 1373 (2001)



27. Fifty-one per cent of those States that had frozen assets (i.e., 16 per cent of all responding States) had seen their freezing decisions challenged in court. Almost half of that 51 per cent had seen judicial challenges in the previous three years.

28. All responding States implementing national designations have established mechanisms for potential and allowed access to frozen funds pursuant to Security Council resolutions 1373 (2001) and 1452 (2002). Forty-three per cent of those States that had designated individuals or entities and frozen assets had granted humanitarian exemptions and 51 per cent had not (i.e., 14 per cent and 17 per cent of all responding States, respectively). Five per cent of those who had frozen assets did not indicate whether they had granted humanitarian exemptions.

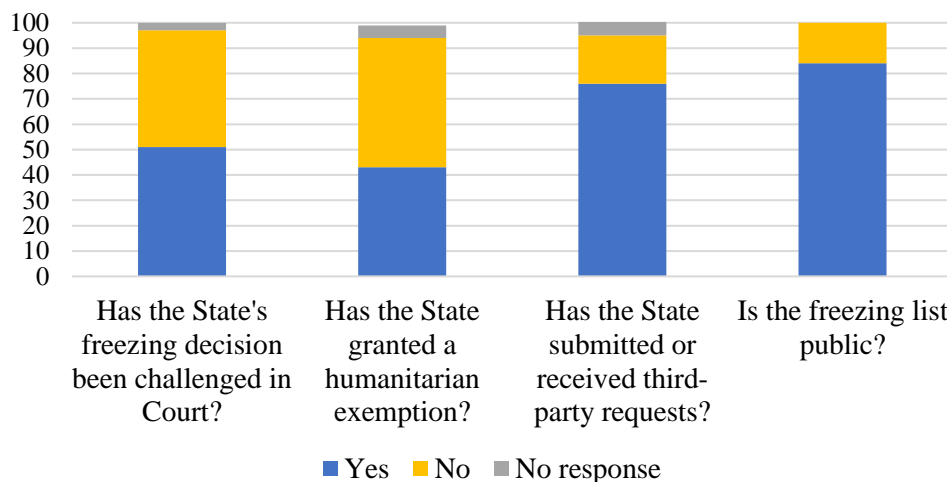
29. Those States that had frozen assets indicated that international collaboration was essential. Seventy-six per cent of States that had frozen assets had received or submitted third-party requests (i.e., 25 per cent of all responding States). Some States expressed concern at the potential lack of effectiveness of international cooperation in inter-State implementation of national sanctions regimes, citing the perceived politicization of requests by either the receiving or submitting State and the

incomplete nature of the identifying information included in many requests received by third parties.

30. Many States make their freezing lists publicly available. Overall, 57 per cent of the responding States publish their freezing lists and 32 per cent do not. The remaining 11 per cent did not respond to the question. Of those States with experience in freezing designated entities' assets, 84 per cent make their lists available, and 16 per cent do not.

Figure IV

States that have frozen assets pursuant to Security Council resolution 1373 (2001)



Most States lack experience with domestic designations; others face challenges such as resource constraints and difficulties in identifying listed parties

31. States were requested to provide information about the effectiveness of domestic asset-freezing and information-sharing mechanisms established to prevent terrorism financing and about the challenges encountered in identifying targets for domestic designation.

32. Even though most responding States noted that they had adopted an asset-freezing mechanism, many also noted that they had never used those mechanisms or designated individuals. Four European Union States indicated that in designating individuals or entities they depended solely on European Union listings based on European Union Council Regulation No. 2580/2001 and Common Position 2002/931 (also known as "CP 931" listings).

33. Most responding States considered national sanctions regimes to be effective in countering terrorism financing, noting that those regimes, inter alia, deterred potential supporters and restricted malicious actors' resources and funnelling channels. Several States emphasized that their national sanctions regime was complementary to other counter-terrorism security measures.

34. Most responding States that had designated individuals or entities reported that they communicated listings and freezing actions to other jurisdictions, whether through their ministries of foreign affairs or financial intelligence units or through their membership of the Egmont Group of Financial Intelligence Units. States requesting information on individuals and entities suspected of terrorism financing generally engaged with other jurisdictions through formal mutual legal assistance requests or through the Egmont Group. Many States noted that they used regional mechanisms to disseminate and request information.

35. States of South and South-East Asia noted that they used the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation when sharing information. Member States of the Association of Southeast Asian Nations noted that they often relied on the Financial Intelligence Consultative Group (the operational arm of the Counter-Terrorism Financing Summit). Some States of the Asia-Pacific region used the Asset Recovery Inter-Agency Network for Asia and the Pacific to exchange information on individuals and entities of interest and to trace proceeds of crime. Some European States noted the usefulness of Eurojust and the sanctions team of the Working Party of Foreign Relations Counsellors of the European Council. Many States noted that they published national contact points for inter-State cooperation on terrorism financing-related and sanctions-related issues.

36. Most States reported that they had faced no challenges in identifying targets for domestic designations. The few that had encountered challenges referred to the negative effects of capacity and resource constraints among their national authorities and financial institutions. Two States affected by transnational terrorism cited fragile security conditions and weak inter-agency coordination as challenges to national listings.

37. Most States noted challenges in receiving third-party designation requests, which often lacked identifying elements or failed to provide reasonable grounds for listing the individual or entity. Other States lamented the lack of uniform criteria regarding what constitutes “reasonable grounds” (e.g., incitement to commit a terrorist act might be considered sufficient grounds to act upon third-party requests in some jurisdictions, but not in others). Some States indicated that they received information for the consideration of third-party requests through mutual legal assistance agreements or required the existence of such an agreement with the submitting State in order to consider the listing request. It should be noted that the use of mutual legal assistance mechanisms to respond to third-party requests in the context of asset-freezing pertaining to Security Council resolution 1373 (2001) is not consistent with related international standards and practices. Third-party requests have a lower burden of proof than mutual legal assistance requests or criminal prosecutions and, potentially, a much broader geographical reach. Several States noted that the apparent politicization of some listings prevented them from engaging with the requesting authorities.

II. Understanding terrorism-financing threats, risks and vulnerabilities

Most States have conducted terrorism-financing risk assessments as part of their national risk assessment or broader money-laundering risk assessments

38. States were requested to indicate whether they had conducted a dedicated terrorism-financing risk assessment; when they had done so; and, if they had not yet done so, whether they planned to do so in the future.

39. Sixty per cent of responding States had conducted a terrorism-financing risk assessment as part of their national risk assessment process or broader money-laundering risk assessment. Only 20 per cent of States reported that they had conducted a dedicated terrorism-financing risk assessment. Around 10 per cent of responding States indicated that they had not conducted a terrorism-financing risk assessment but planned to do so in 2020 or in the near future.

Most States assess United Nations-designated terrorist groups to pose the highest terrorism-financing risk; those risks vary by region

40. States were requested to provide information regarding risk-assessment findings, including threats and vulnerabilities identified, terrorism-financing risks associated with new technologies encountered and risk-mitigation actions adopted. The main threats identified were consistent with those emanating from United Nations-designated transnational terrorist groups, namely ISIL and Al-Qaida and associated entities. Several States also identified terrorism-financing threats posed by local groups designated pursuant to their national sanctions regimes. Four States explicitly identified extreme right-wing terrorism as a threat in their respective risk assessments, attributing the threat posed by such groups to migratory flows and economic difficulties.

41. The identified vulnerabilities varied from region to region. Many Middle Eastern and African States noted vulnerabilities relating to porous borders, proximity to conflict zones and the predominance of cash economies. Several European States noted that migratory flows from conflict zones and diaspora communities posed challenges and that private donations were the main source of terrorism financing. States with vulnerable communities also identified social security fraud and petty crime as substantial sources of funding for violent extremists.

