

# **Dirty Money: Evaluating the Effectiveness of Existing Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) Measures in the Middle East**

**by  
Sasheeka Udawatte**

B.A. (International Studies), Simon Fraser University, 2017

Project Submitted in Partial Fulfillment of the  
Requirements for the Degree of  
Master of Public Policy

in the  
School of Public Policy  
Faculty of Arts and Social Sciences

© Sasheeka Udawatte 2023  
SIMON FRASER UNIVERSITY  
Spring 2023

Copyright in this work is held by the author. Please ensure that any reproduction or re-use is done in accordance with the relevant national copyright legislation.

## Declaration of Committee

**Name:** Sasheeka Udawatte

**Degree:** Master of Public Policy

**Title:** **Dirty Money: Evaluating the Effectiveness of Existing Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) Measures in the Middle East**

**Committee:**

**Chair: Alaz Munzur**  
Term Assistant Professor, Public Policy

**Grace Jaramillo**  
Supervisor  
Term Assistant Professor, Public Policy

**Genevieve LeBaron**  
Examiner  
Professor, Public Policy

## **Abstract**

Both money laundering and terrorist financing are two activities that abuse the financial system. As a result, similar techniques are implemented for both anti-money laundering and counter terrorist financing (AML/CFT) measures. Efforts to combat money laundering and terrorist financing have been broad and vast. There seems to be a lack of consensus on whether the existing anti-money laundering and countering terrorist financing measures are effective. This study uses a literature review and jurisdictional scan to explore the existing measures while identifying gaps. This study also aims to answer how Canada and Global Affairs specifically, fits into this. Three policy options are proposed and evaluated. The key objective of these policies is to increase the effectiveness of the existing AML/CFT measures in the Middle East.

**Keywords:** Money laundering; Terrorist financing; Counter-terrorism; Violent extremism; Canada; International security.

## **Acknowledgements**

A lot of individuals helped make this capstone experience a lot easier, and for that I am very grateful.

First and foremost, I would like to sincerely thank my supervisor, Dr. Grace Jaramillo. Thank you for helping me think outside the box and teaching me how to construct an effective policy design. Your advice and insight helped me turn this capstone into a final product I can be proud of. I would also like to thank my examiner, Dr. Genevieve LeBaron, for challenging me to make this paper as strong as it could be. I appreciate your thoughtful comments and questions.

To my colleagues at Global Affairs, thank you for allowing me to take on this research over my co-op semester and later develop it into a thesis. I have enjoyed working with your team and found this learning experience to be extremely valuable. Grateful for your continued patience and kind encouragement.

To my family, I am eternally grateful for your support over the years and for always encouraging me to pursue my dreams. I wouldn't be here without you. And to my partner, thank you for your kindness and support throughout this process. You made this experience much easier.

Lastly, to my fellow classmates. I am thankful our paths crossed and grateful for everything I have learned from you. Wishing everyone success and happiness as we end this chapter and begin a new one.

# Table of Contents

|   |           |
|---|-----------|
| Declaration of Committee .....  | ii        |
| Abstract .....  | iii       |
| Acknowledgements .....  | iv        |
| Table of Contents .....   | v         |
| List of Tables .....  | vii       |
| List of Figures .....   | viii      |
| List of Acronyms .....  | ix        |
| <b>Chapter 1 Introduction .....</b>   | <b>1</b>  |
| <b>Chapter 2 Canadian Context .....</b>   | <b>4</b>  |
| <b>Chapter 3 Background .....</b>   | <b>8</b>  |
| 3.1 Terrorist Financing in the Middle East .....  | 8         |
| 3.2 Different Approaches to AML/CFT .....   | 9         |
| 3.2.1 The military approach .....   | 9         |
| 3.2.2 The financial regulatory approach .....   | 11        |
| 3.2.3 The technical assistance approach .....   | 12        |
| 3.3 Countries at Risk .....   | 15        |
| <b>Chapter 4 Methodology .....</b>  | <b>17</b> |
| 4.1 Research Approach .....   | 17        |
| 4.1.1 Literature Review .....   | 17        |
| 4.1.2 Jurisdictional Scan .....   | 17        |
| 4.2 Multi Criteria Analysis .....   | 17        |
| 4.3 Limitations .....   | 18        |
| <b>Chapter 5 Jurisdictional Scan .....</b>  | <b>19</b> |
| 5.1 Country Profiles .....  | 19        |
| 5.1.1 Jordan .....  | 19        |
| 5.1.2 Syria .....   | 20        |
| 5.1.3 Iraq .....  | 21        |
| 5.1.4 Lebanon .....   | 22        |
| 5.2 Pakistan .....  | 23        |
| 5.3 Indonesia .....   | 24        |
| 5.4 Key Takeaways .....   | 26        |
| <b>Chapter 6 Policy Options .....</b>   | <b>27</b> |
| 6.1 Partnering with banks and financial institutions to implement a standardized<br>screening process ..... | 27        |
| 6.2 Continue to support existing broader counter-terrorism measures and policies .....                      | 28        |
| 6.3 Increased collaboration with non-profit organizations .....   | 29        |
| <b>Chapter 7 Evaluation of Criteria and Measures .....</b>  | <b>30</b> |

|  |           |
|--|-----------|
| 7.1 Effectiveness .....  | 30        |
| 7.2 Political Feasibility .....  | 30        |
| 7.3 Administrative Ease.....   | 31        |
| 7.4 Equity .....   | 31        |
| <b>Chapter 8 Analysis of Policy Options .....</b>  | <b>34</b> |
| 8.1. Analysis 1: Partnering with banks and financial institutions to implement a<br>standardized screening process ..... | 34        |
| 8.1.1. Effectiveness .....   | 34        |
| 8.1.2. Political Feasibility .....   | 34        |
| 8.1.3. Administrative Ease .....   | 35        |
| 8.1.4. Equity .....  | 35        |
| 8.2. Analysis 2: Continue to support broader counter-terrorism measures and policies .                                   | 36        |
| 8.2.1. Effectiveness .....   | 36        |
| 8.2.2. Political Feasibility .....   | 36        |
| 8.2.3. Administrative Ease .....   | 36        |
| 8.2.4. Equity .....  | 36        |
| 8.3. Analysis 3: Increased collaboration with non-profit organizations .....   | 37        |
| 8.3.1. Effectiveness .....   | 37        |
| 8.3.2. Political Feasibility .....   | 37        |
| 8.3.3. Administrative Ease .....   | 37        |
| 8.3.4. Equity .....  | 38        |
| 8.4 Summary of Analysis.....   | 38        |
| <b>Chapter 9 Recommendation and Implementation.....</b>  | <b>40</b> |
| <b>Chapter 10 Conclusion .....</b>   | <b>43</b> |
| <b>References.....</b>   | <b>44</b> |

## List of Tables

|  |    |
|--|----|
| Table 7-1. Evaluation of Criteria and Measures for Policy Analysis ..... | 32 |
| Table 8-1. Summary of Analysis.....                                      | 38 |
| Table 9-1. Timeline for Implementation .....                             | 41 |

## List of Figures

|   |    |
|---|----|
| Figure 2-1. Canada's Counter-terrorism Strategy .....   | 5  |
| Figure 3-1. Immediate Outcomes Identified by FATF ..... | 15 |
| Figure 5-1. Indicators to Measure Compliance .....      | 20 |



## List of Acronyms

|         |  |
|---------|--|
| AML/CFT | Anti-Money Laundering/Counter-Terrorist Financing            |
| ATA     | Anti-Terrorism Act   |
| CSO     | Civil Society Organization                                   |
| CTCBP   | Counter-Terrorism Capacity Building Program                  |
| CT      | Counter-Terrorism  |
| CVE     | Countering Violent Extremism                                 |
| FATF    | Financial Action Task Force                                  |
| FINTRAC | Financial Transactions and Reports Analysis Centre of Canada |
| GAC     | Global Affairs Canada  |
| GOC     | Government of Canada   |
| IMF     | International Monetary Fund                                  |
| ISIL    | Islamic State in Iraq and the Levant                         |
| MENA    | Middle East and North Africa                                 |
| NPO     | Non-Profit Organization                                      |
| PVE     | Preventing Violent Extremism                                 |
| UN      | United Nations   |
| UNOCT   | United Nations Office of Counter-Terrorism                   |
| UNODC   | United Nations Office on Drugs and Crime                     |

# Chapter 1

## Introduction

Money laundering can be defined as the process of disguising the illicit origin of proceeds gained through criminal activity. Money laundering activity usually entails three distinct characteristics: the conversion or transfer of the property, the disguise or concealment of the property, and the acquisition or use of property, with knowledge of the true nature of the proceeds. Terrorist financing refers to the solicitation, collection or provision of funds with the knowledge that it is used to support terrorist activity or a terrorist organization. Funds can originate from both licit and illicit sources. Therefore, the primary goal is not to conceal the source of the funding, but rather to conceal the financing of an activity, as well as the nature of this activity (IMF, n.d.). Since both types of activities abuse the financial system, similar techniques are used for both money laundering and terrorist financing activities. As a result, similar techniques are implemented for both anti-money laundering and counter financing of terrorism (henceforth, AML/CFT) measures. In fact, an effective framework that combats both money laundering and terrorist financing, should pay attention to both areas. Both measures aim to prevent, detect, as well as punish the illicit financing of terrorist organizations and individuals.

