



# QATAR-AMERICA INSTITUTE

## Briefing Report

### Counter Terrorism Finance and Anti-Money Laundering

#### Event Discussion Summary

#### Executive Summary

- Countering illicit finance requires a disciplined and well-resourced state system that investigates, disrupts, and prosecutes illicit finance networks.
- Counter-illicit finance systems must be frequently updated in response to newly developed illicit finance techniques (e.g., leveraging charities or cryptocurrencies to launder money).
- Qatar has a history of security cooperation with the Gulf Cooperation Council dating back to the Cold War.
- Qatar has worked with the internationally recognized Financial Action Task Force (FATF) since 2001 to implement regulations that meet international standards in counter-illicit finance.
- Qatar has implemented new regulations in counter-illicit finance on multiple occasions since 2001 to ensure that the proper authorities are in place, that relevant definitions are up to date, and that new illicit finance tactics are addressed.



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## Introduction

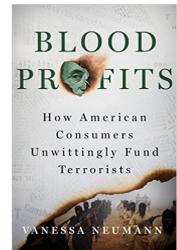
Anti-money laundering and counter-terrorism finance (AML/CTF) are, for the U.S. and its allies, a critical component of national security. On January 31, 2018, the Qatar-America Institute hosted a Counter Illicit Finance Panel Discussion with experts from both the U.S. and Qatar to discuss trends, challenges and strategy in the region.

President Trump thanked the Emir of Qatar for Qatar’s “actions to counter-terrorism and extremism in all forms,” including being one of the few countries to move forward on a bilateral memorandum of understanding focusing on counter terrorism financing.

The panel included Dr. Reem Al-Ansari and Dr. Vanessa Neumann, and was moderated by Aziza Mohammed of the World Bank.

**Dr. Reem Al-Ansari** is the Director of Research and Studies at the Rule of Law and Anti-Corruption Center in Doha, and the Associate Dean of Graduate Studies at Qatar University. Dr. Al Ansari discussed Qatar’s leading role in regional anti-money laundering & terrorism financing efforts.

**Dr. Vanessa Neumann** discussed her recently released book *Blood Profits: How American Consumers Unwittingly Fund Terrorists* (St. Martin’s Press, Macmillan), and her recent research on crime-terror pipelines, and counter-insurgency strategies that supports businesses and trade.



This all women panel focused on the overall requirement for focused anti-money laundering and counter-terrorism financing actions in a systemic approach, the details of Qatar’s leadership in regards to these efforts, and connected national security issues.

This report overviews the information discussed in the event, as well as how Qatar has cooperated with the U.S. in counterterrorism and counter-illicit finance efforts for years, with most recent efforts through strategic dialogue and three memoranda of understanding in 2017 and 2018.

## Illicit Trade: Background

According to the research of Dr. Vanessa Neumann, government inefficacy and illicit finance are two sides of the same coin. When drugs, weapons, counterfeit goods, or ill-gotten money travels across borders, it is virtually always enabled by corruption or inefficacy of state officials.<sup>1</sup> This breakdown in governance constitutes a failure of governments’ ethical obligation to their citizenry to support their responsible development and pursuit of happiness. Kleptocracies that serve criminals, terrorists, or militants betray their moral contract with their own citizens. These forms of government slowly but surely fail as states and create the practical and political conditions for the rise of extremism.

“As a result of the memorandum of understanding our countries signed in July, the United States and Qatar have increased information sharing on terrorists and terrorist financiers. We have participated in counterterrorism technical training and taken steps to improve aviation security. We look forward to building on this foundation and implementing next steps.”

- U.S. Secretary of State, Rex Tillerson

By contrast, truly effective counter-illicit finance regimes require state resources to be thoughtfully and consistently applied, with updates to procedures and definitions as criminals and terrorists adjust their techniques. Governments that seek to decisively disrupt illicit trade networks must remain vigilant in their monitoring, rigid in their enforcement, transparent to international authorities, and willing to regularly adopt additional regulations. Failure to do so creates an opening for exploitation by illicit financiers and money launderers, who will embed their business into the national economy and society, like drug cartels in South America.