42. States noted that terrorists and terrorist groups had called for virtual assets to be used in financing terrorism, but that the risk associated with virtual assets remained relatively low overall. Only a small number of States considered such risks to be high, given the inherent risks posed by the use of privacy coins. Virtual assets had not been widely used because of technological barriers to entry, the high utility of other traditional terrorism-financing measures and mitigation measures introduced to enhance compliance of virtual asset service providers with customer due diligence and know-your-customer protocols.

43. States stressed the considerable terrorism-financing risks posed by other technologies, including crowdfunding sites, social media, encrypted messaging platforms, prepaid cards, mobile wallets and other forms of electronic payments offered by emerging financial technology companies that provide money-transfer services. Some States consider the risk from financial technology transfers to be as high as those from money service businesses. Several European States noted the work of Black Wallet (a European Union-funded project aimed at identifying and mitigating terrorism-financing and money-laundering risks in the financial technology sector) to develop a manual for financial intelligence units on investigating financial technology money-transfer services. One European State noted that it had established a standing working group on virtual assets and emerging technologies, which included financial technology firms as regular members.

44. A number of States noted the need to increase vigilance over small banks that promote digital interfaces and offer simpler and quicker access to banking services, as those banks might be exploited by terrorists. States also called for stricter controls on virtual gambling, including casino platforms, and expressed continued concern at the money-transfer methods traditionally used by terrorists, including informal transfer networks (e.g., hawala) and cash couriers. Most States that provided qualitative information on their terrorism-financing risk assessments identified such networks as a major threat.

III. Measures adopted to disrupt terrorism financing

Most Member States have adopted a counter-financing of terrorism strategy

45. States were asked to indicate whether they had a counter-financing of terrorism strategy in place and, if so, whether the strategy was integrated into the overall national counter-terrorism strategy. More than 70 per cent of States reported having developed a counter-financing of terrorism strategy. By contrast, 13 per cent of States were still developing a counter-financing of terrorism strategy, and 15 per cent had no plans to adopt such a strategy. Most States that had not established a counter-financing of terrorism strategy planned to do so in 2020, often attributing the delay to the need to improve institutional frameworks. Fifteen per cent of States reported that they had not adopted a dedicated counter-financing of terrorism strategy because their existing national security strategy to combat terrorism encompassed counter-financing of terrorism.

Many States are engaged in multi-stakeholder formal and informal coordination and international cooperation, but not necessarily in the context of their counter-financing of terrorism strategy

46. States were requested to provide information about the objectives of their respective counter-financing of terrorism strategies; the authority responsible for its implementation; inter-institutional coordination mechanisms; partnerships; and outreach to the private sector, civil society, the financial technology sector and social media companies.

47. A large majority of States reported that they had developed a counter-financing of terrorism strategy and established related coordinating mechanisms that involved various agencies and institutions. Those mechanisms either focused specifically on anti-money-laundering and/or counter-financing of terrorism or were part of national counter-terrorism coordination bodies. The aim of their counter-financing of terrorism strategies was to address the causes of terrorism, strengthen intragovernment coordination, enhance international cooperation and build institutional counter-financing of terrorism capacities. Many national counter-financing of terrorism strategies include policy areas relating to governance and the rule of law (e.g., some seek to formalize the informal economy or strengthen coordination between public institutions and the private sector). This reflects States' understanding of the need for a whole-of-society approach towards counter-terrorism. Another good practice noted by respondents was the ratification of all 19 international counter-terrorism instruments as a matter of priority with a view to facilitating and enhancing international cooperation in countering terrorism.

48. States also identified a number of international cooperation mechanisms. Many noted that their national counter-terrorism coordination bodies or ministries of foreign affairs directly managed foreign cooperation, and many identified the Egmont Group as the main forum for cooperation and information-sharing among financial intelligence units. A number of States also cited international and regional law-enforcement organizations, in particular the International Criminal Police Organization (INTERPOL) and the European Union Agency for Law Enforcement Cooperation (Europol) as the appropriate forums for coordination and cooperation in the counter-financing of terrorism.

49. Most States did not refer to the role of the private sector and civil society in this context or noted that they had not established formal partnerships with the private sector or civil society as part of their counter-financing of terrorism strategies. The few States that did refer to their involvement noted that both groups had been the targets of outreach and awareness-raising and that their representatives had been

included in the national risk assessment and the formulation of the counter-financing of terrorism strategy. Some States noted that, although their counter-financing of terrorism strategies did not establish formal roles for, or institutional partnerships with, the private sector, ad hoc channels of communication between the private sector and the national intelligence community or counter-terrorism coordination bodies were available. A small number of States noted that their engagement with the private or non-profit sectors was facilitated entirely through their membership in the Financial Action Task Force or Financial Action Task Force-style regional bodies. Some States noted that their national counter-terrorism or anti-money-laundering and/or counter-financing of terrorism coordination bodies included permanent representation of the private sector.

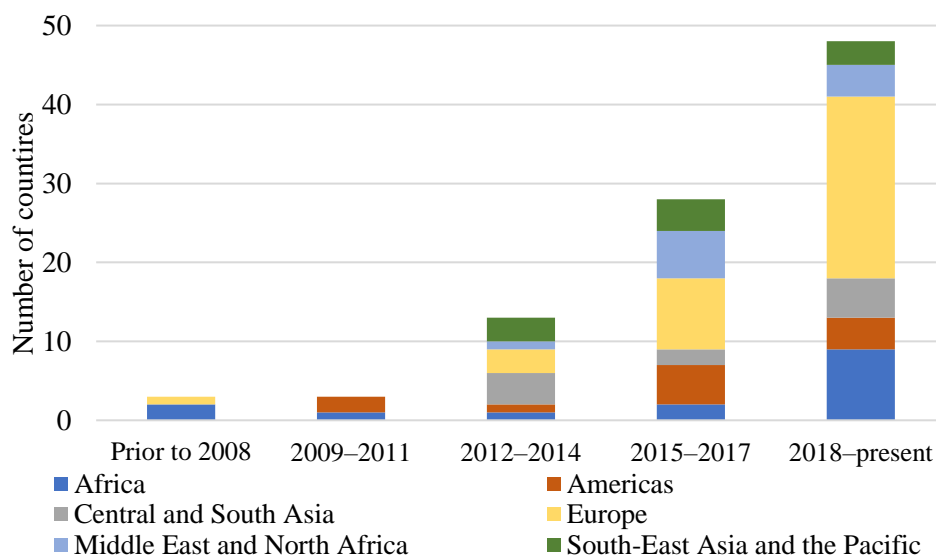
50. States referred to two notable global partnerships involving Governments, the private sector and other civil society stakeholders, although not specifically focusing on the counter-financing of terrorism: the Christchurch Call to Action and the Global Internet Forum to Counter Terrorism. The Forum is a private sector-led initiative established in 2017 by Google/YouTube, Facebook, Twitter and Microsoft to counter exploitation of online platforms for terrorist purposes.

Many States revised counter-financing of terrorism laws in 2018 and 2019.

51. Eighty-three per cent of States have recently amended their terrorism-financing laws. Of the 93 States that provided data, 14 per cent did so between 2012 and 2014, 30 per cent between 2015 and 2017 and 51 per cent since 2018. The laws of only six States appear to have remained unchanged since before 2011.

Figure V

Amendments to terrorism-financing law by region (2011–2020)



52. Member States in Africa and Europe reported a sharp increase in amendments made to terrorism financing-related regulations in 2018 and 2019. Most States in the Americas and the Middle East and North Africa appear to have amended their laws in the period 2015–2017. States in Asia and the Pacific reported a significant increase in amendments during the previous two years, with most amendments having been made in 2019.

53. Ninety-seven per cent of States reported that their terrorism-financing offence included “financing of terrorist acts”, “financing of a terrorist organization for any

purpose” and “financing of an individual terrorist for any purpose” in accordance with the international standards (in particular Security Council resolution 2462 (2019), para. five). Eighty-six per cent of States reported that the definition of assets set forth in the offence included financial and economic resources of every kind, in accordance with Council resolution 2368 (2017). It should be noted that 11 per cent of responding States did not answer the questions on criminalization.

