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From : Counter-Terrorism Coordinator  
To : COREPER/Council  
Subject : Revised Strategy on Terrorist Financing

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**Introduction**

The current Strategy on Terrorist Financing, which has been drawn up by the Council on the basis of proposals made jointly by the Secretary-General/High Representative and the Commission, was adopted by the European Council on 16/17 December 2004<sup>1</sup> and covers all three pillars of the EU. In the EU Counter-Terrorism Coordinator's latest implementation report<sup>2</sup>, it is stated that almost all the actions mentioned in the current Strategy have been carried out. Those actions not yet implemented or in the middle of implementation, are listed in the last chapter of that report.

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<sup>1</sup> 16089/04.

<sup>2</sup> 11948/2/07.

Following the attacks of 11 September 2001, considerable efforts have been invested to strengthen counter terrorist financing capacities in the EU, different legal instruments were adopted and actions launched at EU level. This trend has slowed down in the last two years when less momentum can be witnessed in the development of new ideas in the counter terrorist financing area.

However, efforts have to be maintained to prevent terrorist financing and control the use by suspected terrorists of their own financial resources. By now, EU legislation is in place, but increasingly there is a need to undertake broader non-legislative actions, such as transparency measures, to ensure that Member States have the tools to prevent and fight terrorist financing. Together with the Member States, work needs to be continued and enhanced to improve ways of freezing and confiscating terrorist assets and proceeds from crime, as well as to establish common minimum training standards for financial investigators, and promoting efficient cooperation among Financial Intelligence Units (FIU) at EU-level and with third countries.

As controls tighten in Europe, those preparing terrorist acts or involved in terrorist groups will seek to use (new) channels where regulation or scrutiny is weakest. Terrorist finance threats change constantly, and vary greatly across customers, jurisdictions, products, delivery channels, as well as over time. This means that the response to financing of terrorism needs to be as supple as the terrorists themselves. The EU therefore needs to give increased attention to the international dimension of the fight against terrorist financing.

Money laundering and terrorist financing pursue different criminal purposes and the measures which have been successfully applied in the identification and prevention of money laundering might be less effective in the prevention of terrorist financing unless supplemented with additional information. The importance of feedback and input on terrorist financing issues from intelligence and security services should be recognised. Financial Intelligence Units (FIUs), law enforcement authorities, intelligence and security services and organisations such as Europol and Eurojust can play an important role in this respect.

The EU Counter-Terrorism Coordinator in close cooperation with the Presidency and the Commission invites the Council to adopt such a revised Strategy that takes into account the work undertaken by the Financial Action Task Force (FATF).

## **Overview of relevant EU legislation for the purpose of money laundering and terrorist financing**

During the implementing period of the current Strategy various legal instruments have been adopted to transpose the Financial Action Task Force (FATF) revised 40 Recommendations and 9 Special Recommendations on terrorist financing into EU legislation. The FATF is constantly seeking to improve its Recommendations and working towards a common understanding of how these should be implemented. Implementation by all FATF members and members of FATF-style regional bodies is assessed on a regular basis. From this point of view a common approach to implementation by Member States is important and good progress in developing an EU approach has been made. The most important ones are:

1. Directive 2005/60/EC on the prevention of the use of the financial system (3<sup>rd</sup> AML/CTF Directive). It covers most of the 40 FATF Recommendations and some of the 9 FATF Special Recommendations (SR)
2. Regulation (EC) No 1781/2006 on information on the payer accompanying transfers of funds. It implements FATF SR VII on wire transfers
3. Regulation (EC) No 1889/2005 on controls of cash entering or leaving the Community – implementing FATF SR IX on cash couriers
4. Directive 2007/64/EC on payment services in the internal market, i.e. “Payment Services Directive”. In combination with the Third Anti-Money Laundering Directive it implements FATF SR VI on alternative remittance.
5. Regulation (EC) 2580/2001 freezing funds of suspected terrorists, which together with Regulation (EC) 881/2002 implementing UN Al Qai'da and Taliban sanctions, implements part of FATF SR III on freezing terrorist assets.

The following legislations while not directly related to terrorist financing are also relevant to the prevention of and the fight against it:

6. 2001 Protocol to the 2000 Convention on Mutual Legal Assistance
7. Framework Decision on confiscation of crime-related proceeds

8. Council Decision on the exchange of information and cooperation concerning terrorist offences of 20 September 2005.
9. Council Decision of 17 October 2000 concerning arrangements for cooperation between FIUs.

