

Counter-Terrorist Financing FID Presentation



1st February 2018

Andy McDonald

- 30.10 years service; 26 years detective in Metropolitan Police
 - 20 years in New Scotland Yard specialist covert and overt teams
 - Financial Crime a 'constant' and cross-cutting theme
 - DSU at Counter Terrorism and UK NTFIU to finish
 - Previously Head of Fraud Squad at New Scotland Yard
 - Now a Public Servant and Learning as an Advisor/Consultant!
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- **Taking as a given, that delegates have similar Primary and Secondary Legislation, with Regulatory requirements – and many Similar Challenges!**

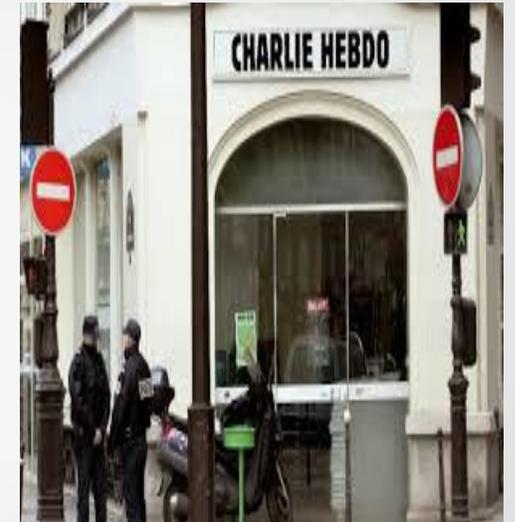
“Threat” - No ‘Safe’ Continents – No One Method



... AND FINLAND, RUSSIA, BARCELONA... AND ALL THOSE RARELY REPORTED
12 MONTHS SINCE I RETIRED – FIVE ATTACKS IN UK!

WHAT ABOUT THE CARIBBEAN - SAFE IN COMPARISON?
TRINIDAD & TOBAGO REPORTS 150 TRAVELLED TO SYRIA....

The Victims – TF has Devastating Effect



NO FINANCIAL CRIME IS VICTIMLESS – BUT TERRORISM AND IT'S FUNDING, 'PLAY OUT' VERY PUBLICLY - A VERY SIGNIFICANT REPUTATIONAL RISK

Threat Level

The threat level in the UK from international terrorism	SEVERE
The threat level in Great Britain (England, Wales and Scotland) from Northern Ireland -related terrorism	SUBSTANTIAL
The threat level in Northern Ireland from Northern Ireland-related terrorism	SEVERE

- Critical – An Attack is Expected Imminently **BRIEFLY!**
- **Severe** – **An Attack is Highly Likely**
- Substantial – An Attack is a Strong Possibility
- Moderate – An Attack is Possible but not Likely
- Low – An Attack is Unlikely

MAINLAND EUROPE IS VERY DIFFERENT – MANY AT CRITICAL

AN ISLAND EXISTENCE MAY HAVE SOME SECURITY ADVANTAGES!

Spot the Terrorist – Easy to do? - may not be one!



What about an 'extremist' – what can you do, legally?

Nature of the Threat – It's Different to AML/Fraud

1. The **three 'F'** – FTF's / Facilitators / Financiers
2. The **Syria/Iraq** factor – unifying disparate groups
3. The threat posed by **returning fighters**
4. Sophistication of the recruitment operation – **online**
5. **Radicalisation** of the **young** (More 'F's' – females / families)
6. **Safeguarding** and Mental Health issues
7. Links to **chaotic** criminals – **Criminal access to firearms**
8. **Fraud** is a really big 'F'! – up 53%; reinforcing key messages
9. **Financial Intelligence and Evidence** crucial to all above - TF Hard to Prove!

THINK – "BEFORE / DURING / AFTER"

