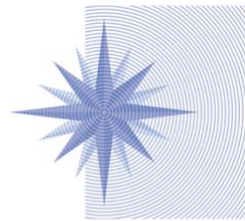


the Wolfsberg Group



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The Wolfsberg Group on Countering Terrorist Financing

Introductory Statement

The Wolfsberg Group (the Group) unequivocally condemns all acts and methods of terrorism and remains dedicated in its efforts to combat the financing of terrorism and terrorist activities. Terrorists and acts of terrorism directly undermine peace and security while terrorist financing endangers the integrity of the global financial system.

In 2002, the Group published its first Statement on the Suppression of the Financing of Terrorism. Since then, both terrorism and global Counter-Terrorist Financing (CTF) measures have evolved to include:

- Wider adoption of risk-based due diligence standards and practices;
- Greater awareness of terrorist financing behaviours, risks and typologies;
- Streamlined reporting requirements enabling speedier escalation of cases of suspected terrorist financing;
- Better technology to make detection scenarios more sophisticated; and
- Improved collaboration and coordination through Public-Private Partnerships (PPPs) in many jurisdictions.

In many cases, this has led to more effective provision of information to law enforcement. However, terrorist finance also poses new challenges and considerations including behaviours, risks and typologies that continue to evolve rapidly; and control implementation may have unintended consequences including reduced legitimate access to the financial system when risk-based approaches have not been carefully implemented.

For these reasons, the 2002 publication has been replaced by this document, which describes the role of financial institutions (FIs) in CTF and the key controls which seek to mitigate and manage the risk of an FI being abused for the financing of terrorism, as part of a risk-based financial crime compliance programme.

The Group recognises that terrorists, terrorist acts, and terrorist financing, as defined by the Financial Action Taskforce (FATF) in the General Glossary to the 40 Recommendations¹, can be either domestic or international. Terrorism can be associated with different ideologies and/or political, religious, social, or environmental beliefs, or encouraged or facilitated by nation states.

Funds used in the financing of terrorism do not necessarily derive from criminal activity, which is a requisite element of money laundering offences.² Equally, the ultimate use and purpose of funds received by terrorist groups need not be linked directly or indirectly to a terrorist act in order to trigger reporting or other obligations for FIs.

Successful outcomes in the fight against terrorist financing require sustained global cooperation by and between the public sector and the private sector, alongside sound operational and legal arrangements. Many public-private formal and informal information sharing mechanisms have been established since the publication of the 2002 Statement. These mechanisms are an essential tool in combatting the threat.

The Wolfsberg Group supports the FATF Recommendations 5, 6, and 8 and Immediate Outcome 10³ as measures conducive to countering terrorist financing.

Role of Financial Institutions in the Fight against Terrorism

FIs assist governments and their agencies in the fight against terrorist financing through proactive prevention and detection and by meeting their regulatory reporting obligations. FIs should respond promptly to governmental enquiries and requests, seek to prevent terrorists and terrorist organisations from accessing their financial services, and identify and report prohibited as well as suspicious and/or unusual activity that may be indicative of terrorist financing.

FIs need to balance legitimate risk mitigating activity, where decisions not to offer certain products and services may be made in the interests of managing financial crime risk, including terrorist financing, against the importance of access to the financial system for individuals and communities. The proportionality of such measures, in the light of evolving CTF threats, should be considered carefully.

¹ [The FATF 40 Recommendations](#). The term ‘terrorist’ “refers to any natural person who: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and wilfully; (ii) participates as an accomplice in terrorist acts; (iii) organises or directs others to commit terrorist acts ; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.” ‘Terrorist act’ is defined as “(a) an act which constitutes an offence within the scope of, and as defined in one of the following treaties: (i) Convention for the Suppression of Unlawful Seizure of Aircraft (1970); (ii) Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1971); (iii) Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents (1973); (iv) International Convention against the Taking of Hostages (1979); (v) Convention on the Physical Protection of Nuclear Material (1980); (vi) Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1988); (vii) Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (2005); (viii) Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf (2005); (ix) International Convention for the Suppression of Terrorist Bombings (1997); and (x) International Convention for the Suppression of the Financing of Terrorism (1999). (b) any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a Government or an international organisation to do or to abstain from doing any act.” Finally, ‘terrorist financing’ is “the financing of terrorist acts, and of terrorists and terrorist organisations.”

² Terrorist financing can be perpetrated from legitimate sources (e.g. revenue from legal businesses, or unwitting donations of legitimately earned funds to charities that are exploited by terrorists) as well as illicit activities (e.g. trafficking in people, drugs, arms, antiquities, etc.). Money laundering, on the other hand, presupposes the criminal origin of the funds that are laundered (which are colloquially referred to as ‘dirty money’).

³ [The FATF 40 Recommendations](#) and [the FATF on An effective system to combat money laundering and terrorist financing](#).

FIs also support the CTF effort through the maintenance of an effective AML/CTF programme.⁴ This is covered in more detail in the next section.