The results of the Commission's implementation reports on these legislative instruments should be used for future activities, in particular with a view to enhancing operational cooperation within Member States and between Member States.

## **The way forward**

### **1. Monitoring implementation**

The fight against the financing of terrorism is aimed at preventing attacks and prosecuting those who are planning or carrying them out. By making it more difficult for terrorists to use their means and resources to act on their intentions, the EU protects its citizens as effectively as possible. And financial tools, used proactively, are highly beneficial in the identification of terrorist networks and development of counter-terrorist intelligence. The adoption of the above-mentioned legislation and of the Regulations concerning asset freezing<sup>1</sup> is a first step in this direction. The second step is for the Member States to implement this legislation in a harmonized way, in particular at practitioners' level. Monitoring is an important task and progress made will be part of the EU Counter-Terrorism Coordinator's six monthly reports. Informal and/or formal fora might be established and/or enhanced in order to exchange best practices and difficulties encountered in implementing the various legal EU instruments. If necessary, proposals for fine-tuning the existing legislation need to be considered.

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<sup>1</sup> Council Regulations (EC) No 2580/2001 and 881/2002.

Besides monitoring the implementation of EU instruments, attention needs to be paid to the implementation of other relevant international instruments, such as the 1999 UN Convention for the Suppression of the Financing of Terrorism and the Council of Europe Conventions on the Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on Terrorist Financing and on the Prevention of Terrorism. Experiences and obstacles encountered at the global level could contribute to solving similar problems at the EU level. Those Member States that have not ratified these important international conventions yet, are encouraged to consider ratification as soon as possible.

## **2. Threat assessment**

Furthermore, it is important that the EU analyses and anticipates new trends and methods that may require new legislative instruments or launching common actions. It is of key importance that a threat analysis is compiled at a regular basis by SitCen and EUROPOL on intra-EU and international threats and trends. Knowledge about changing threats and trends needs to be enhanced and EU efforts need to be aligned accordingly. The establishment of priority actions needs to build on a future Europol threat assessment on terrorist financing as well as similar assessments from SitCen.

## **3. New developments**

### **3.1. Alternative remittance systems**

**Alternative remittance systems** constitute an important issue to address in the prevention of and the fight against terrorist financing. Alternative remittance systems are services, traditionally operating outside the conventional financial sector, that allow for the transmission of value or funds from one geographic location to another. FATF Special Recommendation VI and its Interpretative Note explain in detail requirements for implementation. Often these systems have ties to particular geographic regions and are therefore described using a variety of specific terms. Examples of these terms include *hawala*, *hundi* and the *black market peso exchange*.

While these systems serve fully legitimate purposes, they may also offer an opportunity for criminals and terrorist organisations to move funds virtually without there being any traceability. Those systems facilitate migrant workers' transferring money to their relatives in their countries of origin. A balance needs to be found, therefore, between safeguarding legitimate use of the systems and combating their abuse for terrorist financing activities.

With the adoption in November 2007 of the Payment Services Directive an important FATF Special Recommendation (SR VI) - **alternative remittance** - has been fully transposed at the EU level, specifying preventive measures such as licensing and registration, requirements for customer identification, record keeping, suspicious transaction reporting and sanctions.

The Directive is due to be implemented by Member States on 1 November 2009. A uniform implementation by EU Member States of the Directive is of key importance to prevent the abuse of money remittance services by potential terrorist financiers. It is expected that the implementation of these provisions might facilitate the gradual migration of these services from the unofficial economy to the official sector. It might be useful to explore the need and possibility for drawing up practical guidelines for its implementation by the EU Member States.

### **3.2. New payment methods**

New **payment methods** (e.g. prepaid cards, Internet payment systems, mobile payments, schemes based on the exchange of digital precious metals) are emerging globally. FATF assessed *inter alia* their vulnerability for money laundering and terrorist financing. The outcome of this analysis was that, for the time being, the current FATF Recommendations and Special Recommendations provide the appropriate guidance to address the vulnerabilities associated with these new methods of payment.