## **Qatari Efforts in Anti-Money Laundering and Counter Terrorism Finance**

Qatar has acknowledged that AML/CTF systems must adapt to changes in illicit trade to effectively accomplish their goals. Rather than relying upon outdated, terminology-driven counter-illicit finance regimes, Qatar instead focuses on making progress in coordination with international organizations and bodies in their own goals of police and legal action: laws, regulations, metrics, and mandates. By acknowledging the human nature to work around old terminologies, Qatar takes a meaningful step forwards in effectively disrupting illicit trade.

## **Timeline**

### **Comprehensive Security Strategy Framework for the Gulf Cooperation Council (1987)**

In 1987 the Gulf Cooperation Council (GCC) created a multilateral framework for security cooperation after a series of bilateral agreements between individual GCC countries. The GCC acknowledged that a multilateral agreement would accomplish the goals of the many bilateral agreements but with uniformity and increased efficiency. This push for cooperation was motivated by the presence of external threats, most notably – at the time – the Soviet Union. The shared language, religion, and culture of the Gulf countries built a firm foundation for security cooperation between the countries, and the framework still allowed each country to forge its own specific operational path to meet the requirements of the framework. The framework allowed the GCC to work, to a degree, as a single unit in cooperation with the international community, not unlike how the European Union operates.

“We agreed to enhance our cooperation to counter the financing of terrorism in key areas of mutual concern including by substantially increasing the sharing of information on terrorist financiers in the region, placing greater emphasis on charitable and money service business sectors in Qatar to prevent terrorists from continuing to use those sectors for illicit financing purposes, developing a Qatari domestic designations regime in line with international standards and taking joint actions against terrorist financiers.

We affirm that the United States and Qatar will significantly increase our cooperation on these issues to ensure that Qatar is a hostile environment for terrorist financing.”

- U.S. Secretary of Treasury, Steve Mnuchin

## The Financial Action Task Force's (FATF) Nine Special Recommendations on Terrorist Financing (2001) and the Forty Recommendations of 2003

The nine special and forty further recommendations on countering terrorist financing from the Financial Action Task Force (FATF) provide broader and more granular guidance for countries to monitor, disrupt, and punish terrorist financing and money laundering within their countries.<sup>23</sup> Qatar has cooperated with FATF with respect to these recommendations since their inception.

### Muscat Declaration (2002)

The Muscat Declaration was the result of a Gulf Cooperation Council summit that acknowledged that all states around the world have a collective obligation to fight terrorism. Omani Saud ibn Ibrahim Al Bousaedi chaired the meeting where leaders discussed new guidelines for civil defense.<sup>4</sup>



### GCC Counter-Terrorism Cooperation Council Convention (2004)<sup>5,6</sup>

In 2004, the GCC signed the Counter-Terrorism Cooperation Council Convention. The agreement established the Permanent Gulf Committee for the Consolidated Terror List, which works across GCC countries to designate groups, institutions, entities, and individuals as belonging to or associated with terrorist organizations. The Committee of the States of the Gulf Cooperation Council agreed to the following objectives with respect to the convention:

- Assess GCC countries' progress in combating terrorism
- Prepare an annual report on states' efforts to counter terrorism
- Exchange and learn from experiences

In 2006, a permanent security committee was formed to ensure sustainable implementation of the agreement.

## **Law No. 3 of 2004 on Combatting Terrorism<sup>7</sup> and Decree 11 of 2017<sup>8</sup> to the Law**

In 2004, Qatar passed Law No. 3 on Combatting Terrorism, amended in 2017 with Decree 11. The Law, including its 2017 amendment, establishes the following:

- Prohibits providing any material support to terrorists or terrorist organizations, including information, training, supplies, financing, etc.
- Criminalizes collaborating with, training with, or joining groups that commit acts of terror inside or outside Qatar
- Prohibits creating or using any entities to commit terrorism
- Establishes terrorist investigation, detention, and prosecution powers beyond normal scope for criminal matters
- Establishes minimum penalties and authorizes Qatar to designate individuals or organizations for terrorist activity