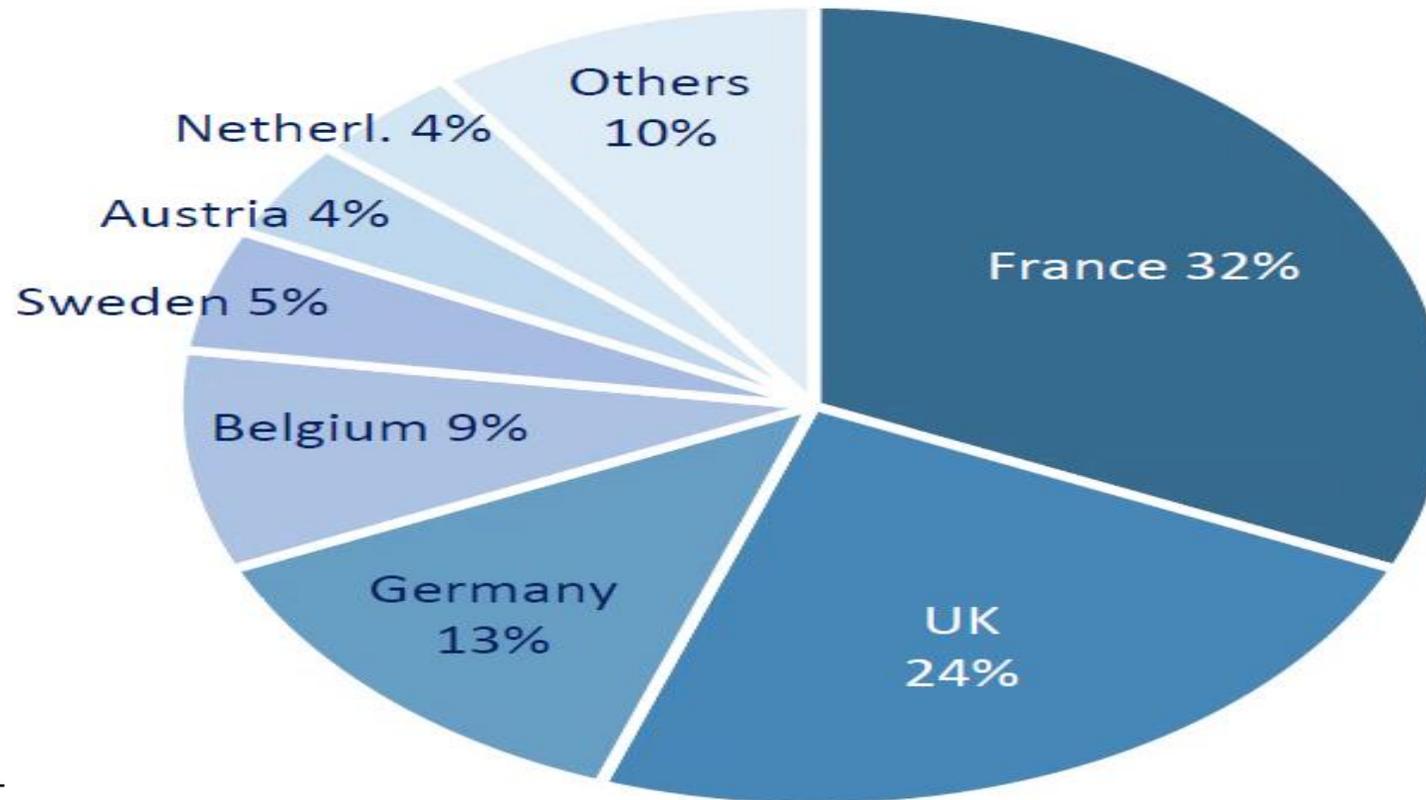
**UNDERSTAND HOW THEY:
RAISE / STORE / MOVE / USE FUNDS**

'RETURNEES' WILL USE SAME METHODS

**THINK:
'SUBSISTENCE,
NOT PROFIT'**

EU nationals / residents involved in Jihadist networks

EU nationals or residents involved in jihadist networks by country of origin (% of the total)



Source: CAT

UK Citizens - Syria Travellers two year focus – now returnees is key issue



**ONLY TWO OF THESE STILL ALIVE. 850 BELIEVED TO HAVE TRAVELLED. ABOUT 300
HAVE RETURNED. MOST ARE 17 -30 YRS OLD
THEY EMBRACE TECHNOLOGY AND WILL NEED IT TO LIVE IN UK / ELSEWHERE**

Don't Take Our Eyes Off The (Other) Ball(s) !



Some Good News!



Financial Intelligence Permeates ALL CT Investigations

More Good News!