Moreover, it is estimated that in 2006 over one billion USD was spent in goods and services in **digital virtual communities** (e.g. secondlife.com). As these communities may provide further layers of anonymity and profits can be transferred back to the real world, for example by electronic funds transfers, terrorist financing risks could emerge from the misuse of these websites.

Given the speed in technical developments of new payment methods, it might be useful to re-examine whether the analysis carried out by the FATF in its typology exercise of October 2006 still holds or whether the misuse of new payment methods could increase terrorist financing and money laundering risks. In the latter case, the Commission could consider launching a further assessment among the EU Member States.

### **3.3. Developments in international bodies**

International bodies, in particular the FATF, are currently focussing their attention on **Trade Based Money Laundering (TBML)**.

To date, no new standards or Recommendations have been adopted on this topic, which may occasionally be relevant when discussing terrorist financing. The FATF adopted last June in London a Best Practices Paper on TBML. A main issue in this respect relates to the communication of trade data between customs authorities and financial intelligence units primarily at domestic level but also between Member States in order to detect anomalies possibly connected to money laundering activities.

## **4. Enhancing existing actions**

Disrupting, deterring and dismantling terrorist financing networks is essential to combating terrorism. Recent attacks demonstrate that they can be orchestrated at low cost and without giving rise to suspicion. Yet, direct attack costs are only a fraction of terrorist organisations' demands for funds. Disrupting financial flows to terrorist organisations limits the resources available for propaganda, recruitment, facilitation etc. Terrorists use legitimate and criminal methods to finance their organisational and operational activities. To prevent terrorists from raising, moving and using funds, jurisdictions must adopt certain measures. These include implementing targeted financial sanctions (asset freeze), protecting vulnerable sectors including the charitable sector and money service businesses, and encouraging effective reporting of suspicious transactions.

The need to protect the **non-profit sector** against abuse by ensuring, among other things, appropriate transparency and accountability measures as emphasised by FATF and other international bodies is of utmost importance. Since non-profit organisations frequently have an international profile, it is necessary to find international solutions, notably at EU level, as a complement to domestic measures.

Little progress, beside the "5 principles" adopted by the Council in December 2005<sup>1</sup>, on developing EU-level measures on the abuse of the non profit sector by terrorist financiers has been achieved. Following the Communication issued in November 2005 (COM (2005)620) on this issue, the Commission has launched two studies at EU level to gain a better understanding of threats and possible policy responses: 1) on the types and extent of abuse of NPOs for financial criminal purposes, including terrorist financing and 2) recent self- and public regulatory NPO transparency initiatives. The outcomes of these studies could give a new input to Member States to further explore, with the assistance of the Commission, the scope for a common EU approach to reducing NPO vulnerabilities to criminal infiltration.

#### **4.2. Targeted sanctions**

Another important tool in the fight against terrorist financing are **targeted (financial) sanctions (asset freezing)** in line with UN Security Council Resolutions 1267 (1999), 1373 (2001) and its successors, which have reduced the possibilities for terrorists and terrorist organisations to misuse the financial sector and made it more difficult to raise and move funds. Designation of specific organisations resulting in comprehensive, preventative control of their financial operations in accordance with the applicable Regulation is an option, provided enough information has been gathered to justify it.

The Council has continued work on improving its procedures for the listing and de-listing of persons and entities pursuant to Regulation No 2580/2001 and Common Position 2001/931/CFPS. The need to respect fundamental rights implies, in particular, that proper attention is given to the protection and observance of the due process rights of the persons to be listed. Listing and de-listing procedures have been improved in accordance with the Rulings of the Court of First Instance.

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<sup>1</sup> 14694/05.



## **5. Horizontal important issues**

As stated above, preventing terrorists from gaining access to financial resources is one of the cornerstones of the EU's fight against terrorism. This is re-affirmed in various Council Conclusions and (legal) documents, which emphasise that the EU not only aims to prevent terrorists from gaining access to funding, but also to maximise the use of financial intelligence in all aspects of counter-terrorism.

### **5.1. Exchange of information and cooperation between national authorities**

The European Council has continuously called on Member States to increase cooperation between national competent authorities, Financial Intelligence Units and private financial institutions, to facilitate and improve the exchange of information on terrorist financing. The afore mentioned Commission Communication provided a first assessment identifying best practices in national coordination structures to counter terrorist financing.

