

PRESS KIT

COUNTERING TERRORIST FINANCING

November 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”

Michel Sapin speaking to FATF (Financial Action Task Force) representatives in February 2015

Countering terrorist financing in 2015: key steps

- **January:** in the wake of terrorist attacks, the Prime Minister announces an increase in the financial and human resources available to the Directorate General of Customs and Excise and the French Financial Intelligence Unit (TRACFIN). A total of €5 million is earmarked 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.

- **27 January:** meeting of EU Finance Ministers ratifies the European Council's position on the 4th anti-money laundering and terrorism financing directive (published 5 June 2015); on France's behalf, Michel Sapin requests additional measures to improve financial intelligence, extend measures to freeze terrorists' assets and roll back anonymity when transferring cash.

- **30 January:** after a joint working meeting, Michel Sapin and Bernard Cazeneuve announce greater cooperation between their intelligence services on subjects relating to terrorism and terrorism financing.

- **9-10 February:** Michel Sapin requests talks to counter terrorist financing be held at the G20 Finance meeting in Istanbul. The G20 asks the Financial Action Task Force (FATF) to carry out work over the autumn, in particular an assessment in 194 jurisdictions: the goal is for each country at the very least to implement legislation to combat terrorist financing and introduce measures to freeze terrorists' assets.

- **24 February:** Michel Sapin speaks at the FATF plenary session in Paris to support the organisation's work in introducing new measures to counter terrorist financing, which FATF reiterated as a top priority.

- **February-March:** Michel Sapin and his representatives outline to France's European partners a new series of measures designed to step up the fight against terrorist financing as part of preparations for the Renewed European Union Internal Security Strategy 2015-2020. They include improving cooperation between financial intelligence units, and strengthening and harmonising their powers; the creation of a European system to use Swift's international bank transfer database; the creation by each Member State of a national centralised bank account register, the introduction of an effective system for freezing terrorists' assets at European level; closer monitoring of financial flows; tighter regulation of electronic money and virtual currencies; greater efforts to combat the illicit trafficking of works of art.

- **18 March:** Michel Sapin unveils a national action plan covering several areas:

- Roll back anonymity in the economy to improve the tracking of suspicious transactions
 - Step up financial stakeholders' due diligence in countering terrorism
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- Bolster capacities to freeze assets held by terrorism funders and players

- **31 March:** Michel Sapin and his German counterpart, Wolfgang Schauble, write to the European Commission requesting further action at European level (regarding financial intelligence units, an effective European system for freezing terrorists' assets, the creation of national centralised bank account registers, closer monitoring of anonymous payment instruments, particularly electronic money, licences for exporting cultural goods and a supervisory framework for cash purchases of works of art).

- **April:** presentation by the Commission of the new European Agenda on Security 2015-2020; on the basis of this Agenda, on 16 June, the Council asks for a roadmap to be prepared regarding work to be carried out in future.

- **7-8 June:** Heads of State and Government meet at the G7. They agree to strengthen coordinated action to freeze terrorists' assets in order to facilitate cross-border freezing requests among G7 countries, to take further action to ensure greater transparency of all financial flows, including through an appropriate regulation of virtual currencies and other payment methods, and to support the effective implementation of FATF standards.

- **1 September:** initial measures to counter terrorist financing announced by Michel Sapin on 18 March enter into force.

- **15-16 November:** at the G20 meeting in Antalya, FATF publishes a report on the main schemes and sources of terrorist financing (including identification of Islamic State's financing schemes; identification of emerging risks in terrorist financing; extension of the law to include financing a trip abroad as a crime to finance terrorism) and an initial assessment of national legislations' compliance with its recommendations on how to counter terrorist financing. The G20 calls on FATF to report back to the G20 Finance Ministers meeting in February 2016 on the steps being taken by countries to address the weaknesses identified; it also asks FATF to put forward proposals to strengthen all counter-terrorism financing tools and to supervise compliance with its recommendations (through a monitoring system).

- **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 (publication of new joint guidelines published for the Prudential Supervisory and Resolution Authority (ACPR) and TRACFIN on their obligation to perform due diligence and report any suspicious financial transactions).

FOCUS ON STRONGER COOPERATION BETWEEN OPERATIONAL DEPARTMENTS

In monitoring the financial sector and the movement of goods and people, the Ministry for Finance and Public Accounts has a key role to play in gathering intelligence.

The biggest priority identified following the attacks in January was to strengthen existing ties between departments in the various ministries. Michel Sapin and Bernard Cazeneuve made a commitment to this end at a meeting held in January 2015.

Since then, cooperation between operational departments has been significantly strengthened through the recruitment of liaison officers. Since January 2015, the DNRED (National Directorate for Customs Intelligence and Investigations) has assigned liaison officers to work closely with the DGSJ (Directorate General for Internal Security), TRACFIN and CPCO (operations planning and management centre).

A TRACFIN liaison officer has also been assigned to work with the DGSJ.

The measures taken are already paying off. During the most recent attacks on 13 November, intelligence was passed on to the DGSJ about those involved, their movements and their financial links.

