



2017/2203(INI)

23.10.2017

DRAFT REPORT

on a European Parliament recommendation to the Council, the Commission and the EEAS on cutting the sources of income for Jihadists – targeting the financing of terrorism
(2017/2203(INI))

Committee on Foreign Affairs

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**to the Council, the Commission and the EEAS on cutting the sources of income for Jihadists – targeting the financing of terrorism
(2017/2203(INI))**

The European Parliament,

- having regard to the 1999 International Convention for the Suppression of the Financing of Terrorism,
- having regard to Council Regulation (EC) No 1210/2003 of 7 July 2003 concerning certain specific restrictions on economic and financial relations with Iraq and repealing Council Regulation (EC) No 2465/96¹,
- having regard to Council Regulation (EU) 2015/827 of 28 May 2015 amending Regulation (EU) No 36/2012 concerning restrictive measures in view of the situation in Syria²,
- having regard to the Commission action plan of February 2016 for strengthening the fight against terrorist financing,
- having regard to the Europol EU Terrorism Situation and Trend Report (TE-SAT) for 2017,
- having regard to the report of 26 June 2017 from the Commission to the European Parliament and the Council on the assessment of the risks of money laundering and terrorist financing affecting the internal market and relating to cross-border activities (COM(2017)0340);
- having regard to Directive (EU) 2017/541 of the European Parliament and of the Council of 15 March 2017 on combating terrorism and replacing Council Framework Decision 2002/475/JHA and amending Council Decision 2005/671/JHA³,
- having regard to Directive (EU) 2016/680 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, and repealing Council Framework Decision 2008/977/JHA⁴,
- having regard to the proposal for a regulation of the European Parliament and of the Council of 13 July 2017 on the import of cultural goods (COM(2017)0375),
- having regard to the ninth Security Union Progress Report, published by the

¹ OJ L 169, 8.7.2003, p. 6.

² OJ L 132, 29.5.2015, p. 1.

³ OJ L 88, 31.3.2017, p. 6.

⁴ OJ L 119, 4.5.2016, p. 89.

Commission on 27 July 2017;

- having regard to the communication from the Commission to the European Parliament, the European Council and the Council entitled ‘Eleventh progress report towards an effective and genuine Security Union’ published by the Commission on 18 October 2017 (COM(2017)0608),
 - having regard to United Nations Security Council resolutions 1267 (1999), 1373 (2001), 1989 (2011), 2133 (2014), 2199 (2015) and 2253 (2015),
 - having regard to Rule 113 of its Rules of Procedure,
 - having regard to the report of the Committee on Foreign Affairs (A8-0000/2017),
- A. Whereas one of the key elements of the fight against terrorism is to cut off its sources of financing;
- B. Whereas that financing can be used in two ways: for terrorist attacks requiring large-scale funding, or for other attacks which, although their effects are equally brutal, require smaller amounts of money; whereas the response must be effective in addressing both situations;
- C. Whereas legally sourced financing can be diverted by the recipient to third parties, individuals or entities with links to terrorist activity;
- D. Whereas given that terrorism is a global crime, the effective response to it must also be a global one, with coordination and the exchange of basic information on physical and legal persons, and suspicious activity, being absolutely vital;
- E. Whereas there is a need for a preventive strategy based on the exchange of basic information among intelligence agencies involved in combating the financing of terrorism;
- F. Whereas there is a need for an institution-based European platform – which thus far has existed on an informal basis – to centralise the receipt of information, which is currently spread out among 28 Member States;
- G. whereas a number of international non-profit organisations, charities and other foundations, some of them located in Gulf countries, act as a cover for abusive practices; whereas surveillance of these networks, which are often extensive, is therefore vital; whereas their support for the expansion of extremist Salafism in Africa, the Middle East, Asia and Europe cannot be tolerated;
- H. whereas leaked intelligence even suggests that institutions and individuals in the Arabian Gulf are providing financial and logistical support to ISIS/Da’esh and other radical groups, and whereas without this funding many of these terrorist groups would not be self-sufficient;
- I. whereas ISIS/Da’esh is attempting to channel its money out of its diminishing territory in Syria and Iraq via oil exports, investment in businesses, illegal fund transfers and compulsory exchanges of foreign currency for ISIS/Da’esh currency; whereas

ISIS/Da'esh is laundering the proceeds of its criminal activities by buying businesses and assets of all kinds; whereas these sources could allow ISIS to continue funding future criminal acts after its military defeat;

