The key steps in countering the financing of terrorism at domestic, European and international level since 2015

Paris, 21 December 2016
The goal of the action taken by Michel Sapin and his staff is to make progress on issues of common concern at all three domestic, European and international levels to bolster the effectiveness of measures to combat the financing of terrorism:

- Marshal resources to identify and detect suspicious financial flows (powers of Financial Intelligence Units (FIUs), registers of accounts and beneficiaries, use of banking or non-banking financial information, etc.)
- Share information within the intelligence community and step up European and international cooperation
- Roll back anonymity for all means of payment (control of e-money and virtual currencies, less widespread use of cash payments, etc.)
- Raise awareness in the private sector (finance industry, accountants and lawyers, art dealers, etc.)
- Make combating the financing of terrorism more effective by freezing assets

Domestic initiatives
European and international initiatives
Entry into force of flagship measures
Legislative and regulatory amendments
2015

JANUARY

In the wake of the terrorist attacks in the offices of the *Charlie Hebdo* weekly newspaper and at the Hyper Cacher supermarket in Eastern Paris, the Prime Minister announces an increase in the financial and human resources available to the Directorate General of Customs and Excise and for Tracfin, the French FIU. A total of €5 million is earmarked to buy equipment to counter terrorism and, in particular, its financing. Customs and Tracfin will recruit an additional 70 and 10 staff respectively (over two years for Tracfin).

27 JANUARY

The meeting of EU Finance Ministers endorses the European Council’s position on the Fourth Anti-Money Laundering and Terrorist Financing Directive (final legislation adopted on 20 May). Michel Sapin calls for further progress on financial intelligence, freezing assets and rolling back anonymity when transferring cash.

30 JANUARY

Following a work session, Michel Sapin and Interior Minister Bernard Cazeneuve announce greater cooperation between their intelligence services on issues concerning terrorism and its financing.

9-10 FEBRUARY

Michel Sapin asks for discussions on combating the financing of terrorism at the meeting of G20 Finance Ministers and Central Bank Governors in Istanbul. The G20 calls on the Financial Action Task Force (FATF), the intergovernmental AML/CFT body, to conduct various work, especially a review of measures in each of the 194 jurisdictions, to ensure that all of them have at least one piece of legislation to sanction terrorist financing and a system for freezing terrorist assets.
24 FEBRUARY
Michel Sapin speaks at the FATF Plenary meeting in Paris to give impetus to this body’s work on new CFT measures.

FEBRUARY-MARCH
Michel Sapin advocates a new series of measures to combat the financing of terrorism to France’s European partners as part of the groundwork for the European Agenda on Security:

- Bolster FIUs, such as Tracfin in France
- Introduce a European system for using SWIFT bank data
- Equip each Member State with centralised bank and payment account registers
- Make asset freezing arrangements more effective at European level
- More closely regulate the use of e-money and virtual currencies
- Step up the fight against the trafficking of works of art

Michel Sapin and his German counterpart, Wolfgang Schäuble, write to the European Commission to request appropriate initiatives.

18 MARCH
Michel Sapin unveils a national action plan covering several areas:

- Roll back anonymity and enhance the traceability of financial transactions in the economy, rally financial stakeholders to the fight against terrorism to improve detection of suspicious transactions
- Bolster capacities to freeze assets held by terrorism funders and players

APRIL
The European Commission presents its new European Union Internal Security Strategy 2015-2020 which, although containing a number of Franco-German proposals, fails to live up to expectations.
20 MAY


7-8 JUNE

The G7 Leaders agree to strengthen coordinated action to freeze terrorists' assets, to ensure greater transparency of financial flows (regulation of virtual currencies and other new payment methods) and to support the effective implementation of FATF standards.

1 SEPTEMBER

The initial measures set out in the action plan to counter terrorist financing, that was unveiled by Michel Sapin on 18 March, enter into force. These include lowering the limit on cash payments from €3,000 to €1,000 for individuals and legal entities residing in France (Decree no. 2015-741 of 24 June 2015).

13 NOVEMBER

Michel Sapin writes to antiques dealers’ associations to request due diligence against the risk of ISIL being funded by the illicit trade of cultural goods and antiquities.

15-16 NOVEMBER

At the G20 meeting in Antalya, the FATF presents a review of its work on sources of financing ISIL, emerging terrorist financing risks and the extension of the law to include financing a trip abroad as a terrorist financing crime. The G20 calls on the FATF to assess the steps taken by countries in which weaknesses have been identified, to supervise compliance with its recommendations and to identify the new measures required to step up the fight against terrorist financing.
**THE KEY STEPS IN COUNTERING THE FINANCING OF TERRORISM**

16 NOVEMBER

Before both Houses of Parliament in Versailles, **President Hollande announces a “Security Pact”** providing extra human and financial resources to law enforcement for the period 2016-2017. **8,500 additional positions** will be created over two years in the police force, the gendarmerie, customs and the judiciary. Operating resources will also be bolstered. The decision is reflected in the 2016 Budget Act with **€750 million in additional appropriations** being earmarked for the relevant ministries.