In the autumn of 2015, the DNRED also created a network of “terrorism” correspondents within regional departments. Their task is to work closely with regional special forces (the DDSI (Département Directorate for Internal Security)) or even the DGSE (General Directorate for External Security)) and act as the go-between for all regional customs forces (units and offices).

Increase in human resources: the DNRED and TRACFIN have boosted their teams dedicated to countering terrorism since January; the teams will be strengthened even further as part of the new Security Programme.

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For the Ministry for Finance and Public Accounts, countering terrorism means countering terrorist financing first and foremost. But it also means gathering and sharing information on financial ties, or information gathered through customs surveillance that can be used to identify terrorists, their movements and their networks.”

Michel Sapin, 23 November 2015

Progress report on the action plan unveiled in March 2015 and new measures

MEASURE NO. 1

Lower the limit on cash payments from €3,000 to €1,000

Came into force on 1 September 2015

Too much cash in circulation and anonymous means of payment in general make it harder to carry out checks and encourage trafficking. We must therefore roll back anonymity in the economy to improve the monitoring of suspicious transactions.

To this end, we must limit the cash payment options available.

The Monetary and Financial Code has therefore been changed, **lowering the limit on cash payments from €3,000 to €1,000 for individuals and companies resident in France.**

- This limit applies to both business-to-business and business-to-consumer transactions.
- This limit also forces businesses making payments above the threshold to use payment methods that are easy to trace (e.g. cheque, transfer, or credit card).

What more can be done?

For individuals or legal entities not resident in France, retailers must check the identity of the buyer for transactions equal to or greater than €10,000. The Monetary and Financial Code will be changed to reflect this.

MEASURE NO. 2

Systematically report cash withdrawals or deposits of over €10,000 (in a single month, in one or several instalments) to TRACFIN

Comes into force on 1 January 2016

(Decree of 23 March 2015)

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.

The threshold above which the account holder's bank must automatically report a transaction to TRACFIN is now set at €10,000 per month. It applies to all deposits or withdrawals equal to or above this amount made in one or several instalments. This measure comes into effect on 1 January 2016.

MEASURE NO. 3

Assign a key role to FICOBA and include Nickel-type accounts

Comes into force on 1 January 2016; FICOBA is overseen by the Public Finances Directorate General (DGFIP)

Payment accounts offer private individuals 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 Account Register (FICOBA) does not yet cover these accounts and therefore cannot monitor them.

This type of account will be included in the FICOBA starting on 1 January 2016.

FOCUS ON THE FICOBA

What is the FICOBA?

The National Centralised Bank Account Register (FICOBA) 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 FICOBA holds information on over **80 million private individuals**, i.e. everyone, French or otherwise, with a bank account or equivalent in France. The register processes **100 million account declarations** every year.

The 2016 Budget Bill contains an article stipulating that judicial police officers and members of the national *gendarmerie* may have direct access to FICOBA.

MEASURE NO. 4

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

Comes into force on 1 January 2016

(Decree of 22 October 2015)

It is currently possible to change up to €8,000 without having to produce ID. In practice, however, foreign exchange staff check ID for sums over €5,000, although this is not systematic.

As of 1 January 2016, all foreign exchange transactions over €1,000 will require ID to be produced.

MEASURE NO. 5

Step up border controls of physical transfers of capital

Comes into force first quarter of 2016

(Decree to be submitted to the Conseil d'Etat at the beginning of December)

All private individuals carrying €10,000 or more in cash between France and another EU Member State or vice versa must declare the sum being transferred to Customs. This requirement also applies to private individuals bringing the same sum into an EU Member State, such as France, from outside the EU, or vice versa.

France has extended the requirement for declaring transfers between Member States. It now applies not only to cash but to gold, money, shares or securities and various payment methods (cheques, promissory notes, money orders, etc.). It also applies to transfers by post.

This requirement does not yet apply to transfers by freight. **The Monetary and Financial Code will be amended in the first quarter of 2016 to extend this requirement to cover transfers of capital by freight (normal and express transfers) to/from France and an EU Member State.**

For capital transfers entering or leaving the European Union: the declaration requirement does not apply to capital transfers by freight or post, or to valuable items such as gold, precious stones, plaques, casino vouchers or chips, or prepaid cards. **France would like the declaration requirement to apply to these items of value and transfer methods between EU Member States and non-EU countries.**

France would also like to see the same changes implemented within the European Union.

MEASURE NO. 6

Roll back anonymity in the use of prepaid cards

Comes into force in 2016

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.

There is an urgent need to bolster the regulatory framework for acquiring and using prepaid cards at European as well as at national level (i.e. in terms of requirements to request ID, how cards are charged and establishing charging limits).

These measures will be included in a decree to be submitted in the near future to the *Conseil d'Etat*. Those of a legislative nature will be included in a bill on economic transparency.