54. Seventy-six per cent of responding States noted that their terrorism-financing offence covered financing of the travel of foreign terrorist fighters; 13 per cent of States reported that it did not; and 11 per cent of States provided no information in this regard. This suggests that there remains a need for States to comply with Security Council resolution 2178 (2014) by requiring that financing activities be criminalized not only when associated with terrorist acts, but also when used to finance the travel of foreign terrorist fighters.

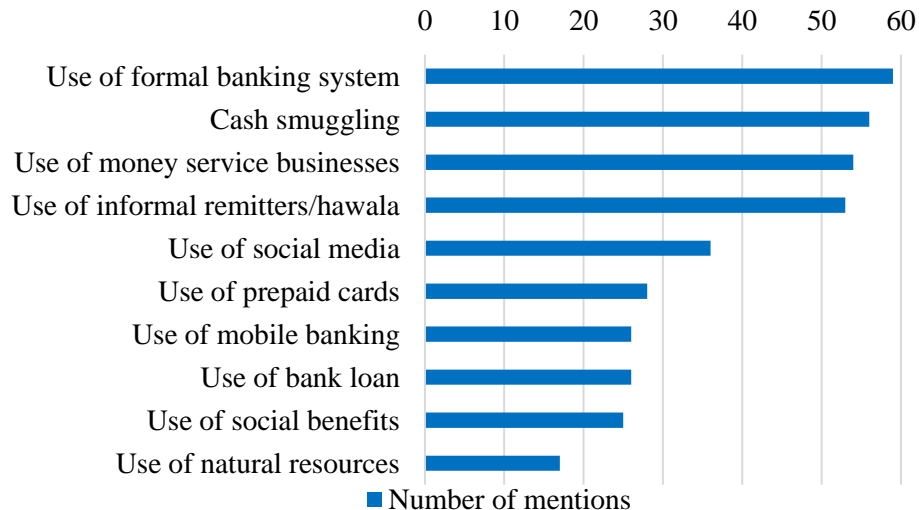
While the banking system remains vulnerable, Member States express concern about innovation in terrorism finance

55. More than half of responding States identified the formal banking system as the most frequently used terrorism-financing channel. Twelve States noted that, because of the difficulty of distinguishing between legitimate and illegitimate low-cost transactions, transaction-monitoring programmes were often unable to identify terrorism financing. Two States were particularly concerned at the difficulty of detecting indirect transactions. In such cases, specific intelligence capabilities and the use of data analytics are required to improve detection of the beneficial owner. Twenty-three per cent of States noted risks associated with the use of bank loans and social benefits.

56. Other notable terrorism-financing vehicles include traditional methods such as cash smuggling and the use of money service businesses and informal remitters (e.g., hawala). This finding is consistent with most national and regional terrorism-financing risk assessments. Nine States cited the use of informal channels, in particular, cash transactions, as a terrorism-financing risk at border points.

Figure VI

Methods most frequently used by terrorist financiers



57. Twenty-seven per cent of States expressed concern at the abuse of technology (including social media, prepaid cards and mobile banking) for terrorist purposes, noting that terrorism financing was facilitated by recent developments in mobile payments and the anonymity of money transfers. Several States expressed concern at calls for illicit donations via crowdfunding platforms. The Security Council in resolution [2462 \(2019\)](#) calls on States to assess the potential risks of new financial instruments, including crowdfunding platforms.

58. In its resolution [2462 \(2019\)](#), the Security Council notes that terrorists and terrorist groups raise funds through a variety of means, including exploitation of natural resources. Seventeen States noted the exploitation of natural resources as a concern. In its resolutions [2462 \(2019\)](#) and [2482 \(2019\)](#), the Council notes that terrorists can benefit from transnational organized crime as a source of terrorism financing. This source was highlighted by many States, in particular, States in Africa and Asia. Member States of all regions also noted kidnapping for ransom and links to organized crime and drug trafficking as sources of terrorism financing. Several States noted the potential for terrorism financing through the construction and real estate sectors, the use of shell companies to conceal cash, the use of non-profit organizations and trade-based terrorism financing.

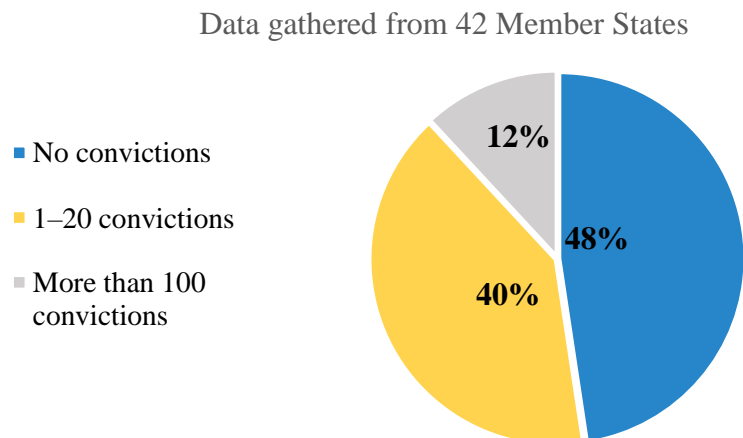
States indicate robust terrorism-financing investigation capabilities but relatively limited experience

59. Ninety per cent of responding States reported that the intelligence produced by their respective financial intelligence units was used in the resulting terrorism investigations. A similar proportion reported having established the mechanisms required to obtain relevant information, including bank account information, to facilitate the identification of terrorist assets.

60. Most States reported having the authority to use financial intelligence produced by the financial intelligence unit, but 64 per cent of States reported that they conducted terrorism-financing investigations in all terrorism cases, as well as independently of the existence of a terrorism case. Six per cent of States noted that they conducted terrorism-financing investigations only in the context of a terrorism case, and 24 per cent of States from across all regions either stated that they did not conduct financial investigations systematically or declined to reply.

61. With respect to convictions in terrorism-financing cases, 48 per cent of the 42 States that provided data reported that they had obtained no terrorism-financing-related convictions. Seventeen States reported having obtained from 1 to 20 convictions, and eight States reporting ongoing investigations. Twelve per cent of States had obtained over 100 convictions.

Figure VII
Number of terrorism-financing convictions



62. These findings appear to reflect good overall cooperation between national law enforcement, judicial authorities and financial intelligence units. However, the limited number of convictions may also demonstrate the need to strengthen systematic financial investigations conducted in parallel to terrorism cases.

Intragovernmental coordination bodies are the means most frequently used to integrate financial intelligence into terrorism cases

63. According to 25 per cent of reporting States, inter-agency cooperation is essential to integrating financial intelligence into terrorism cases. In order to strengthen cooperation, 20 States, from all regions, have established inter-institutional settings (e.g., boards, task forces, committees, commissions or centres) that bring the relevant national authorities together with financial institutions. Moreover, 16 States reported having formalized such cooperation through legal instruments such as memorandums of understanding or cooperation agreements.

64. Some States have adopted a formal approach to cooperation, but others have established lower thresholds for cooperation. One State has introduced legislation permitting voluntary sharing of information about terrorist property and suspicion of terrorism financing and has given financial investigative powers to certain civilian staff working for the police. Another State noted that its longstanding culture of cooperation, supported by an adequate legal framework, aimed at facilitating open, comprehensive, up-to-date communication between the competent authorities. Six States noted that such cooperation was best cemented by establishing networks and focal points, seconding specialists to other agencies or posting liaison officers abroad.

65. Differences are also found with respect to the frequency with which such inter-agency platforms meet. Some do so on a quarterly basis, others bi-annually or yearly. The frequency also depends on the type of meeting: 15 States organize regular conferences, workshops, round tables, training and awareness-raising events. Nine stressed that cooperation should be frequent to be successful. Two stressed the need for cooperation at the working and executive levels. Six have established joint investigations and joint operative forums. One has established a permanent partnership with the private sector to enhance information-sharing. Four States have introduced new electronic platforms aimed at enhancing and accelerating the exchange of information.