'Understand'? - OFAC Blocked Terrorist Funds

ORGANIZATION/RELATED DESIGNEES	BLOCKED AS OF 2016	BLOCKED AS OF 2015
AL-QAIDA	\$5,884,983 ¹	\$13,063,764
REVOLUTIONARY ARMED FORCES OF COLOMBIA (FARC) ²	\$88,906	N/A
HAMAS	\$1,121,905	\$1,250,615
HIZBALLAH	\$6,266,456 ³	\$8,277,178
ISLAMIC REVOLUTIONARY GUARD CORPS (IRGC)-QODS FORCE	\$14,303,467	\$14,109,469
ISLAMIC STATE OF IRAQ AND THE LEVANT (ISIL) *****	<u>\$145,846</u>	\$131,392

Other Criminal Activity Linked to Terrorism – Identity Fraud



The Importance of Suspicious Activity Reports

Most Frequently Used Indicators in TF Case Disclosures:

- **International transfers** to or from locations of specific concern
- ATM Withdrawals, often linked to MSB or other platform transfers
- Retail Transactions – Outdoor supplies, **knives, bomb-making components, VEHICLE HIRE!**
- Charity/Relief organisation linked to transactions – who are donors/trustees?
- Transaction References
- Dormant Account – **Think Manchester – Abedi**
- Customer Behaviour – **Think Funding - Gollamully's**
- **Media coverage** of account holder's activities - **£66 to 'bomb' Manchester - Sun/Times**
- **Law Enforcement enquiries – Every CT investigation has FI strategy**

Large percentage of SARS submitted under TACT are because of LEA enquiries or Media

le Defensive and Reactive; rather than Proactive

Potential Intelligence Within a SAR

- Names
- Dates of Birth
- Addresses
- Associates
- Identity documents – TRAVEL/BORDERS
- Occupation
- Places frequented
- Vehicles – Travel/Borders
130 killed by vehicles 2017
- Account numbers
- Associated / joint accounts
- Transactions
- Transfers
- Account turnover
- IP Addresses
- Telephone no's
- Email addresses
- ANY PHOTO / BIOMETRICS?

If possible, please discuss what you propose to include in SARs –
LEA's can worry about sanitisation and disclosure.

Help with terrorist 'lifestyle' via Finint and Comms Data

Key CTF (and Other Illicit Finance) Take Aways

- 1. Red Flags / Indicators? – Not obvious.... But typical**
- 2. Some guidance issued via FATF and Law Enforcement via FIU's**
- 3. Geographic / Customer / Product / Service Risk remain key issues**
- 4. Recognise Risk at 'On-boarding' stage / EDD stage – 'UNDERSTAND'**
- 5. If you are suspicious – REPORT IT! – LEA's will help and work with you**
- 6. Ensure appropriate accountability and documentation**
- 7. Accept 'Risk' and Bad News – Communicate and Promote the Good Stuff!**

FINCRIME ISSUES IN THE EU FOR 2018?

- **LEGISLATION**

- Failing To Prevent Economic Crime (CFA 2017)
- TF Information Sharing Platform (EU Proposal) – what about Brexit??
- Data Protection (GDPR from May and victims/suspect protection – across EU)
- SAR regime Update??? (UK- largest provider of SAR intel)

- **ARTIFICIAL INTELLIGENCE**

- Criminals are ahead; regulators and firms need to catch up
- Cost / benefit of new systems (Fintech / RegTech or KYC eg Biometrics)
- Machines taking human roles; Predictive Analysis

- **PUBLIC – PRIVATE SECTOR PARTNERSHIPS**

- Less Silo working and move to more quantitative outcomes
- Governments taking lead (eg JMLIT / AUSTRAC / FinCen Exchange)
- Decisions on De-Risking / De-Banking / Exiting

APPROACH TO FINANCIAL CRIME

Common Issues in Public and Private Sectors:

- **CULTURE**

- ✓ Top-Down approach – Understanding and Involvement at Board Level

- **SYSTEMS AND PROCESSES**

- ✓ Understand, Accept, Manage and Mitigate Risk – Intelligence-Led Method

- **PEOPLE**

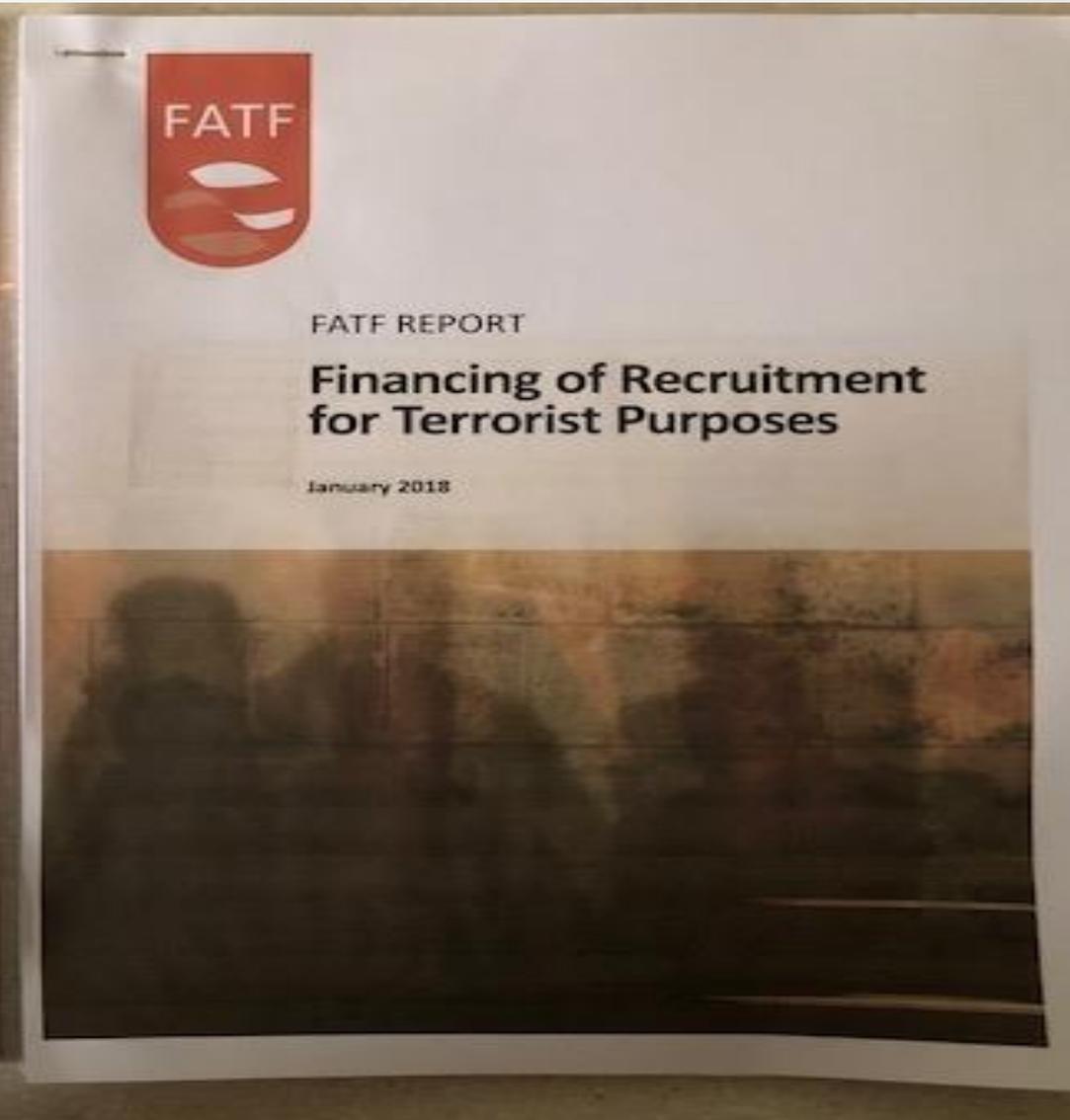
- ✓ Appropriately trained, qualified and supported staff across functions