MEASURE NO. 7

Increasing due diligence

Already in force

(Publication of updated guidelines and reminder of due diligence requirements, November 2015)

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

The Minister for Finance and Public Accounts and the Governor of the *Banque de France* recently issued a reminder to stakeholders in the finance sector of their due diligence requirements. New joint guidelines drawn up by ACPR and TRACFIN covering the obligation of financial organisations to perform due diligence and report any suspicious financial transactions were published several days ago. These new guidelines apply to financial organisations (e.g. banks, mutual insurance companies, bureaux de change, crowdfunding platforms, sellers of antiques or works of art) under the ACPR's supervision. They cover the due diligence requirements in relation to clients and the requirement to report any suspicious transactions to TRACFIN.

Raise awareness across the board

- As non-profit organisations may often be potential channels (often involuntary) for terrorist financing, **a guide was published this year** to raise to their awareness and inform them of the **risks of terrorist financing**.

- As a portion of terrorist financing comes from the **illicit trade in works of art**, Michel Sapin sent a letter in November to **antiques unions** to remind them of the bans currently in force and their due diligence obligations.

MEASURE NO. 8

Extend measures to freeze terrorists' assets to cover immovable and movable assets

Comes into force once the bill on economic transparency becomes law

At present, the finance and interior ministers can for a renewable period of six months jointly order the freezing of different types of assets belonging to individuals and legal entities committing or attempting to commit acts of terrorism. 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. They will be included in the bill on economic transparency.

Lastly, a freeze on payments of certain benefits by public bodies could also be passed.

FOCUS ON FREEZING ASSETS

An order to freeze assets is designed to deprive the person concerned of funding means and techniques. The freezing measure immobilises the person's assets and prevents the person from using the banking system.

MEASURE NO. 9

Combat illicit trade in cultural goods

- **A “right of asylum” for works of art under threat, particularly from Syria and Iraq**

This provision is outlined in the Creative Freedom Bill tabled by the Government currently being examined by Parliament. To ensure that the works of art being transported do not fall into terrorists’ hands, cultural goods under threat can be given a safe haven in French museums.

- **Introduction of Customs checks on imports of cultural goods**

In application of the Security Council’s resolutions, the Creative Freedom Bill provides for a ban on the transport, transit, and trade of movable cultural heritage goods illegally removed from certain countries.

- **The joint letter sent by Michel Sapin and Wolfgang Schauble to the European Commission on 31 March called for an official supervisory framework for:**
 - sales of cultural goods via the supply of a certificate of authenticity
 - payments made in cash for works of art

FOCUS ON FUTURE MEASURES TO COUNTER TERRORIST FINANCING

The bill on economic transparency enables the Government to enact the 4th EU anti-money laundering and terrorism financing directive into national law. Consequently, the extended measures to freeze terrorists' assets will be clearly outlined.

The bill will also provide for:

- Wider powers for TRACFIN to receive or send information from/to persons subject to reporting requirements. As a result, the organisation will be able to inform these persons when a particular situation requires greater due diligence.
- New provisions to strengthen the regulatory framework for prepaid cards to limit:
 - o the total amount that can be credited to the card.
 - o the amount of cash that can be loaded or reloaded on to the card.
- New provisions to require retailers to check the identity of clients not resident in France for transactions of €10,000 or more.

A decree to be submitted to the *Conseil d'Etat* in the first quarter of 2016 will encompass:

- tougher due diligence thresholds for prepaid cards
- TRACFIN access to the wanted persons database (FPR)
- extended access for TRACFIN to criminal records (TAJ)

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Extend measures to counter terrorist financing at European and international level

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We belong to the same community. It is under threat, so we must defend it together. ”

Michel Sapin, 23 November 2015

A quicker and tougher European reaction

By June 2017, EU Member States must enact into national law the 4th EU anti-money laundering and terrorism financing directive which provides a tougher framework for the use of untraceable electronic money, as well as closer monitoring by financial organisations of financial flows, particularly international, by substantially curbing anonymity when performing transactions.

There is already a need to go even further.

France has made specific proposals to roll back anonymity when making transactions, to monitor financial flows more closely, and to boost the means we have at our disposal to deplete these flows.

Roll back anonymity and improve monitoring of financial flows

- Boost the powers and improve coordination between Europe's financial intelligence units to increase their autonomy and effectiveness.
- Set up national centralised bank account and payment registers.
- Bolster our resources to improve our use of SWIFT transaction data (90% of international fund transfers pass through the SWIFT system but we do not make the most of the data available)

Deplete terrorist financing

- Improve monitoring of fund transfers, regardless of their nature
- Scale up efforts to combat illicit trafficking of works of art
- Introduce further checks on prepaid cards usage

- Extend measures to freeze terrorists' assets

Enhance our effectiveness outside EU borders

During the G20 meeting in Antalya on 14 November, Michel Sapin reiterated France's determination to combat all forms of terrorist financing on the international stage.

In the wake of January's terrorist attacks, Michel Sapin called on the FATF to assess the measures implemented by 194 countries to counter terrorist financing. At the same G20 meeting in Antalya, the FATF published a report indicating that not all of the countries surveyed were up to the required standard. Between now and the G20 Finance meeting in February 2016, the FATF will carry out further work to identify which countries are falling short. It will also propose an effective monitoring system to put pressure on these countries until they change their legislation and apply it accordingly.

FOCUS ON 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.

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