66. Other measures noted by responding States include: publishing studies and guidelines; spontaneously transmitting information; designating specialized prosecutors; disseminating national and international watchlists; giving investigators access to the financial intelligence unit database; seconding investigators to the unit; conducting parallel investigations along with the unit; enabling authorities to create operational subgroups; establishing well-defined operational procedures; sharing intelligence products; participating in international counter-financing of terrorism conferences; joining organizations such as the Egmont Group and INTERPOL; and cooperating with academia.

Formalization of public-private counter-financing of terrorism partnerships remains uneven

67. Seventy-one per cent of States reported having established public-private partnerships to strengthen the processing and quality of financial intelligence and suspicious transaction reports. Several responses suggest that such partnerships are not generally formalized. Only a handful of States explained their partnerships in detail. Two States noted their development of partnerships between law enforcement and the financial sector, which bring together around 40 financial institutions to exchange information on an ongoing basis. One of those partnerships includes representatives of foreign government agencies.

68. States that had created active public-private partnerships reported an increase in the quality and quantity of suspicious transaction reports received in relation to terrorism financing. Those partnerships also served as a useful forum for the authorities to disseminate regular guidance to the private sector on trends and typologies. One State noted as a good practice that it had included digital payment service providers in its partnership since January 2020. However, not all partnerships were exclusively counter-financing of terrorism-focused. At least two also addressed money laundering and other financial crimes.

69. Just over a quarter of States either reported that they had not established such a partnership or declined to reply. States that replied “yes” to this question referred to laws allowing for certain information exchange (either on an ad hoc basis or through sharing protocols) but not to a formal agreement. There appears to be a growing trend to formalize the establishment of more formal public-private platforms. At least three States indicated that they were establishing a partnership framework with the private industry, and one State noted that it was implementing a pilot “Terrorism Financing Taskforce” consisting of law-enforcement agencies, the financial intelligence unit, the Public Prosecutor’s Office, and the largest banks and insurance companies. One State that had formalized a partnership with the private sector in 2019 noted the challenge of determining how broad such partnership must be to achieve a balance between expanding information-sharing and maintaining the confidentiality of the intelligence.

Different approaches to investigating terrorism financing with regard to the allocation of dedicated resources

70. With respect to the provision of human resources to investigate terrorism financing, some States provided a list of domestic institutions staffed with terrorism-financing specialists, others described the framework for collaboration by specialists from various institutions and others provided the number of employees assigned in certain agencies. The responding States involve between 5 and 15 entities, including the financial intelligence unit, the Public Prosecutor’s Office, police, customs, the tax authorities, the Ministry of Foreign Affairs and the Ministry of Justice. This reflects the complexities involved in cooperation on counter-financing of terrorism. Ten per cent of States take a centralized approach that includes investigators, prosecutors and/or judges who focus exclusively on terrorism-financing cases. Other States

appear to involve a broad range of investigators and agencies, which receive training and conduct terrorism-financing-related work.

71. Those States opting for a more centralized approach highlighted the benefits of ensuring a coherent, systematic approach to financial intelligence, not only to counter terrorism financing, but also to facilitate the identification of individuals involved in terrorist activities (in particular, members of major terrorist organizations such as ISIL). One State noted the need to ensure specialization of personnel to handle increasingly complex cases involving advanced investigation techniques and international cooperation mechanisms. Such centralized entities have national jurisdiction, coordinating and relying on a network of prosecutors working through courts of first instance that also deal with cases involving violent extremism.

72. States also noted the need to provide cross-Government training in financial investigation. One State has established a system of training and accreditation for financial investigators, which promotes the use of financial intelligence at the national, regional and local levels. Many States reported that terrorism-financing investigators worked in the same units as those investigating money-laundering or other financial crimes.

Most States report that their counter-financing of terrorism mechanisms are in compliance with their international human rights obligations, but only a few have introduced dedicated measures

73. Fewer than 60 per cent of States replied to the question about measures in place to ensure that terrorism-financing investigations comply with international human rights obligations, including those concerning privacy. Responding States noted that criminal investigations were conducted in accordance with legal frameworks that respected the relevant international human rights treaties (32 per cent) and due process and criminal procedure laws (seven per cent). One Member State specifically stated that there were no concrete measures in place. Ten States reported having put in place mechanisms that guarantee privacy of information and protection of data in the cases of those accused or investigated for terrorism financing, including through the segregation of some types of information and deletion of the data when it is no longer needed. One State noted that financial intelligence should meet the legislative threshold for disclosure and that access to personal information should be restricted to a need-to-know basis. Three have set up multiple cross-Government oversight mechanisms to ensure that terrorism-financing investigations are conducted in accordance with the law and the relevant international obligations, including privacy. Another protects its reporting entities by ensuring that suspicious transaction reports are anonymous.

74. Only a few States described concrete measures in place. Three noted rules and exceptions regarding frozen accounts. One noted that, where an investigation involved an international component, it paid particular attention to applications received from foreign States that imposed the death penalty. Another continuously monitors the human rights situation in other States to ensure that its investigators do not share information that could result in human rights abuse or use terrorism financing-related disclosures obtained through violations of human rights. Because of the limited information provided, it is difficult to know whether human rights obligations are systematically integrated. There is a need for further research into States' practices in this area.

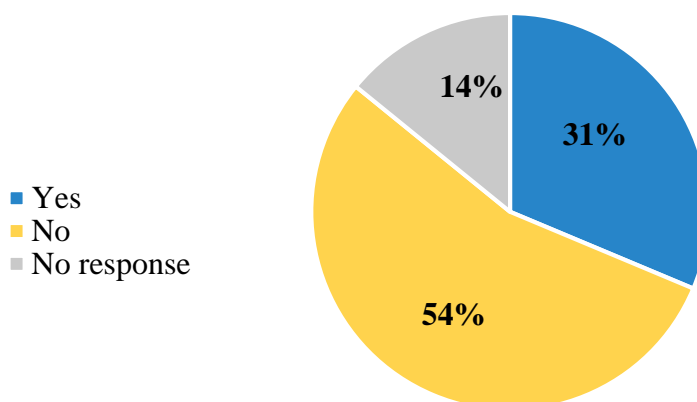
Most States have conducted at least one assessment of the non-profit sector

75. With respect to questions referring to misuse of the non-profit sector for terrorism-financing purposes, the questionnaire referred to the functional definition

adopted in this regard by the Financial Action Task Force.⁵ Only a handful of States reported that their non-profit organizations would fall under the Financial Action Task Force definition. Two thirds noted that they conducted non-profit sector assessments, 33 per cent that they had adopted targeted measures, and 34 per cent that they had taken steps to raise the awareness of the non-profit sector. It should be noted that 54 per cent of responding States indicated that they had never identified cases of terrorism financing through the non-profit sector, and around one-third indicated that they had.

Figure VIII

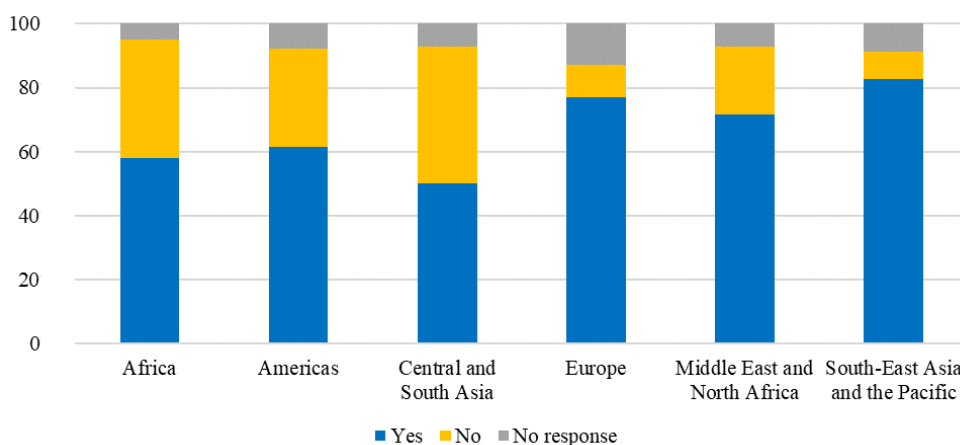
States having identified terrorism-financing cases involving non-profit organizations



76. Questionnaire responses noted that States in all geographic regions had identified terrorism-financing cases in the non-profit sector. However, several States stressed that the amount of known abuse from terrorism financing was very limited, and fewer than 50 per cent of reporting States indicated that their approach to non-profit organizations was risk-based and in accordance with international human rights obligations. Most States did not respond to this question.