Prior to 9/11 the international financial community focused on money laundering. Immediately following the attacks, the Bush Administration signed Executive Order 13224, with the intention of attacking the financial foundation of the terrorist network and halting its funding. This was successful as 150 known terrorist organizations had their accounts seized and frozen. Many other countries took on similar measures. Ever since then, counter-terrorist financing has become a staple approach for counter-terrorism measures (Dean, Thompson and Keatinge, 2013).

On an international level, the United Nations Security Council implemented a resolution that urged all nation states to work together to target the sponsors of terrorism and implement mechanisms to counteract terrorist attacks. This resolution also established the Counter-Terrorism Committee which would monitor the measures (Ryder, 2017). Additionally, the Financial Action Task Force (FATF) also implemented special recommendations that addressed a range of counter-terrorist measures such as

criminalizing the financing of terrorism, permitting nation-states to freeze and confiscate terrorist assets, reporting terrorist-related suspicious transactions that relate to terrorism, the promotion of international co-operation to tackle terrorist financing, alternative remittance systems, wire transfers, non-profit organizations, and cash couriers. In 2012, The FATF released their updated 40 recommendations, which now fully integrate counter-terrorist financing measures with anti-money laundering efforts (Ryder, 2017).

Today, there is a lack of consensus among both academics and policy officials, on whether the existing anti-money laundering and countering terrorist financing measures are effective (Davis, 2022). This gap in the literature is further highlighted by the fact that there is no international standard that enforces best practices for AML/CFT measures. This topic is often spoken about quite broadly, and it has multiple approaches. These include law enforcement, military efforts, increasing financial intelligence capacity, and increasing capacity through technical assistance. However, there is still no universal way to prove that countering terrorist financing policies work. Most examples are drawn from individual case studies.

As a result, this study aims to address the policy problem: **How effective are the existing AML/CFT measures in the Middle East?** This question is important and relevant because counter-terrorism efforts have become a global political priority, and countering terrorist financing is a rather niche and sometimes forgotten approach. This paper attempts to highlight existing gaps within the broader counter-terrorism approach, while also depicting how an increased focus on AML/CFT efforts will be beneficial. The Government of Canada has also made significant contributions in this field, and this paper will draw attention to accomplishments and potential areas of improvement. The recommendations made at the end can be implemented by the Canadian government, and international institutions alike.

Chapter 2 will provide a more detailed analysis of Canada's involvement in counter-terrorism and why this policy problem matters. This will be followed by Chapter 3, which will provide a summary of the recognized AML/CFT approaches and how they are applied. In Chapter 5, a jurisdictional scan will first look at countries that Canada actively engages with, followed by an analysis of Pakistan and Indonesia; two countries that have successfully been removed from the FATF black and grey lists. Their approaches are analyzed and eventually used to influence the policy options proposed in the latter half of

this paper. Chapters 7 and 8 use a multi-criteria analysis to determine the best and most feasible policy options, and this paper concludes with a recommendation for implementation.

## Chapter 2

### Canadian Context

The Anti-Terrorism Act (ATA) was adopted in Canada following the September 11, 2001 attacks. This was part of the Government's anti-terrorism plan which had four priorities:

- to prevent terrorists from getting into Canada and protect Canadians from terrorist acts;
- to activate tools to identify, prosecute, convict and punish terrorists;
- to keep the Canada-U.S. border secure and a contributor to economic security; and
- to work with the international community to bring terrorists to justice and address the root causes of violence.

The intention of this act was to protect all Canadians from terrorism, and also support Canada's international obligations to counter-terrorist activity (Government of Canada, 2021).

The ATA also amended the expansion of the mandate of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). FINTRAC is Canada's financial intelligence unit, as well as the anti-money laundering and anti-terrorist financing regulator. According to its mandate, FINTRAC ensures that businesses are compliant, and provides financial intelligence to law enforcement, police, and national security agencies. They work closely with the Financial Action Task Force (FATF) (Government of Canada, 2022).

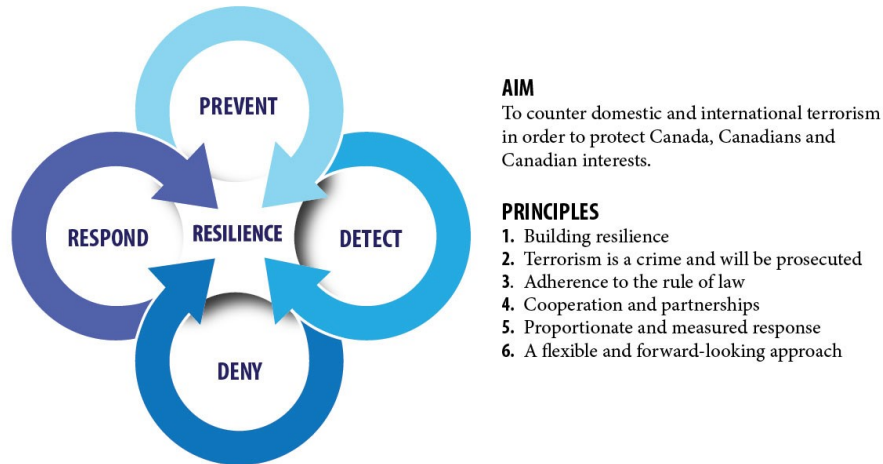
In addition to the ATA, Canada also has a counter-terrorism strategy which lays out basic principles for countering both domestic and international terrorism, while protecting Canadian interests. The strategy has four elements:

- prevent individuals from engaging in terrorism;
- detect the activities of individuals and organizations who may pose a terrorist threat;
- deny terrorists the means and opportunity to carry out their activities; and

- respond proportionately, rapidly and in an organized manner to terrorist activities and mitigate their effects.

All four elements work together to build a resilient Canada (Government of Canada, 2022).

**FRAMEWORK OF CANADA'S COUNTER-TERRORISM STRATEGY**



**Figure 2-1. Canada's Counter-terrorism Strategy**

Source: Government of Canada, 2022

In addition to addressing domestic terrorism, Canada also invests in capacity building programs that provide international assistance. Within Global Affairs Canada, the Counter-Terrorism Capacity Building Program (CTCBP) provides assistance to foreign states enabling their ability to prevent and respond to terrorist activity. The Government of Canada recognizes that the security of Canada is linked to that of other states and supports global efforts to fight terrorism. When foreign states lack resources to prevent and respond to terrorism, this places Canadians both at home and abroad at risk (Government of Canada, 2019).

CTCBP focuses on the following mandates:

- law enforcement, military and intelligence
- countering violent extremism and foreign terrorist fighters
- **countering the financing of terrorism**
- border, transportation and critical infrastructure security (including cyber infrastructure)

- legislative assistance
- countering improvised explosive devices

Currently, CTCBP has 14 operational projects in the Middle East that focus on Jordan, Lebanon, Iraq, and Syria. (Government of Canada, 2019).

Funding for the CTCBP projects in the Middle East comes out of Canada's Middle East Engagement Strategy. Between 2016 and 2022, Canada invested more than \$4 billion in programming in Iraq and Syria. This is due to the rise of ISIL related terrorist activity. In addition to capacity and resilience building, this program also funds gender empowerment, food and sanitation programs, health services, education services, etc. Canada is also a member of the Global Coalition against Daesh, and has committed to over \$325 million in funding (Government of Canada, 2022).

Lastly, when looking at money laundering from a Canadian perspective, the Cullen Commission is an important consideration. Led by B.C. Supreme Court Justice Austin Cullen, the Cullen Commission was an investigation conducted on the money laundering activities occurring within the province of British Columbia. An inquiry was conducted on the extent, growth, evolution and methods of money laundering in various sectors of the economy; the acts or omissions of responsible regulatory agencies; the effectiveness of anti-money laundering efforts; and barriers to effective law enforcement. The key message in this report was that money laundering is a concerning issue with approximately a billion dollars laundered within the province per year. In B.C., money laundering is linked to other criminal activity such as fraud, drug trafficking and human trafficking. The report also found that the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the federal anti-money laundering regime was not effective at combatting this issue (Cullen Commission, 2022).

