

Outcome of the G7 Assessment of Potential Standards Enhancements

The “*G7 Action Plan on Combatting the Financing of Terrorism*” was adopted at the G7 Finance Ministers and Central Bank Governors’ Meeting, Sendai, in May 2016 in order to effectively combat terrorist financing. This Action Plan sets out the actions, including (i) enhancing information exchange and cooperation; (ii) assessing potential standards enhancements of the preventive measures; and (iii) collaborating in targeted financial sanction measures, with the deadlines for the work, i.e. (ii) by the end of September 2016; and (i) and (iii) by the end of 2016. Since its adoption, the G7 has worked for its implementation and the progress made with regards to (ii) is as follows:

The G7 will conduct, by the end of September 2016, analysis of the relevant thresholds in the FATF Standards with a view to revising our respective national requirements, and will continue to work with FATF to most effectively combat terrorist financing.

To this end, we will:

- (a) Commit to reducing the threshold for declaration of cross-border cash transactions from EUR/USD/CAD 15,000 and JPY 2,000,000 to EUR/USD/CAD 10,000 and JPY 1,000,000;
- (b) Confirm that all G7 countries are applying or working towards applying the FATF standards to new payment methods such as virtual currency and prepaid cards, and work with FATF to promote implementation of these standards with regard to new payment methods among FATF members;
- (c) Further review other thresholds in the preventive measures, including those for account, account-like products and cross-border wire transfer, and assess whether new thresholds are appropriate, taking into account risk, burden and benefit, and specific misuse associated with identified financial products or transactions;

New payment methods such as virtual currency and prepaid cards are getting exposed to terrorist financing risks, and G7 countries have confirmed to applying or working towards applying the FATF standards in accordance with the FATF guidance. Prepaid cards and virtual currency are or will soon be covered under the AML/CFT regime in the G7 countries.

It is necessary to lower the existing threshold if we consider the fact that the amount of the terrorist financing is getting smaller, such as financing foreign terrorist fighters, small cells and individual terrorists. In particular, cross-border money flow is so vulnerable as to be properly regulated and overseen. In this respect, G7 countries have already committed to reducing the threshold for declaration of cross-border cash transactions from EUR/USD/CAD 15,000 and JPY 2,000,000 to EUR/USD/CAD 10,000 and JPY 1,000,000.

On the other hand, it is necessary to strike the balance between regulatory costs and the necessity to strengthen regulations. The G7 is working at the experts’ level on the complex set of issues related to the modification of additional thresholds. An assessment that analyzes the potential benefits and costs of the threshold changes, including those related to wire transfers and transfers through Money or Value Transfer Services (MVTs) is now being carried. G7 countries will continue to undertake an assessment of the possible impact of further threshold changes and consider the possibility of reducing some of them.

It is important for the G7 to share the deliverables with the FATF (whose “Consolidated FATF Strategy on Combatting Terrorist Financing” covers the same challenges as the G7 Action plan) and closely collaborate with the FATF to most effectively combat terrorist financing.

(d) Consider the extent to which art dealers in cultural artifacts are vulnerable to terrorist financing.

As described by FATF in its February 2015’s report on ISIL financing¹ and confirmed by other sources, ISIL makes money from antiquities generally at the preliminary stages of activity by taxing the extraction and movement of these goods across territory it controls.

Antiquities markets and dealers present several vulnerabilities that may facilitate the movement of artifacts that originated from ISIL-controlled territory. These vulnerabilities include a lack of transparency in transactions, the use of Freeports and Free Trade Zones to transfer and store antiquities, highly mobile goods that can be easily converted into cash, and limited knowledge of the threat among some market participants.

The growing concern of the international community on the illicit trade of cultural property by ISIL has given rise to new initiatives, at the national, European and international levels, which could usefully be complemented by having the G7 take coordinated and targeted action to combat this threat. These actions could include specific efforts aimed at raising awareness of the risk among and sharing information with private sector participants (both financial institutions and antiquities dealers) and foreign governments, law enforcement action or freezing the assets of suspected smugglers and complicit dealers, engaging at other international organizations to develop additional information on the terrorist financing risks of antiquities (such as in ongoing FATF typology work), and strengthening certain domestic regulatory requirements.

¹ <http://www.fatf-gafi.org/media/fatf/documents/reports/Financing-of-the-terrorist-organisation-ISIL.pdf>