- **COMMUNICATION**

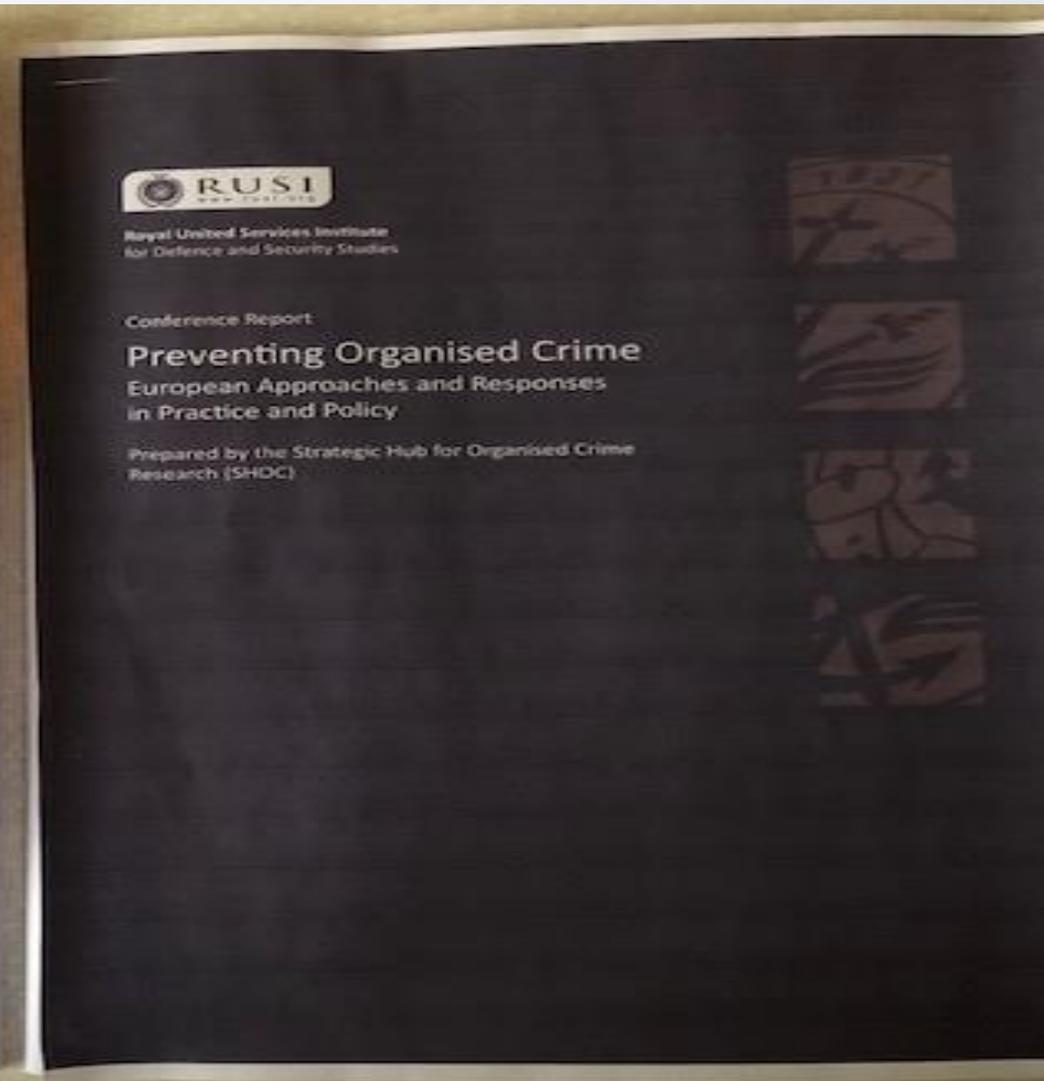
- ✓ Internal and External – Strategies; Good and Bad News