As proven by this report, money laundering is a serious issue in British Columbia. However, the money laundering occurring in the province is not specifically tied to terrorist financing or terrorist activity. This paper will specifically focus on the link between money laundering and terrorist financing. The report also highlighted the ineffectiveness of FINTRAC. Once again, that does not apply to this paper, because it exclusively looks at money laundering and terrorist financing activity occurring in the Middle East, and it is

therefore not monitored by a Canadian financial intelligence unit. Global Affairs, and CTCBP will be included in the discussion but from a policy and programming perspective.



## Chapter 3

### Background

#### 3.1 Terrorist Financing in the Middle East

In the Middle East, the three most prominent terrorist organizations are the Islamic State, Al-Qaeda and Hezbollah. This paper will focus on the terrorist financing aspects of these three groups.

The Islamic States (ISIL) is one of the wealthiest and most established terrorist organizations in the world. Since the ISIL takeover in 2014, the United States has made efforts to curtail the organization from receiving funding. The literature shows that ISIL relies on such diverse funding mechanisms, that shutting down one source does not impact them heavily. Furthermore, since they had control over their own territory, their reliance on international streams of funding was limited (Swanson, 2015).

In 2014, The Islamic State made approximately between \$1 to \$3 million USD in revenue per day. Oil was the biggest source of income, and having control over Syrian and Iraqi territory facilitated this. The oil was mainly sold through the black market, and avoided the scrutiny of the United States and other international jurisdictions. In addition to oil, ISIL also collected revenue through the sale of antiquities. This was their second largest financial source after oil, and they earned more than a \$100 million a year. When they took control of the territory, they gained access to museums and archaeological sites. ISIL sold historical artefacts and valuable art pieces for profit in Turkey, Jordan, and also European markets (Swanson, 2015). In 2014, approximately twenty percent of funding received was through paid ransoms from kidnappings. Both the United States and United Kingdom have publicly refused to pay ISIL ransom money, in an attempt to discourage them from kidnapping citizens (CGSRS, 2015). A fourth source of funding was from wealthy foreign donors, primarily both government and private donations from Saudi Arabia, Qatar, Kuwait, and the United Arab Emirates. After much international pressure, in 2013, Saudi Arabia criminalized the funding of international terrorists, but the other countries have not taken similar measures (CGSRS, 2015).

The 2019 territorial defeat of ISIL has significantly impacted their ability to collect revenue. ISIL no longer has access to the oil reserves in Syria and Iraq. However, this does not mean that the organization is no longer able to collect and receive funds. They still hold about \$25-50 million USD in reserves, and may have plans for a possible resurgence. To make up for the lost oil revenue, ISIL has focused on collecting funds through ransoms for kidnappings, looting civilians and businesses, trafficking antiquities that were previously looted, as well as extorting oil networks in East Syria (FATF, n.d.). Since ISIL is the most active terrorist organization, most counter-terrorist measures target this group.

Prior to 9/11, Al-Qaeda operated at a cost of \$30 million a year. Recruitment and financing started during the anti-Soviet Jihadist movement in Afghanistan. The ongoing unrest in the Middle East has continued to increase their recruitment numbers. Al-Qaeda was known for infiltrating Muslim charities and financing themselves (Trinkunas & Giraldo, 2007). Post 9/11, they primarily rely on donations, drug trafficking, extortion, kidnappings, and illicit taxation (FATF, n.d.).

Hezbollah maintains significant power in Lebanon. It is both a militant group and a Shiite political party, often referred to as the 'Party of God.' Iran is responsible for financing most of this group. This is done through both funding and providing weapons. Iran is known to send the group approximately \$700 million a year (Robinson, 2022).

## **3.2 Different Approaches to AML/CFT**

After analyzing both the available academic literature and government/international organization policies, it is clear that there are multiple ways to address money laundering and terrorist financing. These approaches can be broadly categorized under three sections.

### **3.2.1 The military approach**

This approach is conducted by military forces. Key individuals are captured or killed to disrupt missions, as well as terrorist financiers and cash storage sites are destroyed. For example, ISIL's oil refineries were targeted during Operation Tidal Wave II (Davis, 2022). Furthermore, in 2019 ISIL suffered a territorial defeat at the hands of the

United States military. However, in spite of losing a land base, the organization and their ideology still exists.

There is an ongoing debate among academics as to whether a military approach or policing approach is most effective when countering terrorism (Boyle, 2018). Advocates for a police approach argue that policing forces are better equipped with the appropriate and investigative authorities. They can work within the community to gather intelligence and build up a case for prosecution that is within legal rights. However, on the other hand, the military is better equipped to handle more dangerous terrorist organizations and situations. They are equipped with more sophisticated training and equipment. Turkey and Russia for example, have seen a blend of both measures (Boyle, 2018).

A study shows that the overall success rate of militarized counter-terrorism approaches, is very poor with only a 7% success rate (Jones and Libicki, 2008). This hasn't stopped the west from taking on this approach. George W. Bush implemented a counter-insurgency and war on terror approach, and Obama transitioned heavily into drone attacks. Both the Bush and Obama administration left the counter-terrorism field much more militarized but not any more successful (Boyle, 2018). Silke argues that these approaches produce backlash amongst civilian populations, causing resentment and fueling recruitment, thus worsening the situation (Silke, 2005). In her article, Sweeney reiterates that a military response should be carried out as a last resort. However, interestingly she also argues that while there are damages born out of unnecessary military interventions, there is also a cost for inaction, especially if a military response is the only feasible option. This adds to the complexity of this topic and field (Sweeney, 2020).

Furthermore, in their book, Beyer and Bauer draw on the works of Jason Frank to highlight the importance of addressing the root causes of terrorism, in order to effectively counter it. The military approach merely counters terrorism from a state security perspective. While they might be successful in militarily defeating an entity, they are only managing the violence. In order to resolve the issue and take on a more preventative approach, it is necessary to address the root causes. Most of the root causes have socio-economic or political factors and should be examined from a wider angle (Beyer and Bauer, 2009).

### **3.2.2 The financial regulatory approach**

This is the most common approach to counter terrorist financing. The United Nations calls on states to implement effective laws against terrorist financing and investigate potential offenders. Critiques claim that terrorist financing laws are overly broad, and while states have criminalized it, few have been able to effectively prosecute those involved (Davis, 2022). International police forces such as Interpol and Europol have gotten involved in the international fight against terrorism. However, these organizations run into issues when dealing with national state governments and local police forces. They often need to figure out how to share sensitive information between organizations without compromising their own intelligence. Sometimes, there might also be a difference in their preferred approaches to handling the situation (Beyer and Bauer, 2009).

This approach also aims to exclude terrorists from the financial sector by freezing and seizing their funds, and thus disrupting their activities. This approach is carried out by states and international organizations alike, who blacklist various terrorist groups. This is meant to limit their activities, but there is little empirical evidence to show how impactful it is. Critiques suggest that this just drives terrorist organizations further underground (Davis, 2022).

These measures and resolutions were implemented to financially exclude terrorist organizations from gaining access to their sources of income. However, the literature shows that the measures in place are not effective. Both Ryder (2017) and Gurule (2017) elaborate with examples. As stated earlier, the Islamic State is a well-funded and connected terrorist organization with multiple sources of income. This also means that they are flexible in terms of what sources they rely on. Taking down one source will not harm the organization. In their article, Dean, Thompson and Keatinge further elaborate how the international community's post 9/11 CFT measures are ineffective (2013). As international governments and financial authorities developed more sophisticated methods to counter terrorist financing, terrorist organizations have also adapted in the way they conduct business. Money transfers and communication now occurs under the radar, lessening the chances of detection. It was also previously mentioned that collecting ransoms through kidnappings was one method of revenue. While the United States and United Kingdom have refused to pay ransoms to ISIL, Germany, France, Italy and Spain have all done this in an attempt to safely bring home citizens. This is one of the many

examples of why it is challenging to implement measures to cease terrorist financing (Ryder, 2017).

This approach also brings in banks and other financial institutions into the fight against terrorist financing. They are required to provide reports to financial intelligence units, to help with their investigations. Critiques argue that this puts an unfair burden on the financial institutions to detect and prevent terrorist financing. Furthermore, they are not always provided with a definition of “suspicious activities” and it is left up to the banks to decide what to report. To avoid non-compliance fees, banks are encouraged to report on anything. This approach is also criticized because it increases obstacles for people of marginalized groups to access funds (Davis, 2022).