⁵ Non-profit organization refers to a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”.

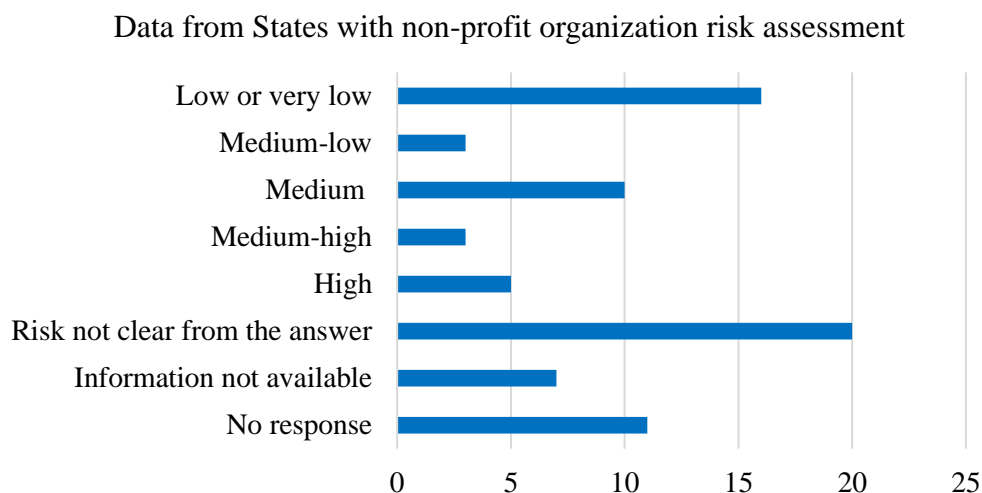
Figure IX
Proportion of States having identified terrorism-financing cases involving non-profit organizations, by region



77. Because not all non-profit organizations are inherently subject to terrorism-financing risk, States should determine which non-profit organizations fall under the related Financial Action Task Force definition and then determine their terrorism-financing risks. In its resolution [2462 \(2019\)](#), the Council calls on States to periodically conduct a risk assessment of their non-profit sectors to identify organizations that are vulnerable to terrorism financing and to inform the implementation of a risk-based approach. Sixty-seven per cent of reporting States indicated that they had conducted a non-profit organization terrorism-financing risk assessment; 22 per cent stated that they had not done so. The comparison of States' responses in this regard with those relating to the level of terrorism-financing risk associated with the abuse of non-profit organizations appears to indicate that a large number of non-profit organization-sector assessments have been conducted as part of overall money-laundering/terrorism financing risk assessments, rather than as dedicated exercises.

78. A few States noted, however, that dedicated risk assessments of the non-profit sector had helped refine their analysis and findings of the money-laundering/terrorism-financing risk assessment. Only seven States noted that they had reviewed or assessed their non-profit sectors. Sixty-four per cent of States that provided information about the timing of their non-profit organization assessments conducted the assessment between 2017 and 2019. Eleven per cent of States indicated that they were currently developing their first non-profit organization assessment. In this regard, it should be recalled that, in 2018, the Financial Action Task Force adopted the revised interpretive note to its Recommendation 8, in which, inter alia, it calls for a risk-based approach to the non-profit sector in dealing with identified threats of terrorism-financing abuse and notes the need for such measures to be implemented in a manner that respects States' obligations pursuant to the Charter of the United Nations and international human rights law. Twenty-one per cent of States that had conducted a risk assessment of the sector assessed the risk level to be from medium-low to medium-high, and 21 per cent to low and very low. Many States provided information about their classification methodology and others presented the results of their non-profit organization risk assessments. As noted above, most reporting States indicated that they had never dealt with a case of the misuse of a non-profit organization for terrorism-financing purposes.

Figure X
How States evaluate terrorism-financing risks to the non-profit sector



79. Some States noted that different types of non-profit organization carried different levels of risk. Most States that had conducted a risk assessment of their non-profit sector indicated that the vast majority in the sector were low risk, but that some non-profit organizations presented specific features (e.g., operating in sensitive geographic zones, being located on the periphery of large cities, or making significant use of the Internet) that might present higher risks. Several States noted that foreign non-profit organizations licensed to operate locally and local non-profit organizations with foreign funds were regarded as higher risk than such organizations receiving national funds and operating solely domestically. Many States appeared to reserve higher scrutiny for non-profit organizations operating in, or collecting donations in, border areas. A small number of States noted that inadequate supervision and legislative gaps increased the sector's vulnerability to abuse.

Most States have taken steps to raise their non-profit sector's awareness of the risk of abuse for terrorism-financing purposes

80. In its resolution [2462 \(2019\)](#), the Council encourages States to work collaboratively with non-profit organizations to prevent their abuse, while recalling that States must also respect human rights and fundamental freedoms. One State noted that it had engaged with domestic and international organizations to reassess the risk to the non-profit sector, following a terrorism-financing national risk assessment, and had developed a programme to raise the awareness of the non-profit sector and donor groups. Several States stressed that risk mitigation was a shared responsibility of non-profit organizations (which should practise self-regulation where possible), supervisory authorities and law-enforcement agencies.

81. Seventy-four per cent of States indicated that they had raised the awareness of their non-profit sector to the risk of terrorism financing, 13 per cent indicated that they had not, and 13 per cent provided no information. These figures are not surprising, since sensitization of the sector had already been a requirement when the initial Special Recommendation 8 of the Financial Action Task Force was introduced. A few States provided additional information on how their awareness-raising campaigns were carried out. At least two States indicated that outreach programmes were developed by regulators on the basis of the risks identified and included the

development of joint guidance and the issuance of alerts on, inter alia, modalities of funds collection and transfers.

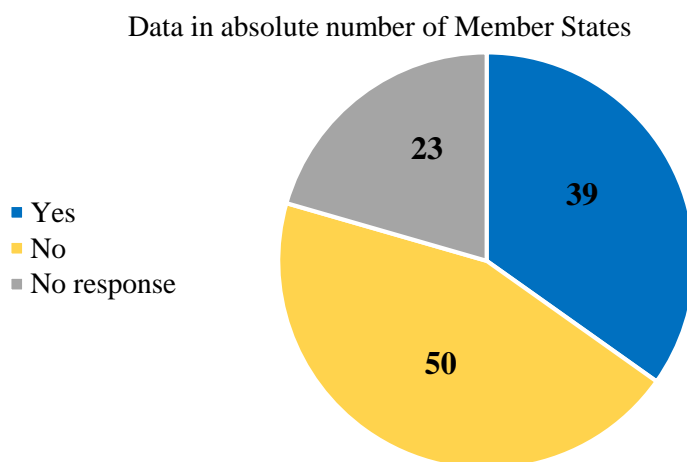
Most States have adopted legal and regulatory measures to comply with international requirements; only a third have taken dedicated practical measures and engage in ongoing dialogue with the non-profit sector on this issue

82. Sixty-nine per cent of responding States indicated that they had adopted targeted measures (including legal and supervisory frameworks) to prevent abuse of non-profit organizations, and 19 per cent responded that they had not taken any measures. Many States have introduced dedicated legal and regulatory measures to comply with the international requirements, but less than 50 per cent of States that have adopted targeted measures indicated the range of measures adopted in this regard. Only a few States indicated that they reviewed and ensured the consistency of counter-financing of terrorism obligations with other existing national legal frameworks dealing with non-profit organizations. The measures most frequently employed to prevent non-profit organizations from being abused are outreach campaigns, enhanced monitoring and registration, enhanced scrutiny of foreign non-profit organizations and such organizations operating in sensitive zones (particularly with public funding), increased scrutiny by donors and tax authorities and inter-agency collaboration. One State indicated that it had established in the appropriate regulatory body a specialized unit focusing on the misuse of organizations identified as being at greatest risk, in order to ensure a proportionate, risk-based approach to monitoring and supervision and reduce the misuse of non-profit organizations (i.e., charities), while making every effort to avoid disrupting or discouraging legitimate charitable activities. A few States provided specific examples of disciplinary measures imposed in this regard, ranging from the suspension of individuals from their positions in non-profit organizations (on the grounds of strong suspicion and intelligence of abuse) and the freezing of assets and payment-control systems. A small group of States identified as a good practice the issuance of guidance manuals, targeted at non-profit organizations, outlining the legal framework and related policies in place, as well as financial-transparency and integrity requirements. Such documents are generally shared and discussed through regular meetings with representatives of the non-profit sector.