An effective exchange of information between competent authorities in the EU is, however, dependent on comprehensive and effective coordination at national level to identify, cross-reference and analyse relevant information and produce high quality criminal intelligence.

Improvement of information exchange mechanisms and feedback (also between the intelligence and law enforcement communities and the financial institutions) at national, EU and international levels for targeted and effective financial investigations remains of utmost importance. Legal obstacles should be eliminated without jeopardising data protection principles.

Exchange of information with and between national FIUs and other competent bodies, including through the FIU.NET, should be a continuous aspect of enhancement and improvement, allowing for the provision of additional feedback to financial institutions on appropriate targets for reporting on suspicious or unusual transactions related to terrorist financing. At the national level appropriate arrangements or even legislation need to be developed to allow for sharing of classified and/or sensitive information. It is also of key importance to provide FIUs and other law enforcement authorities with access to relevant data of financial institutions. Possible obstacles for the sharing of information at the international level need to be removed as well.

The Commission's report (COM(2007)827) on the implementation of the *Council Decision 2000/642/JHA on FIU cooperation* of November 2000 shows that the legal requirements have been mainly implemented by the Member States, but more needs to be done in terms of operational cooperation, which includes ensuring wide exchange of all necessary financial and law enforcement information.

The (informal) FIU Platform, established by the Commission to support the operational implementation of the 3rd AML/CFT Directive, could contribute to improve operational cooperation. Further ways to facilitate the exchange of information, irrespective of the nature of a national FIU, should be explored. EU guidelines to facilitate information exchange at EU level could be an issue to be further discussed. Furthermore, FIU.NET as a technical tool should be used by all 27 EU FIUs to exchange information for the purpose of money laundering and terrorist financing.

Improvement can also be achieved on the implementation of Special Recommendation IX on **cash couriers** through efficient enforcement of the Regulation on controls of cash that is in application in the Member States since 15 June 2007. Member States have to ensure efficient information exchange at the national level among customs authorities, FIUs and law enforcement bodies as well as at the EU level among national customs services and FIUs. In this respect, Member States should make full use of existing channels of information exchange at the EU level.

The role of the financial sector in combating terrorist financing is important and information on suspicious or unusual transactions needs to be exchanged without unnecessary limits between all relevant partners, nationally and internationally. Exchange of information and feed-back are important elements of an effective system to combat this phenomenon. Therefore, cooperation with the private sector needs to be enhanced in relevant fields of terrorist financing, in particular practical implementation of EU instruments (cost-benefit, feed-back).

## 5.2. Financial intelligence and financial investigations

Financial information alone is not sufficient to effectively combat terrorism. However, when combined with **counter-terrorist intelligence**, financial information can enhance the capacity to identify and intercept terrorist activity. Financial information has come to be one of the most powerful investigative and intelligence tools available. Collecting and sharing financial information should become a high priority. EU Member States could therefore be encouraged to make financial investigations a fundamental component of all counter-terrorism investigations. This requires appropriate legislation, expertise and funding to promote financial investigation as a law enforcement technique.

A project has been launched by Member States together with the Commission and Europol to promote this objective through the establishment of common minimum training standards for financial investigators. Financial investigation is vital for ensuring that law enforcement services have the appropriate knowledge, know-how and analytical skills to trace and analyse criminal money and other assets trails. It has the additional benefit of facilitating confiscation of criminal proceeds. Cross-border cooperation by national police forces in the fight against terrorist financing still needs to be further enhanced; a more frequent and earlier use of the services of Europol would be helpful in this regard. More frequent usage of the analytical skills of Europol and Eurojust will also contribute to the efficient implementation of *Council Decision of 20 September 2005 on the exchange of information and cooperation concerning terrorist offences (2005/671/JHA)*.

It is also desirable that the judiciary, in particular the public prosecution service and/or Eurojust, be associated to the further development of minimum training standards in financial investigation. Member States, the Commission and Europol are invited to speed up the development of common minimum training standards and to include on the longer term Eurojust in this process.