## **Financial Action Task Force (FATF) Assessment of Qatar (2007)**

FATF gave Qatar a technical assistant after a 2007 site visit evaluating Qatar's compliance with anti-money laundering efforts. The evaluation was followed by a publicly available 2008 report on AML/CTF compliance in Qatar.<sup>9</sup>

## **Law No. 4 of 2010 on Combatting Money Laundering and Terrorism Financing Law**

This law is used as a basis for many following regulations and declarations on counter-illicit finance in Qatar.

Some of the principles incorporated in Law No. 4 include:<sup>10</sup>

- 1) Criminalizing money laundering, terrorist financing, and any activity that may facilitate them
- 2) Mandating preventive measures such as due diligence (i.e., "know your customer") and creating requirements to report suspicious activity
- 3) Establishing legal bases for investigations, prosecutions, extraditions, asset seizures, etc.
- 4) Establishing the powers and responsibilities to monitor compliance by financial institutions and designated non-financial businesses or professions (DNFBPs)
- 5) Qatar Central Bank guidelines constitute the fulfillment of the international standards enforced by FATF and the International Association of Insurance Supervisors (IAIS)
- 6) Qatari Financial Centre is tasked with enforcing the key principles of Law No. 4
- 7) Established the Qatari National Anti-Money Laundering Committee (NAML)

## Charity Network Strategies (2014)<sup>11</sup>

Qatar's charity regulations were a response to the trend of terrorists and money launderers leveraging illegitimate third and fourth party charities to siphon out funds. The regulations cover four main components:

1. **Awareness** – the state must be aware of the charities operating within Qatar and the transactions they are carrying out.
2. **Cooperation** – charities are legally obliged to cooperate with the government's monitoring.
3. **Intervention** – Qatar has the legally established authority to intervene in the activities of uncooperative or suspicious charities, such as through investigations, asset seizure, or arrests.
4. **Supervision** – charities are legally required to ensure that no nefarious activity is taking place.

Every charity must submit annual reports on its transactions. These standards bring Qatari charity regulations up to the international standard.

## Memorandum of Understanding on Counterterrorism with the United States (2017)<sup>12</sup>

In July 2017, U.S. Secretary of State Rex Tillerson and Qatari Foreign Minister Sheikh Mohammed bin Abdulrahman al Thani signed a memorandum of understanding on counterterrorism finance after weeks of discussions. The memorandum articulates the steps that the U.S. and Qatar will take to disrupt terrorist finances and coordinate counter terrorism activities.



## U.S.-Qatar Strategic Dialogue (2018)<sup>13</sup>

In 2018, the U.S. and Qatar held the inaugural Strategic Dialogue, discussing areas of partnership between the U.S. and Qatar, including defense and countering terrorism and extremism. The dialogue also covered progress made under the terms of the 2017 memorandum of understanding. During the Strategic Dialogue, the two countries signed an additional MOU, which:



- a. strengthens the relationship between the countries in fighting terrorism.
- b. explains where Qatar can do more to fight terrorism.
- c. establishes the basis for sharing information and charity regulation.

## The Future

Qatar continues to cooperate with the Global Counterterrorism Forum (GCTF), 29 countries and the European Union, to cooperatively combat extremism.<sup>14</sup> The organization's current priorities include:



- a. CVE (countering violent extremism)
- b. FTF (foreign terrorist fighters)

- 1) The Memorandum of Understanding between the U.S. and Qatar during the 2018 inaugural Strategic Dialogue established the basis for future annual dialogues that will cover areas for Qatari progress or increased counterterrorism cooperation between the two countries.
- 2) FATF has a scheduled reevaluation of Qatar's compliance with international anti-money laundering standards in 2020.



## Endnotes

1. Neumann, Vanessa. Blood profits: how American consumers unwittingly fund terrorists. New York, NY: St. Martins Press, 2017. 19.
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