Only a few States have developed a specific response to the potential impact of the counter-financing of terrorism on exclusively humanitarian activities

83. In its resolution [2462 \(2019\)](#), the Security Council urges States, when designing and applying counter-financing of terrorism measures, to take into account the potential effect of those measures on exclusively humanitarian activities, including medical activities, that are carried out by impartial humanitarian actors in a manner consistent with international humanitarian law. A handful of States have established permanent national forums that bring together relevant government agencies with representatives of the non-profit sector to discuss issues relating to humanitarian activities in high-risk jurisdictions, such as best practices in avoiding unnecessary de-risking and strengthening the transparency of licensing and exemption measures. Some stressed the need for inter-State dialogue to mitigate the impact on legitimate humanitarian actors and further sensitize the non-profit sector. Forty-five per cent of States lack an institutional framework to consider the effects of counter-financing of terrorism measures on humanitarian activities, and 35 per cent of States have adopted measures in this area. Most measures described were of a general nature (e.g., general references to constitutional guarantees). Other measures include strict disbursement conditions and control systems, mostly of public funding allocated to support humanitarian projects (even in crisis regions). One State noted that its funding agency was required to conduct detailed research into the applicant organization's profile and projects, in consultation with the register of associations.

Figure XI
Development of counter-financing of terrorism mechanisms that consider impacts on humanitarian activities



84. At least three responding States have introduced humanitarian exemptions into their counter-financing of terrorism legislation (one with the caveat that non-profit organizations could be subject to criminal liability and are responsible for examining the intentions of those who collect money on their behalf and those who receive funds from them). Dialogue with banks and other financial institutions is also considered important. Two States noted the need for government, non-profit organizations and financial services firms to establish partnerships to discuss the challenges and operating risks faced by non-profit organizations in high-risk situations, with a view to minimizing the impact of counter-financing of terrorism measures on humanitarian aid delivery and addressing the difficulty of accessing formal financial channels. States noted their concern at the de-risking of non-profit organizations by financial institutions. Some States underlined that de-risking was prohibited. However, most participating States (58 per cent) did not answer this question.

85. Lastly, in view of the evolving situation relating to the coronavirus (COVID-19) pandemic and its likely impact on States with a high terrorism risk, States may need to take steps to ensure that they are able to continue to apply counter-financing of terrorism measures while taking into account the potential effect of such measures on exclusively humanitarian activities, including medical activities that will be carried out by impartial humanitarian actors to address the pandemic.

IV. Good practices: the need for holistic, multidisciplinary and multi-level responses to terrorism financing

86. Approximately one quarter of States did not provide information about good practices. The good practices most commonly cited were:

(a) Strengthening cooperation mechanisms at the national and international levels and with the private sector is central to effective counter-financing of terrorism strategies

One Member State identified the posting of international liaison officers abroad as a best practice. Sixteen States noted their Governments' practice of communicating with the private sector about key priorities so that they can "produce proactive

disclosures of financial intelligence that are responsive to the highest-priority investigative targets”;

(b) The capacity to freeze the assets of those suspected of terrorism financing and those designated in domestic and international lists is the most important tool in countering terrorism financing;

(c) It is essential to share financial intelligence in a timely manner;

(d) Awareness-raising campaigns are key to preventing and suppressing terrorism financing;

(e) Investigative and enforcement capabilities are essential to the success of counter-financing of terrorism efforts;

(f) The risk-based approach is crucial to the long-term success of a counter-financing of terrorism strategy;

(g) A strong legislative framework is the foundation of a sustainable counter-financing of terrorism response. Thirteen States noted the need to introduce new regulations to keep up with evolving terrorism-financing threats, particularly to counter abuse of virtual assets.

V. Remaining challenges: keeping pace with the evolving threat through integrated and inclusive responses

87. Fifteen per cent of States reported having no experience in disrupting terrorism financing, implementing the relevant Security Council resolutions or dealing with new payment technologies and virtual currencies. The challenges most commonly cited are:

(a) Strengthening mechanisms for international cooperation:

Twenty-two States noted the need to strengthen international cooperation and the process of designating individuals;

(b) Updating the relevant legislative frameworks:

Approximately 20 per cent of responding States expressed concern about threats associated with new technologies that are untraceable or that preserve the anonymity of the parties involved. Some States noted the need for new regulatory frameworks in this area;

(c) Ensuring the admissibility of financial intelligence in criminal proceedings:

Member States noted the practical difficulties raised by the need to meet legal requirements (e.g., proving intent and gathering sufficient evidence to justify the measure);

(d) Finding the right balance in public and private partnerships:

Member States that have established formal partnerships with the private sector stated that de-risking had become a significant challenge, noting that financial institutions were not taking a consistent approach in that regard. One State noted that companies providing emerging financial technologies were not always subject to counter-financing of terrorism requirements;

(e) Increasing the sophistication of investigative techniques and resources:

More than 10 Member States highlighted the need to employ specialized technologies to detect terrorism financing and the need to provide technical assistance and training to strengthen expertise across government agencies and authorities;

(f) Identifying effective ways to counter ISIL terrorism-financing activities in and outside conflict zones:

The use of cash and new payment technologies by terrorist groups and individuals, including from within detention camps, poses a major challenge for law enforcement, as it transcends national borders and is becoming more and more widespread.

Conclusions

88. The present report provides a comprehensive overview of the actions taken by States to counter terrorism financing. Most reporting States have adopted laws and mechanisms to fulfil their international obligations pursuant to the relevant Security Council resolutions. However, those laws and mechanisms are not used consistently or fully, and terrorism financiers continue to identify new ways to support terrorist acts or sustain terrorist activity. Many States in need of technical assistance, training and related equipment should be given priority consideration by the donor community and implementing agencies. The sharing of effective practices and useful experiences would also be of assistance to States in their individual and joint efforts to achieve full compliance with the relevant resolutions. States' responses also demonstrate the need for further research into the integration of human rights obligations into the investigation and prosecution of terrorism-financing offences.

89. The evolving challenges in this area highlight the importance of achieving a common understanding of the gaps and of ensuring that joint action is targeted and effective. Pursuant to resolution [2462 \(2019\)](#), the Directorate, in consultation with the Monitoring Team, will build on the data gathered in the context of preparing this report to support the development of targeted technical-assistance and capacity-building initiatives, in close cooperation with the United Nations Office of Counter-Terrorism. Continued on-site visits by the two expert teams on behalf of their respective Committees will facilitate further dialogue and discussion with States on their progress and challenges, their strengths and shortfalls and their needs and ways to address them. An assessment of areas in which States should take more action to comply with the key counter-financing of terrorism provisions of the relevant Council resolutions will be provided on an annual basis, through the Counter-Terrorism Committee, with a view to ensuring that the commitment to disrupt terrorism financing remains at the heart of States' counter-terrorism efforts.