The analytical function of FIUs to identify terrorist financing activity can be strengthened by combining financial information with terrorist-related intelligence obtained from law enforcement and intelligence bodies. In addition, FIUs play a key role in disclosing financial information to intelligence organisations. Financial information provided by financial institutions and intelligence provided to financial institutions are critical to the success of global counter-terrorism efforts. FIUs, intelligence and law enforcement organisations should examine systematically which measures are feasible, including prohibiting the execution of suspicious transactions to them, requesting public designation for the purpose of asset freezing, initiating prosecution and other law enforcement action, or exchanging information with a relevant third country.

Under the Security theme of the Seventh Research Framework Programme (FP7), the Commission could support the development of IT tools to facilitate and enhance the detection of terrorist financing activities by FIU, other public authorities, law enforcement bodies or private actors (e.g. banks) while promoting the exchange of information and best practices.

### **5.3. Cooperation with the private sector**

To combat terrorist financing successfully, effective and efficient cooperation and data sharing between all relevant parties of the public and private sectors should be further enhanced including pooling intelligence better between different public authorities. Achieving this will improve financial institutions and other reporting entities contributions to counter terrorist financing considerably. Financial Institutions need to be better informed of the use made of the information provided by them in form of suspicious transactions reports. The importance of feedback should be recognised.

The Commission has recently launched an assessment of FIU feedback structures in the EU between the reporting entities and the FIU as well as between law enforcement bodies and the FIU. Based on this study, further work could be pursued as regards in 2009.

In the sanctions field, the Commission has a dialogue with European credit sector organisations, and provides a consolidated list of financial sanctions targets<sup>1</sup> and website to assist implementation by the financial institutions.

Data sharing between the public and private sectors, and pooling intelligence better between different public authorities is a goal the EU should carry further, Member States must see the benefit of such an approach and the solutions it provides for better tackling terrorism and terrorist financing.

## **6. International cooperation**

An important part of EU policy on terrorist financing is derived from the work of the Financial Action Task Force, in particular from its nine Special Recommendations on terrorist financing. With new developments on the FATF agenda, the EU should continue to pursue an active role in FATF, with a view to ensuring that FATF work stays in accordance with EU priorities. A high level of coordination within the EU on matters under discussion in FATF remains necessary.

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<sup>1</sup> [http://ec.europa.eu/external\\_relations/cfsp/sanctions/list/consol-list.htm](http://ec.europa.eu/external_relations/cfsp/sanctions/list/consol-list.htm)

The EU has implemented almost all FATF Recommendations and Special Recommendations. In that way, controls in Europe have become more efficient and effective. Terrorists will seek to use those channels where regulation or scrutiny is weakest. In consequence, the EU needs to continue to pay attention to the international dimension of the fight against terrorist financing. The Union should continue to promote universal compliance with the relevant UN Security Council Resolutions, the FATF Recommendations, UN Resolutions, full implementation of the UN Global CT Strategy and ratification and implementation of other relevant international and regional conventions. In addition, supporting third countries' efforts to draft legal instruments and implementing capacity to prevent and fight terrorism and terrorist financing should remain a key element of EU counter-terrorism policy. Increased attention to this kind of assistance should be promoted.

Furthermore, constructive dialogues with key partners, in particular the United States and the Gulf Cooperation Council need to be continued. The Council is currently discussing the format of the EU-US dialogue on terrorist financing and financial sanctions. Member States are in favour of a more flexible, agenda-driven dialogue with a minimum of one meeting per year. The Council is also reflecting on new topics for discussion with the US in this framework. It seems likely, in any case, that the future of the UN counter-terrorism sanctions regime will be an important theme for the EU-US dialogue on terrorist financing.

## **7. Organisation of work within the Council**

Several Council working parties work on preparations for the Council's proceedings on preventing and fighting terrorist financing:

- Financial Attachés concerning the implementation of FATF Recommendations into EU-legislation
- RELEX Counsellors concerning the implementation of UNSCRs and autonomous EU sanctions into EU-legislation (including the specialised RELEX/Sanctions formation for monitoring and assessing horizontal issues)
- Working Party on Terrorism for internal EU aspects
- COTER for external aspects
- CP 931 Working Party for the designation of organisations and individuals involved in terrorist acts
- Multidisciplinary Group on Organised Crime, for law enforcement aspects.

For reasons related to the composition of these groups and the existence of informal groups formed for other purposes (e.g. the FIU Platform), several aspects of the fight against terrorist financing could be coordinated better by the Council's preparatory bodies.

