

PRESS KIT

COUNTERING TERRORIST FINANCING

Wednesday, 18 March 2015



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Money is always and everywhere the sinews of war: terrorists need vital funds to buy weapons, vehicles and arsenals. International action to counter terrorist financing is a bastion of peace and security in the world.”

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Michel Sapin speaking to FATF (Financial Action Task Force) representatives on 24 February 2015.

The terrorist attacks in Paris demonstrated the ability of certain terrorist networks to secure underground funding, often in the form of small sums.

This observation is behind the increase in financial and human resources for the Directorate General of Customs and Excise and the French Financial Intelligence Unit (TRACFIN) announced by the Prime Minister in January 2015.

A total of €5 million has been earmarked primarily to buy equipment to counter terrorism and its financing in particular. Customs and TRACFIN will recruit an additional 70 and 10 staff respectively over a three-year period to counter terrorism.

The finance and interior ministers also decided in January to step up cooperation between their intelligence services to more specifically target trafficking and capital movements that might be used to fund terrorist actions.

The Minister for Finance and Public Accounts moreover advocated European and international capacity building to counter terrorism and its financing.

If these measures are to be fully effective, the national regulatory framework needs developing in three priority areas:

- **Roll back anonymity in the economy to improve the tracking of suspicious transactions (IDENTIFICATION)**
- **Step up financial stakeholders' due diligence in countering terrorism (SURVEILLANCE),**
- **Bolster capacities to freeze assets held by terrorism funders and players (ACTION).**

IDENTIFICATION

**Roll back anonymity
in the economy to improve
the tracking of suspicious
transactions**

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To counter terrorist financing, we need to reduce the level of cash circulating in the economy. Anything that makes payments anonymous makes them impossible to trace. In this, we need to be able to conduct ID checks. ”

Michel Sapin

MEASURE No. 1:**Reduce the limit on cash payments from €3,000 to €1,000**

Too much cash in circulation and anonymous means of payment in general restrict operators' abilities to carry out checks and encourage trafficking. We therefore need to limit the cash payment options available in the economy.

The French Monetary and Financial Code will hence be amended to:

Reduce the limit on cash payments authorised for natural persons and legal entities resident in France from €3,000 to €1,000.

Reduce the limit on cash payments authorised for non-residents from €15,000 to €10,000.

These limits will apply to business-to-business and business-to-consumer transactions.

These limits will mean quite simply that businesses will have to use truly traceable means of payment (mainly cheques, transfers and credit cards).

Cash payment restrictions in the European Union: an overview

Belgium	€3,000	1 January 2014
Bulgaria	BGN 10,000 (≈€5,112)	1 July 2011
Czech Republic	CZK 350,000 (≈€12,763)	1 January 2013
Denmark	DKK 10,000 (≈€1,340)	1 July 2012
France	€3,000 (residents and non-resident traders) €15,000 (non-resident consumers)	1 January 2002
Greece	€1,500	1 January 2011
Hungary	HUF 1.5 million (≈€5,000) (legal persons)	1 January 2013
Italy	€999.99	6 December 2012
Portugal	€1,000	14 May 2012
Slovakia	€5,000 €15,000 (natural persons being not entrepreneurs)	1 January 2013
Spain	€2,500 (residents) €15,000 (non-residents)	19 November 2012

Source: European Consumer Centre France (2014); Véber and Brosch (2013)

A March 2012 Bank of France study on “The future of means of payment in France” reported that 55% of commercial transactions were made in cash in 2007, although they accounted for less than 5% of total transactions in value. A poll by French polling agency IFOP in March 2011 found that the psychological cut-off point above which French consumers start to systematically choose another means of payment is €15.

Data provided by the French Trade and Retail Federation (FCD) shows that the average cash taking is €20 in supermarkets and hypermarkets, and €30 in specialised chain stores (sports, DIY, etc.).

ROLL BACK ANONYMITY IN THE ECONOMY: FOCUS ON THE 4TH EUROPEAN ANTI-MONEY LAUNDERING PACKAGE

The European institutions recently agreed upon the fourth package on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (directive and regulation).

This stipulates, for example, that ID must be produced as of the first euro for transfers of funds in cash (via Western Union, for example) throughout the European Union (which France already enforces).

These developments will promptly be incorporated into French law with the Transparency Bill that the President of the French Republic and the Prime Minister have asked the Minister for Finance and Public Accounts to prepare.