Something not broadly spoken about is the negative impact these measures have on charities and other non-profit organizations (NPOs). When countries impose sanctions, non-profit organizations have to navigate a difficult legal environment. For example, financial institutions deny or restrict business with NPOs to avoid the risk of breaking compliance with AML/CFT regulations. The non-profit sector also faces increased surveillance from local authorities. NPOs with Islamic names or affiliations were specifically targeted. These organizations were faced with increased bureaucratic hurdles, which caused significant delays in accessing funds and providing much needed humanitarian aid. On certain occasions, accounts were frozen. This increased surveillance also tarnished the reputations of certain charities. Donors, especially from the West became more wary when providing donations, further excluding these organizations from much needed grants and funding. Lower-income and economically vulnerable populations benefit most from NPOs, so these individuals were also unfairly disadvantaged. Research also shows that NPOs desperate for funds, sometimes turn to the black market to meet urgent financial needs, due to lack of better options (Taraboulsi-McCarthy, 2021).

### **3.2.3 The technical assistance approach**

Under this approach, organizations like the International Monetary Fund and the United Nations Office of Drugs and Crime provide assistance to weaker jurisdictions, to help them with implementing CFT measures that are compliant with international norms and standards. These organizations provide training, relevant equipment as well as political and legal advice to the recipient countries (Davis, 2022).

Further information on these assistance programs can be found on the websites of these various organizations. The World Bank's Financial Integrity Unit provides capacity building programs to assist countries with targeting money laundering and corruption. These resources are available to the World Bank's client countries which include Jordan, Syria, Lebanon and Iraq. The World Bank works closely with the relevant authorities of their client countries, as well as international organizations like FATF, G7, United Nations, Organization for Economic Cooperation and Development, Egmont Group of Financial Intelligence Units, as well as local civil society organizations (World Bank, n.d.).

The World Bank's Financial Integrity Unit provides technical assistance to countries through knowledge products, practical tools, and training activities. This is done by:

- Providing country assessments around the risks and impact of money laundering and terrorist financing.
- Implementing counter-measures based on these assessments.
- Reviewing the effectiveness of laws and regulations and recommending improvement.
- Building capacity of the financial sector and ensuring they are better equipped to supervise and investigate.

Since 2011, the Financial Integrity Unit has guided more than 100 countries and trained more than 5000 people on conducting money laundering/terrorist financing risk assessments. 65 countries have adopted reforms. Regional workshops have been held in the Middle East, North Africa, and Sub-Saharan Africa, to train law enforcement on investigative techniques for countering terrorist financing (World Bank, n.d.).

The United Nations Office on Drugs and Crime (UNODC) is another international institution that provides assistance to member states, to build their capacity to deal with terrorist financing. This is done through their Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism. They work with their member states' legal, financial, law enforcement and judicial authorities, to develop effective and comprehensive regulatory frameworks and infrastructure (UNODC, n.d.). The UNODC has made significant efforts to help member states strengthen their national capabilities, as well as increase cross-border cooperation. An example of their work is their recent collaboration with the Middle East and North Africa Financial Task Force, and the four-day workshop they conducted in Doha, Qatar (UNODC, n.d.).

While governments and international organizations promote international and technical assistance programmes, many critiques argue that these countries cannot afford to implement these measures, and bring to attention the fact that there isn't a standardized international framework to measure the effectiveness of these programs (Davis, 2022). There is an ongoing debate on whether these programs are beneficial or not. Various studies have been conducted and conclusions drawn. Many academics have researched whether aid is effective at countering terrorism, and the results are ambiguous (Dreher and Fuchs, 2011).

A 2011 study argued that countries with terrorist activity do not often receive international aid, but when they do it is usually in large amounts. The study pointed out that following a terrorist attack, the United States increased aid to the country where the terrorist organization exists, while France, Italy and Sweden did the opposite. The authors encouraged more countries to provide aid and stressed that when assessing the effectiveness of this aid, only the terrorist activity in the country should be measured, and not the overall economic growth (Dreher and Fuchs, 2011).

Many academics argue that international aid programmes aimed at countering terrorism do more harm than good. Andrew Boutton discusses how states that are facing foreign threats will welcome aid and exaggerate about the perceived threat level, in an attempt to obtain more funding. Upon receiving this aid, states will use it to arm themselves against rivals, instead of using the funds towards counter-terrorist measures. He explained that this is why states such as Israel, Pakistan and Philippines, receive large amounts of aid, but continue to be vulnerable to terrorist activity (Boutton, 2014). A different study illustrates how counter-terrorist programming has a negative impact on humanitarian action. This is because states that are reliant on such programming might be vulnerable to obstacles such as slow program implementation, decrease in allocated funding, and humanitarian needs not being effectively met. Additionally, certain Muslim charities face financial obstructions. In spite of the good intentions, the objectives of these international assistance programmes are not successfully met (Mackintosh and Duplat, 2013).

### 3.3 Countries at Risk

When looking at international reporting, The Mutual Evaluation Reports published by FATF for each country, is a good starting point. These reports provide an in-depth analysis of how well the country has implemented the framework to combat money laundering and terrorist financing. These reports are also peer reviewed by other member countries. This means that the country being assessed must prove to the rest that they are compliant with the international framework (FATF, n.d.).

The FATF has identified a list of immediate outcomes that an effective AML/CFT framework should achieve. During the assessment process, the FATF will assess each individual country's measures against each of these outcomes.

#### Immediate outcomes

-  **1 | Risk, Policy and Coordination**  
Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.
- 2 | International cooperation**  
International cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.
- 3 | Supervision**  
Supervisors appropriately supervise, monitor and regulate financial institutions and DNFbps for compliance with AML/CFT requirements commensurate with their risks
-  **4 | Preventive measures**  
Financial institutions and DNFbps adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.
- 5 | Legal persons and arrangements**  
Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments
- 6 | Financial intelligence**  
Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.
- 7 | Money laundering investigation & prosecution**  
Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.
- 8 | Confiscation**  
Proceeds and instrumentalities of crime are confiscated.
- 9 | Terrorist financing investigation & prosecution**  
Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.
-  **10 | Terrorist financing preventive measures & financial sanctions**  
Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.
- 11 | Proliferation financial sanctions**  
Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.

**Figure 3-1. Immediate Outcomes Identified by FATF**

Source: FATF



The FATF published two updated lists in October 2022. The countries that fall under the 'Jurisdictions Under Increased Monitoring' list are actively working with the FATF to address the existing deficiencies in their anti-money laundering and counter terrorist financing measures. These countries are committed to the recommendations and have agreed to be subject to increased monitoring. This list is sometimes referred to as the grey list. Some of the Middle Eastern countries on this list include Jordan, Syria, Yemen, United Arab Emirates (FATF, 2022). The second list is the 'High Risk Jurisdictions.' This is referred to as the blacklist and Iran is the only named Middle Eastern country. Iran was placed on this list because the country failed to implement the recommended Action Plan by the deadline. The FATF called on its member states to implement counter-measures on Iran and showed concern for the terrorist financing happening in Iran and the threat it poses on international peace and security. If and when Iran implements the recommended Action Plan, an evaluation will be made and the FATF will then decide if the counter-measures should be suspended (FATF, 2022).

When a country is placed on the grey list, they are immediately subject to increased monitoring and surveillance. While other states won't automatically impose sanctions, a country could still be subject to financial restrictions. If the country fails to follow and implement the FATF's proposed plan of action, they will fall under the blacklist, and then be subject to various economic penalties. These include economic sanctions imposed by the IMF, World Bank, and Asian Development Bank making it difficult to secure funding from these institutions and other countries; payment delays that negatively influence trade and supply chains; declining of international trade, investment, aid, and foreign currency inflows; and the international community losing faith in the country's financial institutions. These restrictions are placed to encourage countries to address their shortcomings and be compliant with the FATF's regulations (Financial Crime Academy, 2022). However, as mentioned earlier, terrorist organizations have become more self-sufficient and adaptive to change. By relying on local economies, they are less dependent on the broader international financial community. Therefore, imposing sanctions and other financial obstacles will not always have the same desired impact (Ryder, 2017).

## **Chapter 4**

### **Methodology**

This project used qualitative research methodologies to understand the policy problem and propose policy solutions. The research process included a literature review, jurisdictional scan and a multi criteria analysis of the proposed policy options. Using secondary sources, this study aims to evaluate the effectiveness of existing AML/CFT measures in the Middle East.

#### **4.1 Research Approach**

##### **4.1.1 Literature Review**

Existing literature on anti-money laundering and counter-terrorist financing measures within a broader counter-terrorism context, was critical for this study. Journal articles, government policy documents, and financial reports were looked at to identify the debates within the literature and highlight existing gaps. The review helped frame the policy question and set the foundation for the policy options.

##### **4.1.2 Jurisdictional Scan**

This was the first type of methodology used in this paper. This section first provided an analysis of various countries in the Middle East, and what their AML/CFT measures were. Next, a closer look was taken at countries that implemented successful AML/CFT measures and met the FATF's recommendations. Pakistan and Indonesia were both recently removed from the FATF's grey list and blacklist respectively, due to the significant progress they had made. These two countries' policies and measures were analyzed in the jurisdictional scan. The findings helped frame the policy proposals in this study.

