

G7 summit: Theatrics aside, CTF initiatives more relevant than ever after UK attacks

Jun 09 2017 [Denisse V. Rudich](#)



Theatrics took centre stage at the recent G7 summit in Taormina, Italy. News headlines were dominated by stories of world leaders being pushed aside by their peers, shows of bravado and lavish requests and physical posturing to stand out. Videos showed firm, lengthy, white-knuckle-inducing handshakes and two leaders walking in harmony against a romantic setting. Indeed, during a press briefing held by Donald Tusk, president of the European Council, this was dubbed as the "most challenging G7 summit in years". Nevertheless, leaders found common ground on the topic of terrorism, which proved to be the most pressing issue to be addressed.



All G7 countries, with the exception of Japan, are facing a growing tide of terrorist activity that is fuelling the Da'esh/ISIL propaganda machine. Generally, lone wolf attacks or attacks involving a small number of individuals, a new breed of terrorists has emerged that uses vehicles, machetes, knives and occasionally bombs and firearms to carry out attacks on civilians. Manchester was the exception, with the individual responsible using a sophisticated bomb that led law enforcement to search for other culprits who had helped carry out the attacks.

Nevertheless, for a relatively small amount of money to cover operational costs (travel, housing, food and supplies), these acts that aim to strike fear into the fabric of society are played out repeatedly in the 24-hour news cycle, providing added publicity to terrorist groups.

However, other terrorist groups such as Al Qaeda and Boko Haram in sub-Saharan Africa are also exploiting poor governance arrangements and limited infrastructure in countries such as Syria and Libya.

The Italian government had presented Taormina as the summit for "building the foundations of renewed trust" and had indicated that it wanted to focus on the day-to-day lives of people. The agenda set citizen safety, including terrorism and migration, the reduction of social inequality and the transition to the Fourth Industrial Revolution through greater skills training as priorities.

As the summit got under way, it became clear that trust needed to be established between the four new leaders (from France, Italy, the UK and the United States) attending the G7 Summit for the first time and three previous G7 attendees (from Canada, Germany and Japan). With the Manchester bombings that led to the loss of 22 lives at a pop concert having taken place just days before the G7, terrorism was an area where leaders could come together. Discussing terrorism at a press briefing in Taormina, Emmanuel Macron, the new president of France, said "the commitment of G7 countries was absolute".

This was the first G7 summit in quite some time where leaders failed to make a reference to the fight against money laundering, and it is perhaps surprising that there was no reference to the G7 finance ministers' "G7 Bari Declaration on Fighting Tax Crimes and Other Illicit Financial Flows".

Nevertheless, by remaining aware of initiatives made in the areas of terrorism, sanctions and conflict states, financial crime prevention officers can work to support the fight against terrorism by tuning their systems and controls to detect and investigate financial flows to and from failed states and terrorist havens that seem suspicious, increasing their engagement with the public sector and by employing horizon planning techniques to stay ahead of looming trends and challenges.

Terrorism

On the first day of the summit, G7 leaders issued a lengthy "G7 Statement on the Fight Against Terrorism and Violent Extremism", indicating that they would "take the strongest action possible to find, identify, remove and punish, as appropriate, terrorists and those who abet their activities".

In the statement, the G7 said they were still committed to the multi-faceted G7 Action Plan adopted at Ise-Shima. The action plan tackles terrorism by enhancing the global governance framework and international cooperation and intelligence sharing; by

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targeting border security on land, air and sea; by working to create more tolerant societies; and by assessing terrorist financing in new payment methods and working to stop the trafficking in antiquities.

The statement also committed to a new initiative to combat the misuse of the internet by terrorists. The initiative puts the onus on internet companies to develop new technologies to detect, remove and report content developed by extremists to recruit, radicalise or incite others to commit violent acts.

During a press briefing, Theresa May, prime minister of the UK, said the G7 would support the development of a global forum where new technologies could be shared among members. With regard to foreign fighters, the G7 leaders committed to improve intelligence sharing regarding individuals who have travelled to the Daesh/ISIL /Al Qaeda-controlled territory.

G7 leaders also committed to refocusing efforts to target terrorist financing, in particular by working to block off sources and channels of terrorist funding. More specifically, they highlighted the need to counter the looting and trafficking of antiquities; this is seen as the third largest source of criminal financing after laundering the proceeds of drug trafficking and laundering the proceeds of human trafficking, which is also on the rise.

The G7 further recognised the work done by the Financial Action Task Force (FATF) and in the area of terrorist financing and called for continued collaboration with the private sector.

May stressed that that the G7 would work to "defeat this evil together through coordinated action" to "ensure a safe, secure and prosperous future for all our citizens".