Risk-Based Controls Framework

The risk-based approach

In alignment with the FATF Terrorist Financing Risk Assessment Guidance⁵, the Group is committed to implementing and sustaining a risk-based approach to respond and adapt to current threats and vulnerabilities. This includes applying Enhanced Due Diligence in relation to those customers that have been identified as high risk by the FI's customer risk assessment, which should be informed by guidance from relevant competent authorities. This will include the identification of sectors, activities and jurisdictions more frequently associated with the financing of terrorism.⁶

Thus, a CTF Framework should also incorporate specific policies and procedures on risk-based due diligence for acceptance of business from customers engaged in such sectors or activities, and increased monitoring of activity of customers who meet the relevant acceptance criteria.

While there are authoritative international sources on terrorist financing typologies, a good understanding of the geographical footprint of the FI's location and customer base is essential for understanding its risk. In addition, the nature of product and services offered, alongside delivery channels used, will be valuable in deriving a useful assessment of TF exposure.

Customer Due Diligence

The Group recognises that adherence to Customer Due Diligence policies and procedures is important to fighting terrorism from the earliest possible stage. Specifically, the proper identification and verification of customers and applicable beneficial owners by FIs and the understanding of those customers' business transactions is fundamental to the effectiveness of CTF controls.

In addition to the continued application of existing customer identification, acceptance, and due diligence procedures, the Group is committed to:

- Maintaining policies and procedures to screen customers and applicable beneficial owners against sanctions or other applicable lists (at onboarding and on an ongoing basis) and handling alerts by taking reasonable and practicable steps to determine whether a person or entity involved in a prospective or existing business relationship appears on such a list.
- Reporting to the relevant authorities the positive matches from screening against lists of known or suspected terrorists or terrorist organisations consistent with applicable laws and regulations regarding the disclosure of customer information.
- Implementing trigger event reviews/customer reviews, that may identify unusual or implausible aspects of the customer profile constituting grounds for suspicion, including suspicion of involvement in TF. This may incorporate negative news screening.⁷
- Record-keeping/storing customer information to facilitate the timely retrieval of such information, cognisant of data privacy restrictions and data retention obligations.

Monitoring and Screening

⁴ [The Wolfsberg Group Statement on Effectiveness](#) and [The Wolfsberg Group Statement on Demonstrating Effectiveness](#).

⁵ [The FATF Terrorist Financing Risk Assessment Guidance](#) and [The Wolfsberg Group Frequently Asked Questions \(FAQs\) on Country Risk](#).

⁶ For example, [FATF's Global Efforts on Combating Terrorist Financing](#).

⁷ [The Wolfsberg Group Frequently Asked Questions \(FAQs\) on Negative News Screening](#).

Recognising the difficulties inherent in identifying financial transactions linked to the financing of terrorism, absent negative news or specific and actionable intelligence from law enforcement, the Group supports the continued development of monitoring processes and other methods for identifying suspicious and/or unusual transactions. The Group is committed to:

- Screening customer names and transactions against sanctions and other relevant applicable lists for potential involvement of known or suspected terrorists or terrorist organisations.
- Performing monitoring for suspicious and/or unusual customer activity, including transaction monitoring, taking account of the customer's expected transaction profile.
- Providing highly useful information to relevant government agencies in defined priority areas.

The Importance of Global Cooperation

The Group advocates for financial services industry co-operation with law enforcement and government agencies in their efforts to combat the financing of terrorism. In 2022, the Group published a paper on Effectiveness through Collaboration, describing the elements of successful engagement in PPPs.⁸ To the extent permitted by law, the Group also encourages working with trusted partners in the private sector in order to share insights regarding patterns and trends and other relevant information. Focussing particularly on countering terrorist financing, the Group has identified the following areas for continued focus alongside law enforcement, with a view to optimising the contribution FIs are able to make:

- The provision of official lists of suspected terrorists and terrorist organisations on a globally co-ordinated basis by the relevant competent authority in each jurisdiction.
- The inclusion of appropriate details and information in such lists to assist FIs in efficient and timely searches of their customer bases.⁹
- The provision of feedback to FIs on the usefulness of suspicious activity reports made in relation to terrorist financing.
- The provision of actionable intelligence to include indicators and typologies used in the financing of terrorism to assist with identifying suspicious and/or unusual transactions.
- The development of training or awareness activities to ensure that relevant staff are cognisant of current terrorist finance typologies and/or financing methods, means, and techniques.
- Ensuring that the national and supranational regulatory frameworks:
 - Permit FIs to maintain information relevant to mitigating terrorist financing risk within their own databases and to share such information within their own groups.
 - Afford FIs and their employees protection from civil liability for relying on such information, where such protection currently does not exist.
 - Facilitate the reporting of suspicious and/or unusual transactions that may relate to terrorism to the relevant authorities without breaching any duty of customer confidentiality or privacy and data protection legislation, where such protection currently does not exist.
 - Permit the prompt exchange of information between competent authorities across jurisdictions.
 - Permit FIs to share actionable information securely about suspicious and/or unusual transactions with other FIs, where there is a legitimate and proportionate interest in the prevention or detection of terrorist financing.

⁸ [The Wolfsberg Group paper on Effectiveness Through Collaboration](#).

⁹ This should consider the principles set out in the [Wolfsberg Guidance on Sanctions Screening](#) and the [Wolfsberg Group Frequently Asked Questions on Negative News Screening](#).