## **8. Recommendations**

Based upon the aforementioned considerations, the Council is invited to endorse the following recommendations:

### ***Recommendation 1 - monitoring***

Member States should ensure effective implementation of the EU legal instruments transposing the 40 + 9 Recommendations of the Financial Action Task Force. Member States should also ensure effective implementation of the relevant legal instruments concerning law enforcement cooperation. The Commission is invited to continue to monitor implementation by EU Member States of the relevant EU legislation including the relevant EU legal instruments concerning law enforcement cooperation. On the basis of the Commission's implementation reports on those legal instruments, in particular for enhancing operational cooperation, the Council should explore future activities. If necessary, proposals for fine-tuning the existing legislation need to be considered.

### ***Recommendation 2 - threat analysis***

The EU should continue to analyse and anticipate new trends and methods in terrorist financing to anticipate possible new legislative instruments, taking into account the work done and in progress of the FATF concerning the global threat analysis. Important tools to support this are threat analyses.

SitCen is invited to compile at a regular basis reports on intra-EU and international threats to enable the Council to anticipate new trends and to update the strategy against terrorist financing, if necessary by May 2009. Attention should be paid to current terrorist financing patterns in Member States.

Europol is invited to report to the Council by December 2008 on links between terrorist financing and other criminal activity, as resulting from investigations conducted in Member States, to enable the Council to update its strategy against terrorist financing, if necessary, by May 2009.

Europol and SitCen are encouraged to cooperate closely when establishing their threat analysis and are invited, to the extent possible, to present a **joint** report.

***Recommendation 3 - new developments***

A uniform implementation of the related provisions in the Payment Services Directive on alternative remittance is of key importance in order to prevent the use of Money or Value Transfer Services by potential terrorist financiers. The Commission is invited to explore the need and possibility for drawing up practical guidelines for its implementation by the Member States based upon the specific provisions of the Directive, FATF's Interpretative Note on Special Recommendation VI and the FATF's Best Practices Paper on this topic. Member States are encouraged to implement expediently the Payment Services Directive in order to strengthen the control over providers of money remittance services and deter their use by potential terrorist financiers.

Given the speed in technical developments of **new payment methods**, it might be useful to anticipate possible future effects on the vulnerability of these methods for terrorist financing. The Commission and Member States are invited to examine, with relevant parties, *inter alia* Central Banks and, where possible, in conjunction with payment services providers, whether any terrorist financing and money laundering risk would arise from these new payment methods and if so which specific measures could be adopted to limit such risks. The results of the FATF typology study of October 2006 could serve as a basis for this examination.

The EU should follow the developments within the FATF on new methods for terrorist financing such as Trade Based Activities and the Commission and Member States are invited to report on those topics and to advise the Council on further actions if new international standards and/or recommendations are adopted.

#### ***Recommendation 4 - enhancing existing actions***

As regards the non-profit sector and the implementation of FATF Special Recommendation VIII, the Commission is invited to present in early 2009 the outcomes of its two studies on NPOs as background for a possible common EU approach to reducing NPO vulnerabilities to criminal infiltration. Such an approach could include the development of Europe-wide guidelines for NPOs EU cooperation to prevent and investigate abuse, Europe-wide awareness-raising programmes to NPOs and the establishment of a platform for public and non-profit sector experts of the Member States to exchange best practices.

**Targeted (financial) sanctions**, which have reduced the possibilities for terrorists and terrorist organisations to misuse the financial sector and made it more difficult to raise and move funds. Effective freezing action will continue to require investigatory efforts of all Member States and cooperation with third countries to prepare designations that are based on sufficient information meeting the applicable criteria for freezing of assets. The Council has improved the designation procedures in accordance with the judgements of the Court of First Instance.

The EU must continue to monitor the implementation of the asset freezing in order to improve its effectiveness. Dialogue and cooperation with the private sector financial institutions and other relevant economic actors should be continued and improved, both at the EU and national levels.

#### ***Recommendation 5 - FIUs and FIU cooperation***

Enhanced efforts are necessary to facilitate the exchange of information with and between national FIUs and other competent bodies. This will allow FIUs and other competent authorities to give more feedback to financial institutions on appropriate targets for suspicious and unusual transactions reporting. Feedback is essential for a well functioning counter terrorist financing system. Therefore, results of the on-going EU level assessment launched by the Commission on FIU feedback structures should be properly discussed by Member State experts, including representatives of financial institutions and other reporting entities and lead to the identification of best practices. Ways need to be explored on access for FIUs and other competent authorities, including customs, to relevant data (financial, law enforcement and intelligence), taking into account appropriate data protection issues and other vital interests, e.g. national security.