Conflict and failed states

G7 leaders also held discussions on failed states. On the topic of failed or conflict states, Macron described Libya as "a failure of the international community". Leaders pledged to support the institutional framework in Libya and to support efforts to advance national reconciliation to ensure that the Libyan people want to stay in Libya because they have health, education, work and security. Leaders further pledged to step up efforts to eradicate ISIS/ISIL/Da'esh and other terrorist groups and violent extremism in Iraq, Syria, Yemen and beyond. Sub-Saharan Africa, including South Sudan, Somalia and northeast Nigeria, were cited as regions suffering from extreme poverty and famine, further contributing to mass migration and the continued rise of Boko Haram, Al-Shabaab, AQIM, Ansar Dine and the Macina Liberation Front. In 2015, attacks perpetrated by Boko Haram and affiliates resulted in 6,000 casualties.

The leaders acknowledged that the people of Syria had continued to experience tremendous suffering. They pledged to increase efforts to defeat international terrorism in Syria, and called upon Turkey, Iran and Russian to use their influence to end the conflict in Syria.

What does this mean for financial institutions?

As linchpins for the international financial system which connects people, non-profits and businesses through different flows of funds, banks have a responsibility to ensure that their systems are fit-for-purpose and able to detect unusual activity that could be indicative of terrorist financing while maintaining respect for individuals' privacy.

FATF has highlighted that terrorist financing may include simple models to support smaller cells and to finance smaller attacks or complex financing structures to carry out large-scale attacks. Cash, mobile banking, the use of foreign currency and the abuse of the non-for-profit sector remains a main source of financing. Money value transfer systems (MVTs) have also been identified as being vulnerable to terrorist financing.

Banks should build intelligence from the FATF and the national risk assessments issued by their respective countries into financial crime prevention networks. As part of the risk-based approach, the countries identified as failed states should be designated as higher-risk countries and customers, beneficial owners, controllers and transactions sent to or from those locations subjected to enhanced due diligence.

Financial crime prevention and risk management personnel need to ensure that their business and country risk assessments remain up-to-date and assess the impact as well as the risks posed by failed states. Businesses linked to, and transactions coming from, these countries should be subject to heightened scrutiny and reported to law enforcement where there is a suspicion of money laundering or terrorist financing.

Financial institutions that have a large customer base in these jurisdictions should ensure that they are members of the Joint Money Laundering Intelligence Taskforce (JMLIT) and have the tools, processes and technology in place to allow them to update their systems when they receive intelligence that is central to a live investigation and to trace financial flows to and from these countries. When dealing with new payment service providers, they should ensure they have knowledge of financial flows sourced from conflict, failed, or sanctioned states.

With regard to mass migration and human trafficking and slavery, financial institutions and designated businesses should be ready to monitor transactions that are indicative of involvement in illicit activities. This requires companies to come together and share typologies identified in this area, along with law enforcement and other members of the public sector. Rather than driving new migrants into the informal financial sector because they are unable to complete the customer due diligence process, banks and governments need to work together to identify what forms of identification and proof of address are available, to address financial inclusion issues.

As regards terrorism, it will be interesting to see what kind of sanctions will be placed on companies that do not support the new G7 initiative to address violent extremist content, and how financial institutions will be expected to deal with these companies.

In the UK, companies are already bound by the Modern Slavery Act 2015 and the act's champion has indicated that he hopes banks will be able to use their systems to detect and report suspicion of human slavery, in addition to publishing the anti-slavery statement.

Financial institutions have strong role to play in counter-terrorism

- The MLRO Handbook
- The Compliance Handbook
- MiFID Survival Guide
- The Insurance Practitioner's Guide

Although Taormina was a summit where a small number of actors came together with vastly different agendas — some with scores to settle, others to assert their place on the international stage — it provided an amusing, if at times outlandish, backdrop for what is a very important forum which enables countries to discuss the issues of the day at the highest levels of government.

Yes, there were handshakes, shoves and jostling. Meanwhile, people continue to commit atrocities against civilians to advance particular ideologies, 20 million people remain at risk of famine in Africa, and leaks and intelligence breaches have become commonplace in diplomacy.

May's departure from the summit was a sobering reminder that terrorism, conflict and failed states have an effect on people's day-to-day lives. The Borough Market atrocity and Notre Dame attack were aimed at taking human lives and inciting fear and hatred. They highlighted just how essential it is that banks and financial institutions have the right processes in place to provide information as speedily as possible to allow investigators to gain traction quickly. This is a threat that cannot be fought by the public sector alone. It needs to be tackled on multiple fronts and include all sectors of society.

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