19 NOVEMBER

Michel Sapin and François Villeroy de Galhau, Governor of the **Banque de France**, issue a reminder to financial institutions of their obligation to perform due diligence and report any suspicious financial transactions (**new joint Prudential Supervisory and Resolution Authority (ACPR)/Tracfin guidelines**).

23 NOVEMBER

Michel Sapin announces the imminent adoption of **fresh measures to counter terrorist financing**:

- Extend measures to freeze assets to include assets controlled by persons suspected of terrorist activity
- Regulate the use of prepaid cards to enhance traceability
- Direct access for Tracfin to the processing of criminal records (TAJ) and the Wanted Persons File (FPR); Tracfin's right to information vis-à-vis the Carte Bancaires (CB) Economic Interest Group (EIG) and other managers of payment or withdrawal card systems; option for Tracfin to inform reporting entities of higher risk situations so that they step up due diligence.

2 DECEMBER

Michel Sapin visits Berlin for a work session with Wolfgang Schäuble. **Germany fully backs all the French proposals** and states that it is looking to strengthen its own financial intelligence system and drive the building of a European mechanism for using bank payment data.
8 DECEMBER

Meeting of the Economic and Financial Affairs Council (Ecofin) in Brussels. At Michel Sapin’s instigation, the Luxembourg Presidency organises an exchange of views on preventing terrorist financing based on French proposals:

- Bolster and standardise the powers of national FIUs
- Make the European asset freezing system more effective
- Widespread rollout of national centralised bank and payment account registers
- Strengthened control of non-banking payment methods, inter alia, e-money (prepaid cards) and virtual currencies to roll back anonymity
- Build a European mechanism for using SWIFT interbank payment data which is currently only being leveraged by the United States
- Introduce a control system for imports of works of art and cultural goods to fight trafficking

The Commission is tasked by the Council with preparing an Action Plan to address all these proposals by early 2016.

11-13 DECEMBER

The FATF holds a Special Meeting on terrorist financing to prepare the response to the requests formulated at the G20 meeting in Antalya.

17 DECEMBER

Michel Sapin travels to New York to take part in the first ever UN Security Council Meeting of Finance Ministers which adopts a UN resolution expanding and strengthening its Al-Qaeda sanctions framework, in force since 2001, to include a focus on ISIL. He meets Secretary of the Treasury Jacob Lew with an eye to enhancing bilateral cooperation between financial intelligence teams.
THE KEY STEPS IN COUNTERING THE FINANCING OF TERRORISM

2016

1 JANUARY

A battery of domestic measures take effect:

- Banks must now systematically report to Tracfin any cash deposit or withdrawal of more than an aggregate amount of €10,000 over a one-month period (Decree no. 2015-324 of 23 March 2015 setting the criteria for cash payment and withdrawal transactions subject to the disclosure obligation provided for in Article L. 561-15-1(II) of the Monetary and Financial Code)

- The threshold for foreign exchange transactions requiring presentation of an identity document is lowered from €8,000 to €1,000 (Decree no. 2015-1338 of 22 October 2015 amending the threshold for occasional customers of money exchangers being required to produce proof of identity)
12 JANUARY

The National Enforcement Committee (CNS) presents Michel Sapin with its previous year’s AML/CFT work. It underscores the need for professionals to report suspicious behaviour. These professions cover the banking and finance sector, a number of self-employed professions and the relevant professional bodies. Others are associated with AML/CFT measures. In this respect, estate agents, persons carrying on a virtual business address activity and gambling and betting operators (particularly casinos and gaming circles), including those operating online, come under the remit of the CNS, to which the monitoring reports on these professionals produced by the supervisory authorities are referred.

12 FEBRUARY

Ecofin Council meeting in Brussels. The Action Plan for strengthening the fight against terrorist financing, instigated at France’s initiative and unveiled by the Commission on 2 February 2016, is endorsed by the Finance Ministers. Michel Sapin and Wolfgang Schäuble ask the Commission to rapidly submit proposed legislation to implement the Action Plan. Michel Sapin also states his support for the withdrawal of large-denomination bank notes (on 4 May, the ECB announces that it will discontinue production and issuance of €500 bank notes by the end of 2018).