#### **4.2 Multi Criteria Analysis**

The second kind of methodology was the multi-criteria analysis. Based on the findings of the literature review and jurisdictional scan, three policy options were proposed in this study. These policies aim to address gaps and provide effective measures for

countering terrorist financing and money laundering activity. The policies are analyzed against four criteria, which is then evaluated against measures and given a score. The results of the analysis are taken into consideration and a recommendation and implementation method is proposed.

### **4.3 Limitations**

The existing literature broadly focuses on counter-terrorism, while the discussion on terrorist financing is rather limited. As pointed out in the literature review, there is also a lack of consensus among the academic community as to what counter terrorist financing measures have been successful. Furthermore, there is no universal way to prove that counter-terrorist financing policies work. Most examples are drawn from individual case studies.

A second limitation is the fact that there is little information on the exact operations of terrorist financing and money laundering. While a country's AML/CFT framework is analyzed in detail, there isn't much detailed discussion on the operations behind the illicit flow of finances. The FATF which is referred to as the global money laundering and terrorist financing watchdog, publishes periodic reports on a country's performance but does not provide detailed accounts on how funds are illicitly accrued. Lacking a comprehensive understanding of terrorist financing activity, poses a challenge when trying to assess the effectiveness of AML/CFT measures.

# Chapter 5

## Jurisdictional Scan

### 5.1 Country Profiles

As previously mentioned, Global Affairs Canada works closely with specific countries in the Middle East. This section provides an analysis of the current AML/CFT measures in those countries.

#### 5.1.1 Jordan

Jordan has a strong counter-terrorism program and is active in their international efforts to counter ISIL, but remittance and exchange companies have a high degree of exposure to risks in the area, particularly in Iraq. International wire transfers received from or sent to Jordan through exchange houses are at risk for being associated with terrorist financing (Fintrac, 2018).

In October 2021, Jordan made a high-level political commitment to work with FATF to strengthen the effectiveness of its AML/CFT regime and FATF has reported that they have taken steps to improve their AML/CFT regime through rectifying its legal framework (FATF, 2021). For example, a study conducted in 2018 found that there is a high level of collaboration and cooperation between the banks and the government. Banks are committed to fighting money laundering and terrorist financing. This is done by following clear guidelines and protocols set by the government, and closely monitoring client activity and keeping track of the flow of money, especially from international clients (Masadeh and Hassan, 2018).

FATF encourages Jordan to continue implementing its action plan to address its strategic deficiencies. For instance, as of June 2022, FATF reported that Jordan was under increased monitoring and was listed as a jurisdiction with strategic deficiencies. The action plan includes:

- Improving risk-based supervision and applying effective, proportionate and dissuasive sanctions for non-compliance;

- Conduct training for designated non-financial businesses and professions (DNFBPs) on their AML/CFT obligations;
- Pursuing money laundering investigations and prosecutions through parallel financial investigations (FATF, 2022).

A recent study was conducted in Jordan that examined the newly introduced instructions on AML/CFT measures, that was introduced by the Central Bank of Jordan. The study concluded that institutions in Jordan were largely compliant with the new regulations (Masadeh and Hassan, 2018). The table below shows a few examples of the indicators used in the study to measure the banks' compliance.

| The number   | Item  | SMA  | Standard deviation | Level of importance | Rank |
|--|---|------|--------------------|---------------------|------|
| 11   | Do you have specialized policies and procedures to combat money laundering and terrorism financing?   | 4.91 | 0.286              | High                | 1    |
| 12   | Do you believe that the bank gives a degree of importance to verify the identity of the client and obtain the identity documents of the customers when the relationship with them begins? | 4.85 | 0.378              | High                | 2    |
| 17   | The bank interprets the international lists of clients before opening their accounts  | 4.85 | 0.395              | High                | 3    |
| 10   | The bank is aware of the importance of combating money laundering and terrorism financing   | 4.84 | 0.384              | High                | 4    |
| 20   | The bank shall notify the AML/CFT Unit of the operations suspected of money laundering and terrorist financing  | 4.83 | 0.421              | High                | 5    |
| 14   | The bank checks the source of its clients' wealth   | 4.74 | 0.521              | High                | 6    |
| 16   | The bank takes special due diligence towards unusual transactions of customers  | 4.74 | 0.508              | High                | 7    |
| 13   | Your organization gives a degree of importance to updating client data every two years or when needed   | 4.66 | 0.594              | High                | 8    |
| 19   | There are automated systems at the bank to monitor customer movements and their suitability to the size of their economic activity  | 4.61 | 0.723              | High                | 9    |
| 18   | When new customers do not submit bank identification documents after opening the account, their accounts are closed   | 4.06 | 1.066              | High                | 10   |
| 15   | When the bank is unable to pay due diligence to certain customers, the account is opened or bank transactions are executed  | 2.21 | 1.296              | Low                 | 11   |
| Response of Banks Operating in the Kingdom to implementing the anti-money laundering and terrorist financing instructions issued by the Central Bank of Jordan |   | 4.48 | 0.6                | High                | -    |

**Figure 5-1. Indicators to Measure Compliance**

Source: Masadeh and Hassan, 2018

### 5.1.2 Syria

Suspicious transaction reporting on Syrian-related financial activity since 2014 has focused primarily on the potential funding of extremist traveller activity, possible support of ISIL-affiliated individuals, and the suspected diversion of funds sent to or received by charitable organizations working in the region (Fintrac, 2018).

Due to the isolation of the Syrian banking sector, three countries have featured heavily in suspicious transaction reporting, primarily Turkey, the United Arab Emirates and Lebanon, with Lebanese banks remaining important for Syria's connection to the global financial system (Fintrac, 2018).

### **5.1.3 Iraq**

While ISIL no longer controls significant territory in Iraq, the country remains at higher risk for terrorist financing activity, particularly recently liberated areas, since insurgent and terrorist activity are still frequent. The presence of multiple armed groups in the country, some of which have been designated as terrorist entities by other countries, also contributes to the elevated risk. The general weakness of counter-terrorist-financing regulations in the country, and the large presence of money services businesses and exchanges make it difficult to determine the true source of funds (Fintrac, 2018).

Recently, in 2018, Iraq has been removed off of FATF's "grey list" of countries that require monitoring. At the time, FATF said the country had made "significant progress in improving its AML/CFT regime" (Houlihan, 2022). According to FATF, Iraq is a member of MENAFATF. The Government of Iraq – including the Central Bank of Iraq, law enforcement, security forces, and the judiciary – continued to dismantle ISIL's financial networks and safeguard Iraq's financial institutions from exploitation by ISIL. Efforts include:

- Iraq cooperating closely with the U.S. government on multiple U.S. designations under U.S. CT authorities.
- Iraqi and Kurdish agencies coordinating actions with the U.S. Departments of Defense to disrupt and curtail ISIL's logistical infrastructure and its ability to generate, store, and use funds for recruiting and paying its fighters and for its operations.
- Iraq shared a list of banned exchange houses and money transfer companies with regional regulators, and tasked judicial action against more than a dozen individuals and companies suspected of illicit financial activity. These actions ranged from business closures to arrests of suspects (US Department of State, 2019).

#### 5.1.4 Lebanon

Lebanon has been the subject of international sanctions aimed at disrupting Hezbollah's financial networks. The U.S. government alone has designated more than 100 Lebanese financial institutions, commercial entities, and individuals linked to Hezbollah since 2001. In 2015, the U.S. government passed the Hezbollah International Financing Prevention Act (HIFPA), which targeted Lebanese banks. The Lebanese Central Bank directed the country's financial institutions to comply with HIFPA. In early 2016, Lebanese media reported that some banks were refusing to open new accounts for suspected Hezbollah supporters, and that in June, the Central Bank announced the pending closure of 3,000 Hezbollah-linked accounts (Counter Extremism Project, 2022). Hezbollah parliamentary leaders simultaneously warned that sanctions could push Lebanon toward bankruptcy and cause a "wide rift" in the country if Lebanese citizens stopped patronizing Lebanese banks out of fear of sanctions (Counter Extremism Project, 2022).

Lebanon's financial investigative unit, known as the Special Investigation Commission (SIC), is a member of the Egmont Group. The Egmont Group of Financial Intelligence Units is an international organization that facilitates cooperation and intelligence sharing between national financial intelligence units to investigate and prevent money laundering and terrorist financing.

- In 2019, the SIC took actions to comply with new U.S. sanctions against several Hezbollah members and financiers, including the sanctioning of Jammal Trust Bank for providing financial services to Hezbollah. Lebanon also designated several individuals and entities on its national terrorism-financing list.
- During the first nine months of the year, the SIC received 12 terrorism and terrorism-financing cases from local sources, out of which six cases were referred to the general prosecutor. The SIC reported that numerous terrorism and terrorism-financing prosecutions were carried out by judicial authorities in Lebanon, several of which led to convictions (US Department of State, 2019).