MEASURE No. 2:

Systematically report cash deposits and withdrawals of over €10,000 (in a single month) to TRACFIN

Deposits and withdrawals of large amounts of cash are not currently systematically reported to TRACFIN. No regulatory limit is stipulated even though it is vital to monitor these types of transactions for early detection of attempts to break the law.

A decree issued after consultation with the Conseil d'Etat will therefore be published in the next few days to set a limit of €10,000, over which it will become compulsory to automatically report transactions to TRACFIN. This decree will come into force on 1 January 2016 since it calls for updates to all the financial establishments' information systems.

MEASURE No. 3:

Step up border controls of physical transfers of capital

A large amount of capital transits by freight, especially air freight, with no requirement for these movements to be declared to customs, which is an obligation relating solely to capital sums over €10,000 transported by natural persons.

The obligation to declare will therefore be strengthened for physical transfers of capital by freight, bringing the procedure into line with the procedure for natural persons.

On 1 January 2016, the French Monetary and Financial Code will hence be amended to introduce customs controls for these transfers in the European Union with the same applicable fines and penalties as for natural persons.

OPERATION BINGO

Operation BINGO was conducted at Charles de Gaulle Airport in November and December 2014. It uncovered 90 means of payment for a total value of €9,244,827 made up of:

6 blank cheques with no order and one entire chequebook (of 50 cheques);

1 cheque for US\$44,900;

83 kg of gold and 42.58 kg of gold shipped from Togo to Lebanon;

13 gold ingots weighing 1 kg and 8 ingots weighing 500 g;

78 prepaid cards for sums that were impossible to determine;

2 fund transfer orders for €20,000;

40 counterfeit banknotes of €50 in a postal dispatch from the Netherlands. The counterfeit banknotes were handed over to the Central Counterfeit Currency Crime Office (OCRFM) and apparently come from individuals involved in drug trafficking;

651 money orders for a total of US\$631,470 discovered in an express freight shipment from Togo to the Philippines.

The purpose of the operation was to improve our knowledge of these flows and evaluate the circulation of means of payment via freight to support France's moves to extend the reach of the Community obligation to declare.

ON THE INTERNATIONAL SCENE:

France has asked for this obligation to declare to be extended to EU borders, which calls for the amendment of a European regulation (Regulation (EC) No. 1889/2005 of 26 October 2005 of the European Parliament and of the Council on controls of cash entering or leaving the Community).

MEASURE No. 4:

Roll back anonymity in the use of prepaid cards

The French Monetary and Financial Code allows for the use of prepaid cards without an ID check for non-reloadable cards of less than €250 and reloadable cards for maximum cumulative transactions of €2,500 in one calendar year. Cash can still be anonymously refunded with a prepaid card for a single or cumulative annual sum of over €1,000.

The 4th European Anti-Money Laundering Directive reduces these limits on producing ID to €250 for the purchase of both non-reloadable and reloadable cards (maximum monthly transaction total) and €100 for cash refunds. France will very shortly enforce these new limits to curb the anonymous use of these cards.

MEASURE No. 5:

Assign a key role to the National Centralised Bank Accounts

Register (FICOBA) and include Nickel-type accounts

Payment accounts offer natural persons a way to deposit and withdraw cash, send and receive transfers, and even set up direct debits. The Nickel accounts distributed by tobacconists are one example of this. The National Centralised Bank Accounts Register (FICOBA) does not yet cover these accounts and therefore cannot monitor them.

Payment accounts will hence be included in the FICOBA starting on 1 January 2016.

ON THE INTERNATIONAL SCENE:

France will call for a requirement to be introduced for all European countries to set up a FICOBA (including payment accounts).

FOCUS ON THE FICOPA

What is the FICOPA?

The National Centralised Bank Accounts Register (FICOPA) was set up in 1971 to cover all kinds of accounts (bank, post office, savings, etc.) and provide authorised persons with information on accounts held by individuals and firms.

Who is in charge of the register?

The Public Finances Directorate General (DGFIP).

The FICOPA holds information on over **80 million natural persons**, i.e. everyone, French or otherwise, with a bank account or equivalent in France. The register processes **100 million declarations of accounts** every year.

FOCUS ON VIRTUAL CURRENCIES

Virtual currencies, such as Bitcoin, differ from electronic money, which is a digital equivalent of cash and does not take the form of an official currency. However, they are booming as transaction tools and stores of value.

France is encouraging its European partners to develop Community legislation to improve the regulation of virtual currency platforms and require ID to be produced for conversions into official currencies.

ON THE INTERNATIONAL SCENE:

Develop European regulations to cover, in particular, exchanges in electronic money and virtual currency, the traceability of the most sensitive international flows to risk areas, identification of bank accounts by each Member State, and the monitoring of physical capital transfers.