- J. whereas an international ransom ban has been established under a series of international commitments underpinned by UN Security Council resolutions and domestic laws; whereas in practice, the UN ban lacks the support of key signatories who prioritise the immediate preservation of life over their counter-terrorism commitments, and in doing so involuntarily finance terrorist organisations;
1. Addresses the following recommendations to the Commission, the Council and/or the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy:
- (a) takes the view that a preventive strategy based on the exchange of basic information among intelligence agencies is vital in combating the financing of terrorism; calls on Europe's intelligence agencies to improve coordination by setting up a European counter-terrorism intelligence platform with an in-depth focus on the exchange of basic information; that platform will create a joint database for data on physical and legal persons and suspicious transactions; emphasises that the information concerned must include, inter alia, a directory of banks, financial institutions and commercial entities both within and outside Europe, as well as third countries which have shortcomings when it comes to combating the financing of terrorism; reiterates that those responsible for committing, organising or supporting terrorist acts must be held to account for their actions;
 - (b) calls on the Commission to provide funding for programmes fostering the sharing of best practice among Europe's intelligence agencies;
 - (c) maintains, as reiterated by the Financial Action Task Force (FATF), that it is extremely important that information-sharing should be improved, and sped up, among financial intelligence units, and law enforcement and intelligence agencies within jurisdictions, among different jurisdictions, as well as in the private sector, especially the banking sector;
 - (d) calls on the Member States to make better use of the informal network of European Financial Information Units (FIU.net), on the basis of the work done by Europol for the purpose of sharing the information concerned with the European counter-terrorism intelligence platform;
 - (e) calls on the Member States to step up the monitoring of suspicious financial activities, making it easier for law enforcement agencies to access suspicious transactions, taking account of the proportionality principle and the right to privacy; calls on the Member States to provide more training for and increase the specialisation of investigators in order to achieve that;
 - (f) welcomes the Commission's proposal to facilitate cross-border access for law enforcement agencies to bank account registers, speeding up the process of identifying the assets of terrorists in other Member States so that, once terrorists

are identified, the transactions they have made prior to attacks can be investigated, and any contacts they have had with other possible suspects can be identified;

- (g) calls on the Member States to take the legislative measures necessary to guarantee that banks monitor debit cards closely so as to ensure that they can only be reloaded via bank transfers from accounts held by the cardholder;
- (h) notes the successful cooperation with the USA, and the usefulness of the information obtained, in the context of the EU-US agreement to share information from the US Terrorism Financing Tracking Program (TFTP); calls on the Commission to propose the establishment of a specifically European system in this area, to complement the current framework and address current shortcomings, particularly as regards SEPA payments, ensuring that a balance is struck between security and individual freedoms; points out that EU data protection legislation would apply to this intra-European system;
- (i) calls on the High Representative and on the Member States to draw up a list of individuals and entities operating under opaque regimes and with high rates of suspicious financial transactions;
- (j) calls on the Council of the European Union to step up the application of selective sanctions and other restrictive measures against those individuals and entities; welcomes the establishment of the UNSC committee responsible for supervising the application of sanctions, and calls on all the Member States to act swiftly in blocking funds and financial assets;
- (k) calls on the EU Member States to establish a monitoring system to ensure that mosques, cultural associations and similar entities provide details of how the funds they receive are distributed, both within and outside the EU, and calls for all the transactions made by those sending funds to be recorded in a centralised database, set up with all the appropriate guarantees; calls for the introduction of mandatory ex ante monitoring of the source of money and its destination where charities are concerned, so as to prevent money being distributed maliciously or negligently for terrorist purposes;
- (l) calls on the Member States to regulate hawala, making it mandatory to declare to the authorities every transaction made using the hawala system, and emphasising that the aim is not to crack down on traditional informal money transfers, but on trafficking involving organised crime, terrorism or industrial/commercial profits deriving from dirty money; in this respect, calls for:
 - (i) all intermediaries and/or individuals involved in said activity (controllers or brokers, coordinators, collectors and transmitters) to be required to register with the relevant national authority;
 - (ii) all transactions to be declared;
 - (iii) dissuasive penalties to be established and imposed on intermediaries and/or others involved in undeclared transactions;

- (m) the Commission to propose the legislation required to prevent e-money issuing companies and intermediaries from allowing funds to be converted for users who are not fully identified, as can be the case with users of public networks or anonymous browsers; in this respect, exchanging encrypted money for actual money and vice versa must, as a compulsory requirement, be done using an identifiable bank account;
 - (n) welcomes the proposal for a regulation on the import of cultural goods; calls on the Commission to bring in a traceability certificate for artworks and antiques entering the EU market and originating in territories or places controlled by jihadists; calls on the Member States to establish police units that are specialised in dealing with the trafficking of cultural goods, and to ensure coordination of those units across the Member States; calls on the Member States to make it mandatory for companies involved in art dealing to declare all suspicious transactions, imposing penalties – including criminal penalties, where necessary – for the financing of terrorism through negligence on the owners of companies dealing in art and antiques who become involved in the trafficking of such goods;
 - (o) calls on the Commission to look into the possibility of reforming the relevant regulations and directives with the aim of ensuring that financial institutions are required to ask for information on the reason why suspicious large-scale transactions are being made, with a view to monitoring the payment of ransoms to terrorist organisations;
 - (p) calls on the EEAS to appoint a financial intelligence expert to the new CSDP mission in Iraq, so as to support the Iraqi Government in preventing ISIS/Da'esh assets being taken out of the country, and to help the Iraqi authorities in developing programmes designed to combat money laundering;
 - (q) urges the EEAS to take the same approach with its other CSDP missions in countries in which there could be terrorist hubs, especially in the Horn of Africa and the Sahel region, and to establish, in an effective manner, close cooperation with the governments in the areas concerned;
 - (r) urges the High Representative and the EEAS to enhance cooperation with the countries in which the proceeds of drugs trafficking are held, so that they can be seized;
2. Instructs its President to forward this recommendation to the Council, the Commission, the European External Action Service and the Member States.