In addition to identifying the countries at risk, FATF reporting can also be used to distinguish the countries that have successfully incorporated the 40 recommendations and minimized ML/TF risks. While no country has proven to have an excellent AML/CFT track record, Pakistan and Indonesia are two countries that can provide insight on how they

successfully addressed the money laundering and terrorist financing risks within their borders. While Pakistan was on the FATF's grey list, Indonesia was blacklisted a few years ago. This study will take an in depth look to analyze what approaches and measures were implemented that eventually led to the FATF removing these countries from the grey list and black list.

## 5.2 Pakistan

In October of 2022, the FATF removed Pakistan from the grey list. Pakistan was first added to the grey list in June 2018 and subjected to increased monitoring because of shortcomings in the legal, financial, regulatory, investigations, prosecution, judicial, and non-governmental sectors with regard to money laundering and terrorist financing accountability (Shah, 2022).

During the time spent on the grey list, Pakistan was required to make significant changes to its AML/CFT framework and implement a comprehensive action plan (Shah, 2022). Between September 2020 and August 2022, the FATF published four follow-up reports that evaluated Pakistan's progress. The findings in the most recent report concluded that Pakistan was "largely compliant" with most of the FATF's 40 recommendations. There wasn't a single recommendation that Pakistan was categorized as being "non-compliant" with (Basel Institute on Governance, 2022).

In order to be taken off the grey list, Pakistan had to address many legal loopholes. Some of the approaches implemented through their action plan included:

- Amending more than ten laws to ensure technical compliance with the FATF recommendations (Basel Institute on Governance, 2022).
- Maintaining an updated database of terrorists and terror groups that are operating on Pakistan territory, and taking action against them (Basel Institute on Governance, 2022). The National Counter Terrorism Authority of Pakistan (NACTA) has also maintained a database of terrorist financing investigations, prosecutions and convictions (Asia Pacific Group, 2022).
- Pakistani courts handed out sentences related to various terrorist financing activity, including to leadership of the Jamaat-ul-Dawa (JuD) terror group. Assets were



frozen and Pakistan also imposed bans on a list of terrorist groups that was issued by the United Nations Security Council (Basel Institute on Governance, 2022)

- Pakistan's Ministry of Law and Justice (MoLJ) and the Self-Regulatory Body (SRB) of lawyers have issued regulations and monitor the AML/CFT compliance of lawyers. The guidelines for lawyers are published and publicly available. The guidelines also set out what the sanctions are for non-compliant lawyers. The SRB also aims to ensure that they do not accredit lawyers who are affiliated with criminals or criminal activity. Pakistan's Bar Council updated its enrol procedures to ensure that criminal record checks are conducted prior to issuing enrolment certificates and licenses. As of February 2022, Pakistan estimates that 130 of 186,956 registered lawyers are offering services that are compliant with the AML/CFT framework (Asia Pacific Group, 2022).

After being removed from the grey list, Pakistan's Ministry of Foreign Affairs issued a statement claiming that the recent engagement with the FATF has led to strategic improvements in Pakistan's laws, thus making Pakistan more resilient to cope with current and future AML/CFT challenges (Ministry of Foreign Affairs, 2022).

Getting removed from the grey list means that Pakistan is now able to once again qualify for international aid. While dealing with the consequences of recent flooding in the country, Pakistan had difficulty received assistance particularly from the IMF, EU, World Bank, and Asia Development Bank. Upon getting removed from the grey list, the IMF is finalizing a 7 billion USD loan programme (Asia Pacific Group, 2022).

### **5.3 Indonesia**

Similar to Pakistan, Indonesia is a member of the Asia Pacific Group on Money Laundering (APG). Due to lack of regulation and institutionalized corruption, Indonesia has struggled with money laundering and terrorist financing. In 2012, Indonesia was blacklisted by the FATF until 2015 (Comply Advantage, 2022).

In 2002, Indonesia began attempts to fight financial crime and money laundering. The Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), Indonesia's financial intelligence unit was founded. They passed legislation that specifically targeted money laundering and terrorist financing. In addition to the Bank of Indonesia, the Financial

Services Authority known as Otoritas Jasa Keuangan (OJK) are responsible for implementing AML regulations and supervising banks and financial institutions (Dow Jones, n.d.). The OJK was established to protect Indonesia's financial stability. This includes issuing bank licenses and monitoring AML/CFT compliance. The law mandates that financial institutions implement AML/CFT measures that are compliant with FATF and OJK standards. Penalties for non compliance can include fines between 10 billion and 100 billion IDR or up to 20 years in prison (Tookitaki, 2022).

Indonesia has experienced terrorist financing risks and sometimes terrorist attacks. The organizations responsible are local groups that are affiliated with Al-Qaeda or the Taliban. These groups raise funds through donations, group membership fees, abusing non-profit organizations, etc. Money is also moved through the banking system, either by mobile banking, online banking or money transfers (FATF, 2018).

Banks and financial institutions take a risk based approach that assesses the risk posed by customers. In order to be compliant with the AML procedures, institutions must:

- Implement appropriate customer due diligence (CDD) measures in order to identify customers and clients. Enhanced due diligence measures are also necessary for high-risk customers.
- Screen customers against international sanctions list, adverse media, and politically exposed persons (PEP) lists.
- Appoint a dedicated AML compliance officer to oversee the internal AML program.

(Comply Advantage, 2022)

Indonesia is currently an observer of the FATF. With the hopes of gaining membership, in 2017 Indonesia introduced stronger AML regulations:

- All non-bank financial institutions in Indonesia are now made public to improve administrative transparency.
- The PPATK now has broader investigatory powers, including the power to freeze bank accounts.
- Financial institutions which fail to comply with AML regulations could have their license revoked and their shareholders blacklisted for 5 years.

- Stricter controls are imposed on larger financial institutions and insurance companies.
- PPATK now coordinates with the Australian Transaction Reports and Analysis Center (AUSTRAC) on a variety of projects, including inspections of PPATK systems and workshops for countering money laundering and other financial crimes.

(Tookitaki, 2022).

## 5.4 Key Takeaways

What is most interesting is the fact that both Indonesia and Pakistan aren't recognized as states with successful counter-terrorism measures. In fact, both these states have notably dealt with terrorist threats and attacks in recent years. However, they both were extremely successful at addressing the money laundering and terrorist financing risks within their borders. This is proof of how complex counter-terrorism is, and how AML/CFT efforts make up one small but important component.

Both countries benefitted from enforcing strict regulations and stringent screening processes. Under the new regulations, authorities in both countries have the ability to investigate, freeze assets, revoke licenses and impose bans. As a result of increased screening surveillance, institutions are able to conduct proper screening of customers, update any databases with information of suspicious activity, and even check criminal records before authorizing transactions. These measures have shown to be successful. This is proof that these methods were effective in the fight against terrorist financing, and could also be used for other jurisdictions. Additionally, the terrorist entities in both Indonesia and Pakistan are predominantly ISIL and AL-Qaeda, or localized factions of them. Arguably, since both states successfully implemented measures against major terrorist groups in the Middle East, these procedures should also be successful in the Middle East.

## Chapter 6

### Policy Options

As evident through the literature review and jurisdictional scan, money laundering and terrorist financing is a global phenomenon. Each region engages in AML/CFT activity to curtail this perceived threat. For the purposes of narrowing the scope of this research, this paper focuses on money laundering and terrorist financing that is exclusively occurring in the Middle East. The Middle East was chosen as the region of focus due to the fact that the major terrorist organizations are based out of there, making the region a hotbed for terrorist activity. Furthermore, the Canadian government has invested in this area through its Counter Terrorism Capacity Building Program (CTCBP). As previously mentioned, the Canadian Government recognizes that the security of Canada is closely linked to that of other states, and as a result invests heavily in peace and stabilization programs globally (Government of Canada, 2019). Canada has also made a specific commitment to Middle Eastern peace and security, through its Middle East Engagement Strategy. Based on all these reasons, it seems evident that this issue is both pressing enough and prioritized enough for the Government of Canada and international community to consider policy recommendations.

This chapter introduces three policy options. The key objective of these policies is to increase the effectiveness of the AML/CFT framework in the Middle East. These policies can be incorporated by both international organizations and national governments.

#### **6.1 Partnering with banks and financial institutions to implement a standardized screening process**

Banks and financial institutions are often gatekeepers to the financial system. National governments should collaborate with their financial institutions and create a standardized screening process to effectively counter money laundering and terrorist financing activity. All customers and transactions should be screened. This should apply to both local and international businesses. There should also be proper communication and collaboration within the region, especially if a country's economy is closely tied with a neighbouring state. This would help authorities to keep better track of the flow of money,

especially after it leaves the country. If not addressed effectively, terrorists will continue to abuse the financial systems. Without sufficient funding, terrorist activity can be ceased at its source, making financial institutions an effective place to start.