THINK – ENGAGE – BUILD - DELIVER

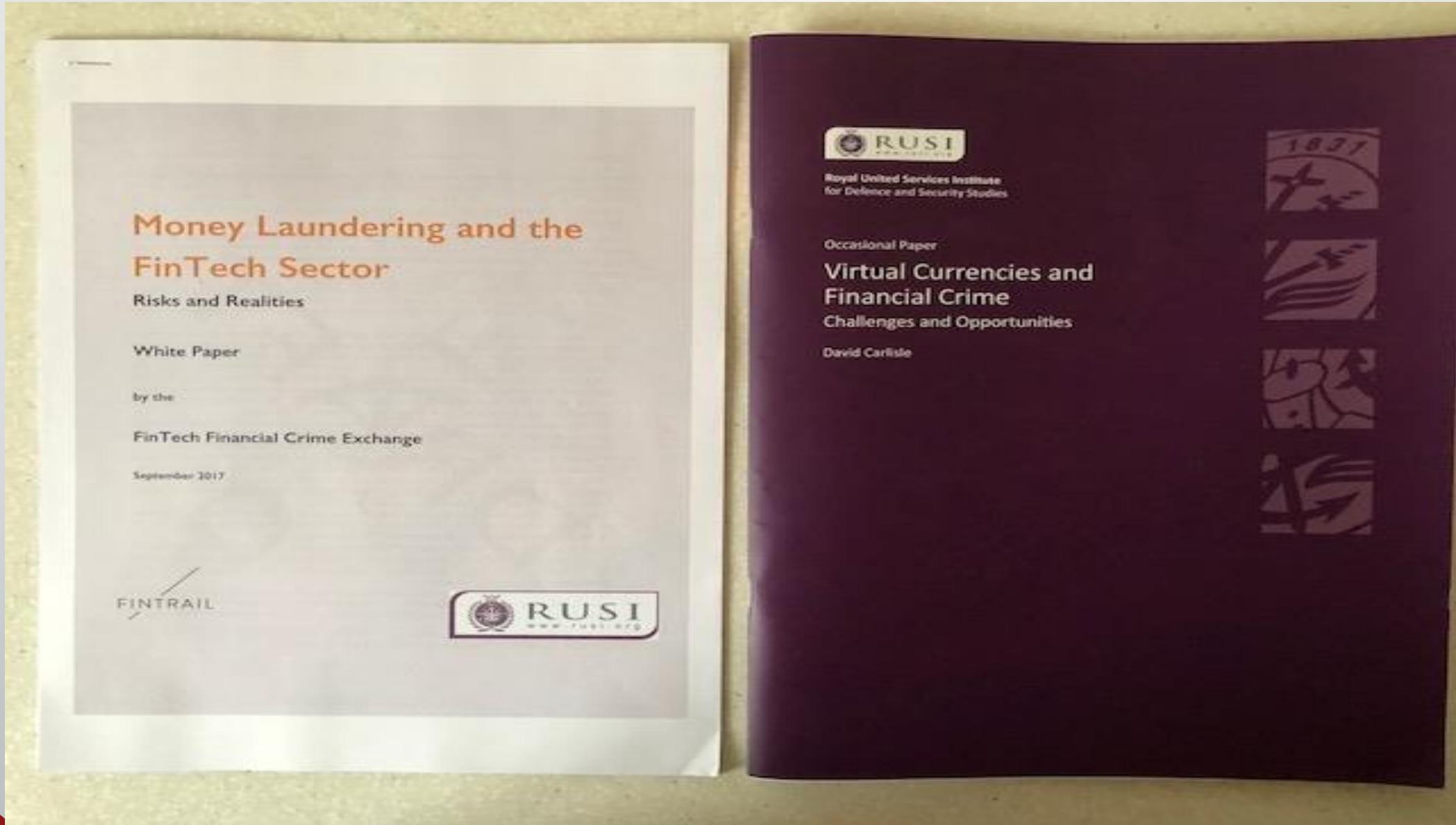
USEFUL REFERENCE



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USEFUL REFERENCE



Information and Intelligence Sharing Concerns



Brexit: Britain to be kicked out of Europol

The UK Government had said it wants to stay in the European police agency and keep its benefits

PRESS RELEASES - JUST PUBLISHED
11 ARRESTS AND 9 VICTIMS SAFEGUARDED
IN OPERATION AGAINST SEXUAL
EXPLOITATION OF WOMEN

PRESS RELEASES - JUST PUBLISHED
MORE THAN ONE MILLION OPERATIONAL
MESSAGES SHARED BETWEEN EUROPOL,
MEMBER STATES AND THIRD PARTIES IN
2017

PRESS RELEASES - JUST PUBLISHED
EU LAW ENFORCEMENT JOINS TOGETHER
WITH FACEBOOK AGAINST ONLINE
TERRORIST PROPAGANDA

BAD STUFF HAPPENS!

Top 10 Tax Havens According to the Panama Papers



WITHIN THE NEXT 12 MONTHS, THE TOP THREE COMPLIANCE

WHAT BANKS HAVE PAID IN FINES TO US REGULATORS



BETTER NEWS – PUBLISH IT!

Libor-rigging trial: ex-Barclays traders



between 33
to four former
S

**EU TAX BLACKLIST UPDATE: AGREEMENT
REACHED, EU TO REMOVE SEVERAL
COUNTRIES**



FINCRIME Take-Aways (Clue – It's a Repeat!)

- 1.** Red Flags / Indicators? – Not obvious.... Tech can assist
- 2.** Some guidance issued via FATF and Law Enforcement via FIU's
- 3.** Geographic / Customer / Product / Service Risk remain key issues
- 4.** Recognise Risk at 'On-boarding' stage / EDD stage – 'UNDERSTAND'
- 5.** If you are suspicious – REPORT IT! – LEA's will help and work with you
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