SURVEILLANCE

Step up stakeholder due diligence to fully benefit from this transparency

“ Full, ongoing cooperation with all financial institutions and designated non-financial firms and professions is vital to detect and counter financial flows bound for terrorism everywhere. ”

Michel Sapin speaking to FATF (Financial Action Task Force) representatives on 24 February 2015.

MEASURE No. 6:

Require ID to be produced for all manual currency exchange transactions over €1,000

It is currently possible to change up to €8,000 without having to produce ID. In practice, however, foreign exchange staff tend to check ID for sums over €5,000, although this is not systematic. This requirement is also out of line with the procedure applying to currency exchange transactions on the Internet, which provides for proof of ID right from the first euro.

A decree issued after consultation with the Conseil d'Etat will enter into force on 1 January 2016 stipulating a limit of €1,000 above which ID must be produced.

MEASURE No. 7:

Make enhanced due diligence systematic

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As the law currently stands, the French Monetary and Financial Code provides for enhanced due diligence (whereby businesses check the origins of funds, the grounds for the transaction and the recipient's identity) for transactions of "unusually high" sums.

We need to consult with business representatives to specify what this notion of an unusually high sum actually means for each category of transaction to make this enhanced due diligence more effective and systematic.

FOCUS ON THE ACPR

The ACPR (French prudential supervisory body) is an independent French unincorporated administrative authority. It oversees the activities of banks and insurance firms. The ACPR cooperates with the AMF (French financial markets supervisory body) and TRACFIN.

ACTION

Bolster capacities to freeze terrorist assets

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We need to adjust our measures to smooth the implementation of targeted financial sanctions and make them more operationally effective.

In particular, we need to allow for and facilitate the freezing of assets at the request of non-EU countries so that these freezing measures can, if necessary, be extended beyond our national borders.”

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Michel Sapin speaking to FATF (Financial Action Task Force) representatives on 24 February 2015.

MEASURE No. 8:

Freeze immovable and movable assets

The finance and interior ministers can currently jointly order the freezing of different types of assets belonging to natural persons and legal entities committing or attempting to commit acts of terrorism for a renewable period of six months. In practice, these measures apply to bank accounts. Yet the European anti-terrorist regulations infer that all categories of assets can theoretically be frozen.

These freezing measures will therefore be extended to cover immovable and movable (vehicles) assets.

FOCUS ON FREEZING ASSETS

An order to freeze assets is designed to deprive the person concerned of funding means and techniques. The Financial Action Task Force (FATF) has established financial standards to protect the banking system from being used to finance terrorism. The freezing measure immobilises the person's assets and prevents the person from using the banking system.

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ON THE INTERNATIONAL SCENE:

We must improve the efficiency of the European terrorist asset detection and freezing system so that effective administrative freezes can be placed on these assets at European level.

Countering terrorist financing on a global scale

In February 2015, the G20 finance ministers meeting in Istanbul reiterated the importance of stepping up international action to counter terrorist financing. They asked for the FATF to work even harder on this fight.

On 24 February 2015, Michel Sapin also spoke to representatives of the Financial Action Task Force (FATF) Member States, calling on the FATF to further ramp up its efforts in this area.

The FATF is scheduled to publish a report by October 2015 proposing courses of action to improve the international counter-terrorism tools available.

THE FINANCIAL ACTION TASK FORCE (FATF)

The FATF is an intergovernmental body established by the G7 Paris Arch Summit in 1989 to counter money laundering and terrorist financing.

The FATF works with representatives of its 34 member jurisdictions and 160 other countries working in regional bodies to set standards and promote effective implementation of legal, regulatory and operational measures to counter money laundering, terrorist financing and other related threats to the integrity of the international financial system.

A plan engaging European and international action

“ *If we want to be really effective, we also have to take action at European Union, G20 and FATF level.* ”

Michel Sapin speaking to of the FATF (Financial Action Task Force) representatives on 24 February 2015.

In January 2015, France reaffirmed its priority to counter terrorist financing in a move **supported by its partners** who are set to make **significant progress** in the coming months with:

- **The need to step up the investigative powers of TRACFIN’s counterparts in Europe** so as to form an efficient network covering the entire European Union.
- **The regulation of virtual currencies.**
- **Setting up registers on bank and payment accounts among our partners**, as not all of them yet have a register of this type.
- **Bolstering European freezing capacities**, since it is unacceptable to be able to freeze an account in Nice, but not in Ventimiglia just a few miles away.

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