

## Paris attacks cast a shadow over G20 summit, raise banking counter-terror urgency

Nov 18 2015 [Denisse Rudich at the G20. Antalya, Turkey](#)



The Paris attacks of November 13 cast a shadow over the G20 Summit held in Antalya, Turkey, where the leaders added a new immediacy to the financial industry's role in the fight against terrorism.



French President Francois Hollande cancelled his trip to the summit and the leaders of the world's largest economies came together to denounce the attacks that claimed the lives of at least 129 people and left hundreds injured. Although terrorism and the refugee crisis were topics to be discussed as an addendum to the ambitious "three Is" agenda of "innovation, inclusiveness and implementation", the events that took place on the eve of the summit gave leaders a sense of urgency and focus for the need to strike at the heart of terrorism.

In a press conference held prior to the summit, United Nations secretary general Ban Ki-moon stressed the need to address the underlying causes of violence, which include terrorist financing and the displacement of more than 4 million civilian refugees. These people will, at some point, need to access the banking system to finance their new lives or send money home to their relatives. With countries such as Canada pledging to open their borders to 25,000 refugees by the end of the year, further guidance is required on how to treat these individuals as financially excluded persons. For example, what documents should financial institutions accept to verify the identity of people who have fled their country under duress to prevent them from being driven into the underground economy and allow them to access the formal financial sector? Any additional guidance will need to provide an overview of:

- What should be the expected size and volumes of transactions of this particular category of prospective customers?
- What red flags should financial institutions be on the look-out for to report suspicious activity?
- What lower-risk products are banks required to make available to these individuals?
- Which countries should be subject to enhanced transaction monitoring?
- What additional data should be contained in both (a) domestic transactions, many of which currently only have unique identifiers or bank account details as opposed to full originator and beneficiary information, and (b) intra-bank international payments, to ensure that law enforcement authorities are able to follow the money trail if necessary?

Such guidance is needed to ensure that financial institutions are adequately managing the very real threat of terrorist financing and money laundering while also allowing for the resettlement of refugees. More guidance and incentives are needed from governments to ensure that de-risking does not take place either for this category of customer or with certain high-risk destination countries which might prevent refugees from sending legitimate funds home to their families. Banks tend to adopt de-risking policies when the costs of doing business, including associated compliance costs, outweigh profits.

On the second day of the summit, the leaders issued a strong condemnation of the "heinous terrorist attacks" in Paris and Ankara last month in the "G20 Statement on the Fight Against Terrorism". In the statement, the leaders reaffirmed their solidarity and their determination to fight terrorism in all its forms, recognising the central role played by the United Nations and the need to ensure that the response is within the international humanitarian law and human rights law, which extends to the

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right to data privacy. The statement reinforced the fact that leaders remain committed to tackling terrorist financing channels, and they called for the following measures:

- Enhanced cooperation on the exchange of information.
- Freezing of terrorist assets.
- Criminalisation of terrorist financing across all G20 countries.
- Implementation of targeted financial sanctions regimes related to terrorism and terrorist financing.
- Swift implementation of Financial Action Task Force (FATF) standards in all jurisdictions.
- Implementation of relevant FATF recommendations and instruments.

The leaders further called on FATF to identify measures, including those relating to legal frameworks, which would strengthen efforts to combat terrorist financing and enhance the implementation of targeted financial sanctions.

The statement also stressed the need to prevent terrorists from exploiting technology, communications and resources to fuel acts of terrorism.

Review money laundering and counter-terrorist financing programmes

From an operational perspective, financial institutions and money services businesses need to review their existing money laundering and counter-terrorist financing programmes to ensure that:

- As new targeted sanctions are announced, they are able to freeze and place in a suspense or other account the suspected terrorist funds while they make reports to their local financial intelligence units.
- They remain aware of emerging terrorist financing techniques such as the sale of oil from Syrian oil fields, the use of crowd funding techniques, peer-to-peer money transfers via social media and new technology platforms.
- Deliver training to relevant staff on emerging terrorist financing techniques and red flags for submitting suspicious activity reports.
- Identify fund flow patterns of concern, such as identifying high-risk source and destination countries and ensuring that relevant staff are trained to detect unusual payments and transactions.

As terrorism is financed from both legitimate and illegitimate sources, a targeted, coordinated effort is required, not only among governments but also between the public and private sectors, to share best practices.

The terrorist attacks have brought about an easing of Russian-U.S. tensions as U.S. President Barack Obama met with Russian President Minister Vladimir Putin and reached a consensus on the need for "a Syrian-led and Syrian-owned political transition". This thawing of relations is highly significant and, although it is too early to say, may ultimately have an impact on any decision to impose further targeted financial sanctions against Russia.

**Denisse Rudich** has extensive knowledge of financial crime and G7/G8/G20 global governance gained as Head of AML & Sanctions for RBS, Corporate Banking Division and advisor to the G7/G8 Research Group. Denisse is Director of the G20 Research Group (London Office) and currently works as an Advisor in a top-tier bank implementing strategic change in AML/CTF/Sanctions compliance. The views expressed are her own.

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