

Nations to Review Data-Protection Laws in Effort to Halt Terror Funds

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An intergovernmental watchdog will soon review how nations are contending with legal obstacles to sharing financial intelligence on terrorism as part of a broader effort to clamp down on militant funding.

In a statement, Financial Action Task Force (FATF) President Je-Yoon Shin advised an unprecedented gathering of finance ministers and other senior officials from the 15 members of the U.N. Security Council to soften legal and regulatory barriers preventing governments and multinational financial institutions from sharing information on suspicious clients and transactions across national borders.

“We know, for example, that different data-protection laws mean that one of our largest sources of intelligence—the banks—are often prevented from sharing information across borders within their own organizations, let alone with each other or with the authorities,” Shin said.

FATF in the next six weeks will collect information from member-states on their particular vulnerabilities to terrorist financing and what they are doing to remove obstacles to sharing financial intelligence in a timely manner, according to Shin.

“We will also identify and share red flags—indicators of terrorist financing—to help the private sector detect and report suspicious activity,” he said.

Shin’s remarks preceded the Security Council’s adoption of a resolution calling on nations to bolster interagency data-sharing in counterterrorist financing investigations, expedite the implementation of U.N.-mandated asset freezes and engage more frequently with the private sector to identify money linked to terrorist organizations.

Through the resolution, the Council for the first time distinguishes Islamic State from al-Qaida, permitting U.N. officials to impose targeted sanctions against the Iraq- and Syria-based group. Over the past fifteen years, the United Nations has imposed sanctions against terrorists and related entities only when the international body could link the designees to al-Qaida.

Thursday’s measure also requires U.N. members to criminalize transactions tied to all acts of terrorism, whether conducted individually or by a group. Attendees of the summit, chaired by U.S. Treasury Secretary Jacob Lew, requested that countries report on their progress in implementing the strategy, which follows earlier U.N. measures targeting Islamic State’s recruitment efforts and exploitation of looted antiquities.

The efficacy of the intergovernmental group’s plan will depend in part on how frequently the Security Council makes Islamic State-related designations and how quickly countries move to act upon them, France’s Minister of Finance Michel Sapin said after the vote.

"It will have no impact unless it leads to new listings," Saipan said in a statement. "This list must grow," he said, adding that terrorist organizations like Islamic State continue to find new methods to finance their activities in small increments.

Payments in cash and gold must be more effectively monitored alongside anonymous funds transfers made via modern financial products, including virtual currencies and prepaid cards, according to Sapin.

"I speak from recent and very painful experience. The attacks on Nov. 13 in Paris were largely financed through prepaid cards, which enabled anonymous transfers between Belgium and France. We have to do away with their anonymity," he said.