Enclosure I

Counter-Terrorism Committee Executive Directorate/Analytical Support and Sanctions Monitoring Team pursuant to resolutions [1526 \(2004\)](#) and [2253 \(2015\)](#) concerning Islamic State in Iraq and the Levant (ISIL) (Da'esh), Al-Qaida and the Taliban and associated individuals and entities

Questionnaire regarding measures adopted by Member States to disrupt terrorism financing

The Security Council requests, in its resolution [2462 \(2019\)](#), that the Counter-Terrorism Committee Executive Directorate and the Analytical Support and Sanctions Monitoring Team pursuant to resolutions [1526 \(2004\)](#) and [2253 \(2015\)](#) concerning the Islamic State in Iraq and the Levant (ISIL) (Da'esh), Al-Qaida and the Taliban and associated individuals and entities prepare a report on actions taken by Member States to disrupt terrorism financing and invites Member States to submit to them in writing, by the end of 2019, information on actions taken to disrupt terrorism financing.¹

The aim of the present questionnaire is thus to identify effective measures adopted by Member States to disrupt terrorism financing and the challenges encountered by Member States in detecting and disrupting terrorism financing. As stated by the Security Council in its resolution [2462 \(2019\)](#) and other relevant resolutions, Member States must ensure that any measures taken to counter terrorism comply with all their obligations under international law, in particular international human rights law, international refugee law, and international humanitarian law.

The questionnaire is not intended to replace the dialogue conducted with Member States within the framework of the assessment visits conducted by the Directorate on behalf of the Counter-Terrorism Committee or the threat assessments undertaken by the Monitoring Team. It is expected that the report to be prepared on the basis of the responses received will be discussed at a joint special meeting on terrorism financing to be held at United Nations Headquarters, New York, in March 2020.

The Directorate and the Monitoring Team would be grateful if Member States would, in addition to answering the “YES/NO” questions, provide a concise reply to the open questions. Answers to open-ended questions may be submitted as a word or PDF document supplementing the information provided below.

Please send the completed questionnaire to UN2462quest@un.org by 18 December 2019.

¹ Security Council resolution [2462 \(2019\)](#), para. 37.

Part I: Implementation of sanctions measures pursuant to Security Council resolutions 1267 (1999) and 1373 (2001)

Measures concerning Security Council resolution 1267 (1999)
<p>1. Has your State submitted requests or updates (as urged by the Council in paragraph 12 of its resolution 2462 (2019) to the Security Council 1267 Sanctions Committee regarding individuals/entities listed pursuant to resolution 1267 (1999) (this is known as the ISIL (Da'esh and Al-Qaida sanctions list)?</p> <p style="margin-left: 40px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </p>
<p>2. Has your State identified the assets of any individual/entity listed under the ISIL (Da'esh) and Al-Qaida sanctions list?</p> <p style="margin-left: 40px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </p>
<p>3. Have the assets identified under the ISIL (Da'esh) and Al-Qaida sanctions list been frozen?</p> <p style="margin-left: 40px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </p>
<p>4. What is the mechanism under which freezing actions undertaken by financial institutions or the private sector are stated to national authorities?</p>
<p>5. Regarding assets stated frozen pursuant to resolution 1267 (1999):</p> <p style="margin-left: 40px;">(a) What is the current value of funds and other financial assets stated frozen?</p> <p style="margin-left: 40px;">(b) Please provide information about other economic resources that have been frozen (e.g., companies, real estate, vehicles, vessels, etc.).</p>
<p>6. Does your State make publicly available its national or regional asset-freezing list pursuant to resolution 1267 (1999)?</p> <p style="margin-left: 40px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </p>
<p>7. How are changes to the ISIL (Da'esh) and Al-Qaida sanctions list communicated by the national authorities to financial institutions and designated non-financial businesses and professions or other bodies responsible for implementing asset-freezing measures?</p>
<p>8. Are financial institutions and non-financial businesses and professions required to implement the freezing of assets “without delay”?</p> <p style="margin-left: 40px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </p> <p style="margin-left: 40px;"><i>If yes, please provide your State's definition of “without delay”.</i></p>

9. What measures are in place to ensure that no <u>funds or other financial assets</u> are made available, directly or indirectly, to listed parties?
10. What measures are in place to ensure that no <u>economic resources</u> ² are made available, directly or indirectly, to listed parties?
Measures concerning resolution 1373 (2001)
11. Has your State designated any individual/entity domestically pursuant to resolution 1373 (2001) ? If so, has your State frozen their assets? <input type="checkbox"/> Yes <input type="checkbox"/> Yes, but no assets frozen <input type="checkbox"/> No
12. Has any designation or freezing measure pursuant to resolution 1373 (2001) been challenged before a court? <input type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, how many cases in the past three years?</i>
13. Has your State ever granted a humanitarian exemption to the use of frozen funds pursuant to resolutions 1373 (2001) and 1452 (2002) ? <input type="checkbox"/> Yes <input type="checkbox"/> No
14. Has your State received/submitted third-party requests for asset-freezing purposes? <input type="checkbox"/> Yes <input type="checkbox"/> No
15. Does your State make its national or regional freezing list publicly available? <input type="checkbox"/> Yes <input type="checkbox"/> No

² Economic resources “of every kind”, as stated in Security Council resolution [2368 \(2017\)](#), para. 5.

16. Please provide additional information about:

- (a) Your assessment of the usefulness of domestic asset-freezing mechanisms to prevent terrorists from raising and moving funds;
- (b) How information is shared with other jurisdictions regarding asset-freezing measures;
- (c) Challenges encountered in identifying targets for domestic designations;
- (d) Challenges encountered in submitting and receiving third-party requests;
- (e) Any mechanism(s) for review of the designation/freezing action in place;
- (f) Any freezing actions challenged by affected parties using the above-referenced mechanisms.

Reply:

Part II. Understanding terrorism-financing threats, risks and vulnerabilities

17. Has your State conducted a dedicated terrorism-financing risk assessment?

- Yes, a separate terrorism-financing assessment has been conducted
- Yes, but as part of a money-laundering/terrorism-financing risk assessment
- No

If "yes", when was it conducted?

If "no", when does your State plan to conduct a terrorism-financing risk assessment?

18. Please provide additional information about:

- (a) The main threats identified;
- (b) The main vulnerabilities identified;
- (c) Your understanding of the level of terrorism-financing risks faced by your State;
- (d) Terrorism-financing risks associated with new technologies, including virtual assets;
- (e) The adoption of a related plan of action to mitigate the identified terrorism-financing risks.

Reply:

19. Does your State have a counter-financing of terrorism strategy in place?

- Yes
 No

If “yes”, for which period?

If “no”, is your State planning to develop such a strategy? When?

20. Is the counter-financing of terrorism strategy integrated into your State’s national counter-terrorism strategy?

- Yes
 No

21. Please provide additional information about:

- (a) The objectives to be achieved in the counter-financing of terrorism strategy;
(b) The national/competent agency responsible for overall implementation of the counter-financing of terrorism strategy;
(c) The inter-agency coordination mechanism in place to monitor implementation of the actions set forth in the counter-financing of terrorism strategy and the coordination mechanism in place for stakeholders;
(d) and for international counterparts;
(e) The involvement of the private sector, including civil society;
(f) Specific partnerships with the fintech industry and/or social media companies.

Reply:

Part III. Measures adopted to disrupt terrorism financing

A. Terrorism-financing offence

22. Has your State amended the provisions of its law on terrorism financing?

- Yes
 No

If “yes”, when was the most recent amendment?

23. Does your State’s terrorism-financing offence cover:

- The financing of terrorist acts
 The financing of a terrorist organizations for any purpose
 The financing of an individual terrorist for any purpose?