All Member States should become fully functioning members of the FIU.NET by mid 2009.

The Commission's report on the implementation of the *Council Decision on FIU cooperation* of November 2000 shows that more needs to be done in terms of operational cooperation, which includes ensuring wide exchange of all necessary financial and law enforcement information. The Commission is invited to pursue the conclusions of this report in the (informal) FIU Platform and other relevant EU fora. Ways to facilitate the exchange of information, nationally and internationally and independent of the nature of a national FIU, should be further explored. EU guidelines could facilitate information exchange at EU level.

***Recommendation 6 - cooperation with the private sector***

The Commission and Member States are invited to enhance the dialogue and cooperation with the private sector in relevant fields of terrorist financing in particular practical implementation of EU instruments.

At the national level, Member States could consider the setting up of a joint working group bringing together experts from the financial sector, government, law enforcement and the intelligence agencies to consider steps to increase the effectiveness of public-private cooperation on countering terrorist financing. Work in such a working group could focus, *inter alia*, on new methods of communicating terrorist financing risks, efficient targeted requests from law enforcement, the limit of sharing intelligence.

***Recommendation 7 - financial intelligence and investigations***

Financial information alone is not sufficient to effectively combat terrorism. However, when combined with **counter-terrorist intelligence**, financial information can enhance capacity to identify and intercept terrorist activity. Collecting and sharing financial intelligence should become a high priority. Member States are encouraged to make financial investigations and the sharing of counter-terrorist intelligence a key priority of their policy.

Member States are encouraged to make financial investigations a fundamental component of all counter-terrorism investigations. Member States, the Commission and Europol are invited to speed up progress in the development of minimum training standards and to involve on the longer term Eurojust in these developments.

### ***Recommendation 8 - international cooperation***

The EU should continue its work to ensure universal adherence to, and full implementation of relevant international conventions and resolutions of the UN Security Council. In political dialogues at all levels with those countries which have not ratified or fully implemented these instruments the topic needs to be constantly addressed. The Council will pass important messages on terrorist financing in relevant political dialogues on terrorist financing, particularly with the priority countries identified by the CFSP Working group on terrorism (COTER).

In addition, supporting third countries' efforts to draft legal instruments and tools to prevent and fight terrorism and terrorist financing should remain a key element of EU counter-terrorism policy. Technical assistance to increase the counter-terrorist capacity of key countries, in particular the priority countries needs to be enhanced. Member States and the Commission are invited to devote increased resources to enhancing capacities for countering terrorist financing, in cooperation with other donors.

Member States are encouraged to explore the possibilities of Community funding for projects with relevant third countries on capacity building in the NPO-sector which could help to protect internationally operating charities against their misuse by terrorist financiers.

The EU should continue to cooperate closely with the Financial Action Task Force on all issues regarding the 40 FATF Recommendations and, in particular the 9 Special Recommendations on financing of terrorism, including new developments. The Commission and the Member States are invited to ensure a coordinated EU view on all terrorist financing issues in the FATF. Since not all Member States are member of the FATF coordination is of eminent importance. Consideration could be given to a coordination mechanism covering all aspects (legal, law enforcement, financial) of the 40 FATF Recommendations and 9 Special Recommendations, taking into account existing mechanisms.

The EU should continue the constructive dialogues with key partners, in particular the United States and the Gulf Cooperation Council. The Council is invited to initiate proposals for the format of the EU-US dialogue on terrorist financing and financial sanctions and to recommend topics that should be discussed.

***Recommendation 9***

With regard to the fight against money laundering and terrorist financing the Council should improve its preparatory work in due time and streamline its working structures.

***Recommendation 10***

The EU Counter-terrorism Coordinator should, in cooperation with the Commission, ensure the follow-up of the updated strategy on a cross-pillar basis, reporting every six months to COREPER. He should present his first report to COREPER by the end of December 2008.

The contents of these reports and recommendations will reflect deliberation in the respective working bodies.

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