22 APRIL

Informal Ecofin Council meeting in Amsterdam. Michel Sapin supports taking forward the work on the amendment to the Fourth Anti-Money Laundering Directive by the end of June and asks that, without delaying the schedule, the Directive’s provisions on combating the financing of terrorism be supplemented by provisions on the transparency of financial flows and information on their beneficial ownership. In the wake of the Panama Papers revelations, it seems that the opaque financial channels used are the same for tax evasion, money laundering and terrorist financing. At the behest of France, Germany, the UK, Italy and Spain, the G20 Finance Ministers resolve to launch a pilot project for automatic exchanges of information on ultimate beneficial owners (refer to Michel Sapin’s thirteen proposals in this respect).
3 JUNE

Adoption of Act 2016-731 strengthening the fight against organised crime and terrorism and their financing, and improving both the effectiveness and the guarantees of criminal proceedings. The Act includes key measures to combat terrorist financing, such as the creation of the specific offence of aiding and abetting illicit trade in cultural goods from areas harbouring terrorist organisations (Article 27), a cap on amounts that can be loaded on prepaid cards (Article 31), providing Tracfin with a right to information from payment service entities that manage debit/credit cards and prepaid cards (Article 33), direct access by all of Tracfin's departments to criminal records (Article 34) and giving Tracfin the possibility to alert reporting entities to higher risk situations so that they can step up due diligence measures (Article 32).

14 JUNE

Adoption of joint guidelines by the Directorate General of the Treasury and the Prudential Supervisory and Resolution Authority (ACPR) concerning the freezing of assets decided by the United Nations, the European Union and the French government, to assist financial organisations (banks, insurance organisations, money transmitters, money exchangers and crowdfunding intermediaries) in efficiently putting freeze measures in place.

5 JULY

Adoption by the European Commission of an update of the Fourth Anti-Money Laundering Directive, which includes most of France's proposals. The start of legislative efforts by the French cabinet and the European Parliament.

25 JULY

The G20 Finance Ministers and Central Bank Governors Meeting in Chengdu focuses on the terrorist threat and supports France's proposal to bolster the role of the FATF in this area.
3 AUGUST

Agreement on the Council’s decision to introduce an autonomous EU sanctions regime with respect to groups and individuals supporting groups affiliated with or linked to ISIL and Al-Qaida: following on from a UK-French initiative, this will allow the EU to take its own measures to counter the financing of these groups without waiting for decisions from the UN.

10 OCTOBER

At meetings of the IMF and World Bank on 8–10 October 2016, Michel Sapin puts the spotlight on the fight against opaque financial flows, tax evasion and terrorist financing. He raises a new issue, that of “free trade zones” (FTZs), where goods in transit are exempt from customs duties and taxes. The lack of transparency of FTZs encourages smuggling, particularly of works of art and antiquities.

13 NOVEMBER

Publication of Decree 2016-1523 concerning terrorist financing, which gives Tracfin access to the Wanted Persons File.

24 NOVEMBER

Publication in the Official Journal of an order bolstering measures for freezing assets, based on Article 118 of the Act of 3 June 2016 strengthening the fight against organised crime and terrorism and their financing.

(see "And in 2017…” below)

2 DECEMBER

6 DECEMBER

In a record short period of time, Ecofin adopts the European Council’s position on the update to the Fourth Anti-Money Laundering Directive, pending the European Parliament’s position.
And in 2017...

BY JULY 2017

**Ratification of the Order strengthening domestic asset-freezing measures:**

- A wider scope of assets that can be frozen, particularly immovable and movable assets
- A ban on reporting entities giving access to funds and economic resources to individuals that are subjects of an asset freeze
- Expanding the categories of reporting entities that must comply with this ban, to enable the freezing of certain benefits paid by public organisations

**Ratification of the order enacting the Fourth Anti-Money Laundering Directive into French law, which calls for:**

- Widening the scope of entities subject to AML/CFT reporting requirements by including intermediaries in banking and payment services transactions and all crowdfunding platforms
- Enhanced due diligence obligations for reporting entities, which in particular will be required to identify beneficial owners
- An obligation for reporting entities to assess the AML/CFT risks based on the type of products or services on offer
- Consolidation of oversight and sanction rules applicable to reporting entities who fail to comply with their obligations
• **Inclusion of information concerning company beneficial owners in the French Trade and Company Register**, and the introduction of a beneficial ownership register for trusts, kept by the Public Finances Administration.

• **Extension of the prerogatives of Tracfin**, particularly by broadening its right to information to include the *Caisses Autonomes de Règlement Pécuniaire des Avocats* (funds that handle clients' money on behalf of their lawyers) and vehicle rental firms.
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