These measures will be more effective, if supported by stronger partners. For example, the G7 countries could partner with the FATF and provide technical assistance during the implementation process of this standardized system. Given the political influence of the G7 countries, the home countries and institutions would be receptive to their support and have an incentive to be fully compliant. Random assessments could take place to measure progress.

Canada, being one of the G7 countries could be at the forefront of this policy option. Global Affairs's Counter-Terrorism Capacity Building Program (CTCBP) could work as an implementing partner and initiate a capacity building program with one of the countries at risk. If successful, similar projects could be initiated with other countries in need.

## **6.2 Continue to support existing broader counter-terrorism measures and policies**

Research shows that terrorist groups can swiftly adapt to obstacles placed on their financing networks. They also utilize new technologies to their benefit, sometimes faster than governments and financial institutions can provide assessments. When measures are put in place to counter terrorist financing and money laundering, if successful, they obstruct the financial activity that's occurring. However, these measures do not prevent terrorist organizations from seeking other methods of financing, nor does it address the root cause of the problem. This is an important factor to consider when implementing policies in this field. No policy option standing on its own, should hold the expectation of being a permanent solution.

Addressing counter-terrorism in a broader context and proactively looking at the problem from a preventing violent extremism (PVE) lens, will have its advantages. As important as it is to implement effective AML/CFT measures, it is equally important that organizations working in this field make effort to address the root causes of extremism. Preventative measures have proven to be equally valuable. Once again Canada's CTCBP

can be used as an implementing partner. CTCBP currently provides funding for a number of PVE projects. Under this policy option, Canada should implement new PVE programs, in regions of the Middle East that have been identified as areas where money laundering and terrorist financing are occurring at un-controllable levels.

### **6.3 Increased collaboration with non-profit organizations**

Research studies have shown a strong link between individuals who are facing poverty and economic hardship, and individuals who find themselves vulnerable to radicalization and extremism (Taraboulsi-McCarthy, 2021). The goal of AML/CFT efforts are to prevent and counter violent extremism, instead of exacerbating existing conditions. This should be kept in mind and implementing policies and programs that result in unfair and unnecessary hardship for people should be avoided.

It is important for governments and international organizations to include NPOs in their discussions. This provides an opportunity for organizations that are negatively impacted to voice their concerns. Furthermore, local organizations could be a vital asset and provide insight into what's happening on the ground-level, making them effective partners to collaborate with on future projects.

GAC's CTCBP has partnered with multiple charities and non-profits. This includes organizations that work with the Middle East like *Search for Common Ground* and *Hedayah*. Under this policy option, Canada should design programs with these organizations and help address the needs of the local communities. These programs could vary in nature. For example, one program could provide educational support to marginalized folks on how to navigate complex financial systems. Another program could assist local charities with the necessary tools and paperwork to confirm their licit and lawful status. The needs would defer based on the community, and this is where having a local partner that is aware of the on-ground situation, is extremely beneficial.

## **Chapter 7**

### **Evaluation of Criteria and Measures**

The proposed policy options in the previous chapter will be analyzed against a set of criteria and measures, to determine their ability to successfully address the policy problem. The identified key objective is effectiveness, which is assessed against how successfully money laundering and terrorist financing activity is ceased, and how successfully the root causes of extremism are addressed. Other additional criteria include political feasibility, administrative ease, and equity. The criteria and measures were created using the information collected from the literature review and jurisdictional scan. The rest of this chapter will provide a more detailed account of each individual criterion.

#### **7.1 Effectiveness**

In this paper, the policy problem aims to analyze the effectiveness of existing anti-money laundering and counter-terrorist financing measures. The research highlights existing gaps in the current approaches and aims to effectively bridge them. Effectiveness being the key objective, this analysis uses two criteria: (1) ceasing ML/TF activity; and (2) addressing root causes of radicalization and violent extremism.

Both criteria are assessed by their level of success. According to the first criterion, a policy option's effectiveness is measured at how successfully it is able to cease ML/TF activity. Similarly, according to the second criterion, a policy option's effectiveness is measured at how successfully the root causes of extremism are addressed. A weak success rate implies the ineffectiveness of the policy option.

#### **7.2 Political Feasibility**

A topic of this nature with such a broad international scope, means that there are multiple stakeholders involved: international trans-national organizations and institutions, national governments, and civil society organizations. Proposed policy changes will play a role in their level of involvement and investment. The criterion will assess the level of support received for the proposed policy options.

Secondly in a Canadian context, the Government of Canada's Global Affairs department is involved in counter-terrorism initiatives. In order for the new policies to be implemented by the Canadian Government and their future projects and programmes, they need to be aligned with the government's values. The second criterion will assess this.

### **7.3 Administrative Ease**

Another key consideration is the administrative ease of implementing a policy as this speaks to its overall feasibility. Cost, training, and maintenance are a few challenges that might need to be addressed. The criterion takes a look at the proposed policy's ease of implementation and maintenance, and this is measured against the level of coordination and change required during implementation.

### **7.4 Equity**

When implementing policies at such a global scale, it is important to consider how these policies affect the everyday lives of people. While international organizations and governments take on the roles of key stakeholders, it is important to also pay attention to the populations and demographics that will be directly impacted. The criterion captures the regulatory burden placed on individuals, and the measure assesses the impact it has on marginalized groups.



**Table 7-1. Evaluation of Criteria and Measures for Policy Analysis**

| Objective                                   | Criteria  | Measure   | Score        |
|---|---|---|--------------|
| <b>Key Objective</b>                        |   |   |              |
| Effectiveness<br><br><b>(Double Weight)</b> | Successfully ceasing ML/TF activity   | Significantly successful at ceasing ML/TF activity                      | Good (3)     |
|   |   | Somewhat successful at ceasing ML/TF activity                           | Moderate (2) |
|   |   | Minimally successful at ceasing ML/TF activity                          | Poor (1)     |
|   | Successfully addressing root causes of radicalization and violent extremism | Significantly successful at addressing root causes of violent extremism | Good (3)     |
|   |   | Somewhat successful at addressing root causes of violent extremism      | Moderate (2) |
|   |   | Minimally successful at addressing root causes of violent extremism     | Poor (1)     |
| <b>Additional Considerations</b>            |   |   |              |
| Political Feasibility                       | Support from International Organizations                                    | High levels of support  | Good (3)     |
|   |   | Medium levels of support  | Moderate (2) |
|   |   | Low levels of support   | Poor (1)     |
|   |   | Strong level of alignment   | Good (3)     |

|                     |  |  |              |
|---------------------|--|--|--------------|
|                     | Alignment with Government of Canada values | Medium level of alignment                        | Moderate (2) |
|                     |  | Weak level of alignment                          | Poor (1)     |
| Administrative Ease | Ease of implementation and maintenance     | High level of coordination and change required   | Good (3)     |
|                     |  | Medium level of coordination and change required | Moderate (2) |
|                     |  | Low level of coordination and change required    | Poor (1)     |
| Equity              | Regulatory burden on individuals           | High impact on marginalized groups               | Good (3)     |
|                     |  | Medium impact on marginalized groups             | Moderate (2) |
|                     |  | Low impact on marginalized groups                | Poor (1)     |
|                     |  |  | /24          |

## Chapter 8

### Analysis of Policy Options

In this chapter, the policy options introduced in Chapter 6, are assessed against the criteria and measures listed in Chapter 7. The six criteria are evaluated using three measures: Good (3), Moderate (2) and Poor (1), and each policy option will be given a score out of 24. A complete summary of the analysis can be found at the end of this chapter.

#### 8.1. Analysis 1: Partnering with banks and financial institutions to implement a standardized screening process

##### 8.1.1. Effectiveness

Corporation from banks and financial institutions is a vital component for AML/CFT efforts to be successful. The FATF strongly recommends compliance and coordination between governments and financial institutions. As seen through the case study in Jordan, a proper monitoring system will ensure that transactions are properly tracked, and suspicious activity is appropriately flagged (Masadeh and Hassan, 2018). However, on the other hand, this policy will only be effective towards money laundering occurring within banks and registered institutions. This policy will have no effect over other kinds of transactions, and as previously mentioned, most terrorist-financing activity occurs under the radar. Given these considerations, this policy will be **moderately** successful at ceasing ML/TF activity.

While this policy has potential to succeed at ceasing ML/TF activity within institutions, it does not address the root causes of violent extremism and terrorism. Therefore, this policy receives a **poor** rating under this particular criterion.