24. Does your State have an offence that covers the financing of travel of foreign terrorist fighters?

- Yes
 No

25. Does the definition of assets³ set forth in your State's terrorism-financing offence include economic resources of every kind, which are not financial assets, in accordance with Security Council resolution [2368 \(2017\)](#)?⁴

- Yes
 No

B. Financial intelligence and terrorism-financing investigations

26. What forms of terrorism financing have you identified in the course of your investigations:

- Cash smuggling
 Use of money service businesses
 Use of informal remitters/hawala
 Use of formal banking system
 Use of social media
 Use of prepaid cards
 Use of mobile banking
 Use of natural resources
 Use of social benefits
 Use of bank loan
 Other (please specify)

27. Is financial intelligence produced by the financial intelligence unit used in terrorism-financing investigations?

- Yes
 No

³ Assets to be frozen or denied to listed parties.

⁴ Security Council resolution [2368 \(2017\)](#), paragraph 1 (a): "Freeze without delay the funds and other financial assets or economic resources of these individuals, groups, undertakings and entities, including funds derived from property owned or controlled directly or indirectly, by them or by persons acting on their behalf or at their direction, and ensure that neither these nor any other funds, financial assets or economic resources are made available, directly or indirectly for such persons' benefit, by their nationals or by persons within their territory"; Council resolution [2368 \(2017\)](#), paragraph 5: "*Confirms* that the requirements in paragraph 1 (a) above apply to financial and economic resources of every kind, including but not limited to those used for the provision of Internet hosting and related services, used for the support of individuals, groups, undertakings or entities included on the ISIL (Da'esh) and Al-Qaida sanctions list".

28. Does your State have public-private partnerships in place to improve the exchange and quality of financial information?

- Yes
 No

29. Does your State have mechanisms in place to obtain relevant information, including bank account information, to facilitate the identification of terrorist assets?

- Yes
 No

30. Does your State conduct terrorism-financing investigations in all terrorism cases?

- Yes, in parallel to terrorism investigations, as well as independently of the existence of a terrorism case
 Yes, but only in parallel to an existing terrorism case
 No

31. Please provide additional information about:

- (a) Measures introduced to enhance the integration of financial intelligence into terrorism cases (e.g., inter-agency cooperation, public-private partnerships);
- (b) Human capacity resources available for investigating terrorism financing;
- (c) Types of coordination mechanisms in counter-terrorism/counter-financing of terrorism cases between financial intelligence units, intelligence and law-enforcement agencies (including prosecutors);
- (d) Measures in place to ensure that any terrorism-financing investigation comply with international human rights obligations, including those concerning privacy;
- (e) Challenges encountered in integrating financial intelligence into terrorism investigations/prosecutions and in conducting terrorism-financing investigations;
- (f) Statistics on the number of terrorism-financing investigations and convictions, as part of terrorism investigations/prosecutions or as a standalone terrorism-financing offence.

Reply:

C. Non-profit organizations

32. Has your State conducted an assessment of its non-profit sector to determine which types may be vulnerable to terrorism financing?

- Yes
 No

If "yes", when was it conducted?

<p>33. Does your State have in place targeted measures (including supervisory practices), laws and regulations, which are directed towards non-profit organizations that may be abused for terrorism-financing purposes?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>34. Has your State conducted outreach to non-profit organizations⁵ to raise awareness of the terrorism-financing risk?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>35. Has your State identified cases of terrorism-financing involving non-profit organizations?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
<p>36. Has your State developed counter-financing of terrorism mechanisms, laws or policies regarding non-profit organizations that take into account the potential effect of those measures on exclusively humanitarian activities, including medical activities, that are carried out by impartial humanitarian actors in a manner consistent with international humanitarian law, in accordance with resolution 2462 (2019)?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>If “yes”, which ones?</i></p>
<p>37. Please provide additional information about:</p> <p>(a) Your State’s assessment of the level of terrorism-financing-risk associated with the abuse of non-profit organizations;</p> <p>(b) The characteristic of the types of non-profit organization that your State has identified as posing a higher terrorism-financing risk;</p> <p>(c) The measures undertaken by your State to prevent non-profit organizations from being abused for terrorism-financing purposes;</p> <p>(d) The measures undertaken by your State regarding non-profit organizations to ensure that relevant steps are risk-based and comply with international human rights obligations;</p> <p>(e) The measures developed to mitigate non-profit organization de-risking.</p> <p><i>Reply:</i></p>

⁵ For the purposes of this question, please refer to the functional definition of a non-profit organization, as provided by the Financial Action Task Force (i.e., “refers to a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of ‘good works’”).

Part IV: Good practices and terrorism-financing challenges

A. Good practices

38. Please highlight:

- (a) Which terrorism-financing disruption tools does your State consider to be most effective;
- (b) Any process/initiative/measure undertaken that your State considers to be a good practice in disrupting terrorism financing.

Reply:

B. Terrorism-financing challenges

39. Please highlight:

- (a) Any challenge encountered in effectively disrupting terrorism financing;
- (b) Any challenges encountered in the effective implementation of asset-freezing measures involving both the [1267 \(1999\)](#) and [1373 \(2001\)](#) sanctions lists;
- (c) Any terrorism-financing challenges that involve specifically new or emerging financial technology, including mobile wallets or electronic transactions that are not associated with traditional bank accounts;
- (d) Any terrorism-financing challenges that involve virtual currencies.

Reply:

Enclosure II

List of Member States that submitted responses to the questionnaire

- | | | |
|--|---|---|
| 1. Afghanistan | 36. Finland | 77. Papua New Guinea |
| 2. Albania | 37. France | 78. Paraguay |
| 3. Algeria | 38. Gambia | 79. Peru |
| 4. Andorra | 39. Georgia | 80. Philippines |
| 5. Angola | 40. Germany | 81. Poland |
| 6. Argentina | 41. Greece | 82. Portugal |
| 7. Armenia | 42. Hungary | 83. Qatar |
| 8. Australia | 43. India | 84. Republic of Korea |
| 9. Austria | 44. Indonesia | 85. Republic of Moldova |
| 10. Bahrain | 45. Iraq | 86. Romania |
| 11. Bangladesh | 46. Ireland | 87. Russian Federation |
| 12. Belarus | 47. Israel | 88. Saint Vincent and the
Grenadines |
| 13. Belgium | 48. Italy | 89. San Marino |
| 14. Bhutan | 49. Japan | 90. Saudi Arabia |
| 15. Bolivia
(Plurinational
State of) | 50. Kazakhstan | 91. Senegal |
| 16. Brazil | 51. Kyrgyzstan | 92. Serbia |
| 17. Brunei
Darussalam | 52. Lao Democratic
People's Republic | 93. Singapore |
| 18. Bulgaria | 53. Latvia | 94. Slovakia |
| 19. Burkina Faso | 54. Lebanon | 95. South Africa |
| 20. Canada | 55. Libya | 96. Spain |
| 21. Cabo Verde | 56. Liechtenstein | 97. Sri Lanka |
| 22. Central African
Republic | 57. Lithuania | 98. Sweden |
| 23. Chad | 58. Luxembourg | 99. Switzerland |
| 24. China | 59. Madagascar | 100. Thailand |
| 25. Colombia | 60. Malaysia | 101. Togo |
| 26. Côte d'Ivoire | 61. Maldives | 102. Tunisia |
| 27. Cuba | 62. Mali | 103. Turkey |
| 28. Czechia | 63. Malta | 104. Turkmenistan |
| 29. Democratic
Republic of the
Congo | 64. Mauritania | 105. Ukraine |
| 30. Denmark | 65. Mauritius | 106. United Kingdom of
Great Britain and
Northern Ireland |
| 31. Dominican
Republic | 66. Morocco | 107. United States of
America |
| 32. Egypt | 67. Nepal | 108. Uruguay |
| 33. Estonia | 68. Netherlands | 109. Uzbekistan |
| 34. Ethiopia | 69. Nicaragua | 110. Viet Nam |
| 35. Fiji | 70. Niger | 111. Yemen |
| | 71. Nigeria | 112. Zimbabwe |
| | 72. North Macedonia | |
| | 73. Norway | |
| | 74. Oman | |
| | 75. Pakistan | |
| | 76. Panama | |