##### 8.1.2. Political Feasibility

Under this policy, the key parties are the banks and financial institutions, and countries' national governments. Much of the onus is placed on the actual financial institutions, as they get to determine who passes through the screening process. For this

reason, there might be reluctance towards this policy. However, there might be support from local governments to implement this policy, given the FATF's strong recommendations as well. If institutions receive the appropriate guidelines and support, this could also be willingly implemented. As a result, this policy receives a **moderate** rating under this criterion.

The Government of Canada has invested in multiple anti-crime and counter-terrorist projects around the world. This policy option falls within Canada's mandate and is well aligned with its values. Therefore, this criterion receives a **good** rating.

### **8.1.3. Administrative Ease**

As mentioned earlier, the onus falls on banks and institutions to adapt to this policy and implement the appropriate framework. This is an easier task for some countries over others. International organizations such as the World Bank and IFM have taken on development projects of this nature around the world. However, factors such as being grey listed by the FATF influences the eligibility of receiving these resources. Therefore, this policy option receives a **moderate** rating.

### **8.1.4. Equity**

From an equity standpoint, this policy is viewed **poorly**. Non-profit organizations will most likely face increased challenges and obstacles as they navigate through the new screening measures, as previously discussed. Accessibility issues must also be taken into consideration. For example, the Central Bank of Jordan requires new customers to provide bank identification documents within a certain timeframe after opening an account. This could place economically marginalized people at a disadvantage. While increased surveillance and monitoring could mitigate the issue at hand, they sometimes tend to have unseen consequences that are oftentimes imposed upon already marginalized populations.

## **8.2. Analysis 2: Continue to support broader counter-terrorism measures and policies**

### **8.2.1. Effectiveness**

This policy receives a **moderate** rating in terms of effectiveness. As discussed in the literature review, there is no consensus on best practices for preventing money laundering and terrorist financing. When looking at broader counter-terrorism measures there is a divide between a militarized counter-violence approach and a preventative approach. The preventative approach is more effective at addressing the root causes, compared to a militarized approach. Due to the divisiveness, this debate is quite polarized.

### **8.2.2. Political Feasibility**

Given that this policy largely recommends maintaining the existing status-quo, there isn't much political acceptance required. Many international organizations and national governments, including the Government of Canada, are involved and already investing in counter-terrorist measures, and according to this policy, this should just continue. Based on these factors, this policy receives a **good** rating.

### **8.2.3. Administrative Ease**

Since this policy recommends a continuation of existing measures, there is minimal administrative complexity. Therefore, this receives a **good** rating.

### **8.2.4. Equity**

Similar to effectiveness, due to the divisiveness of best practices and measures, some counter-terrorism approaches are more equitable than others. Therefore, this criterion receives a **moderate** rating.

## **8.3. Analysis 3: Increased collaboration with non-profit organizations**

### **8.3.1. Effectiveness**

As previously stated, the existing AML/CFT measures are able to address the issue in a moderate capacity. Engaging more effectively with non-profit organizations cannot solve the policy problem and cease money laundering and terrorist financing activity. At the same time, it won't worsen the situation and as a result, this criterion receives a **moderate** score. The second criterion receives a **good** rating because increased collaboration with knowledgeable non-profits, will raise the chances of actually addressing the root causes.

### **8.3.2. Political Feasibility**

This policy option requires support from international organizations and different national governments. Depending on how flexible and open these institutions are towards collaborating with non-profits, will greatly vary. Therefore, the first criterion will receive a **moderate** rating. When specifically looking at the Government of Canada and assessing political feasibility, this option receives a **good** rating. This is due to the fact that the Canadian government has invested in multiple projects that work towards preventing violent extremism. Reaching out to marginalized groups and looking at the issue through a human rights lens, is well within the Government of Canada's values. Global Affairs specifically, also collaborates with multiple international non-profit organizations and has established strong and feasible working relationships with them.

### **8.3.3. Administrative Ease**

Presently, non-profit organizations aren't largely involved in addressing money laundering and terrorist financing. In order to increase collaboration, the existing programmes may need to be modified or re-designed. Non-profit organizations would need to submit project proposals to potential donors with the hopes of receiving funding. Given that this policy requires the most administrative work, it receives a **poor** rating.

### 8.3.4. Equity

From an equity viewpoint, this policy is the strongest. A lot of the previously discussed consequences, such as accessibility issues and financial barriers, can be eliminated if this policy option is properly implemented. Non-profit organizations are usually representative of marginalized and vulnerable populations, and benefit from the advantage of having a better understanding of what is happening on the ground-level, compared to an international organization that does not operate in the country in question. Therefore, this receives a **good** rating.

## 8.4 Summary of Analysis

Option 1 received the lowest score, while option 2 and 3 were tied at the higher score of 19 out of 24.

**Table 8-1. Summary of Analysis**

| Objective              | Criteria  | Option #1    | Option #2    | Option #3    |
|------------------------|---|--------------|--------------|--------------|
| <b>(Double Weight)</b> | Effectiveness<br>Successfully ceasing ML/TF activity                        | Moderate (2) | Moderate (2) | Moderate (2) |
|                        | Successfully addressing root causes of radicalization and violent extremism | Poor (1)     | Moderate (2) | Good (3)     |
| Political Feasibility  | Support from International Organizations                                    | Moderate (2) | Good (3)     | Moderate (2) |

|                     |  |              |              |           |
|---------------------|--|--------------|--------------|-----------|
|                     | Alignment with Government of Canada values | Good (3)     | Good (3)     | Good (3)  |
| Administrative Ease | Ease of implementation and maintenance     | Moderate (2) | Good (3)     | Poor (1)  |
| Equity              | Regulatory burden on individuals           | Poor (1)     | Moderate (2) | Good (3)  |
| <b>Final Score</b>  |  | <b>14</b>    | <b>19</b>    | <b>19</b> |

It is evident that none of these options received a perfect score, and more importantly no single option received a good (3) score under the effectiveness objective, in spite of it being the key objective. This further amplifies how complex this topic is, and how challenging it is to recommend effective policies. As seen in the literature review, there are multiple approaches to AML/CFT measures, as well as different kinds of gaps that need to be addressed. While each single policy option aimed to address one of the many gaps, it is difficult to argue that they are a hundred percent effective. Based on the existing literature, if it was easy to implement a policy that effectively counters and eliminates terrorist financing, it would have already been done. The important take away is that future policy makers should think outside-the-box and aim to identify gaps within existing policies and question why they are not effective. This is the first step towards effective policy making. While the new policies will also be implemented on a trial-and-error basis, it will hopefully be a step closer to maximizing effectiveness.



## Chapter 9

### Recommendation and Implementation

As depicted in the summary analysis table, options #2 and #3 were tied with the highest scores. Between these two, option #2 is the easier and less expensive policy. Addressing counter-terrorism as a broader topic, will indeed also include terrorist activities that fall within this umbrella, such as money laundering and financing. However, as mentioned in the literature review, it is important to take into consideration, the fact that existing measures vary between militaristic, financial regulatory, and technical assistance approaches. Since research shows that the militaristic approach is the least effective way to address root causes, option #2 should support more financial regulatory/technical assistance-based approaches and measures.

Policy option #3 calls for increased collaboration with local non-profit organizations. Even though there could be administrative challenges associated with this policy, it is not an impossible task. The Government of Canada along with other international organizations already have projects around the world, and there should be an increasing appetite to work more closely with civil society organizations.

While policy option #1 received the lowest score out of the three, there are benefits to implementing this option as seen in the Jordan Central Bank case study. Terrorist financing and money laundering activity within financial institutions can be easily identified and ceased with the proper policies.

None of the proposed policy options are mutually exclusive. While option #2 is the easiest and fastest to implement, the other two options can also be introduced and carried out, in order to achieve best results. Since neither of these options solves the policy problem in its entirety, this paper strongly recommends that all three options are implemented simultaneously. This way, multiple gaps can be addressed and the effectiveness of these policies could be maximized.

All these options can be adopted and implemented by any number of international organizations and governments. However, this paper will provide an implementation framework for Global Affairs' Counter-Terrorism Capacity Building Program. The table

below depicts how each policy option would look in the next five to ten years, and precisely what needs to happen in order to move forward to the next step.

**Table 9-1. Timeline for Implementation**

| <p style="text-align: center;"><b>Step 1</b><br/><b>(1-2 years)</b></p>  | <p style="text-align: center;"><b>Step 2</b><br/><b>(3-5 years)</b></p>   | <p style="text-align: center;"><b>Step 3</b><br/><b>(6-10 years)</b></p>   |
|--|---|--|
| <p>Partner with financial institutions and begin the implementation process for a project (Option #1).</p> <p>Identify regions in Middle East that would benefit from PVE programs and begin communications (Option #2).</p> <p>Partner with non-profits and begin identifying the needs of local communities (Option #3).</p> | <p>After approval, project will commence. Project cycles usually last three to four fiscal years.</p> <p>Periodic reviews should be conducted to catch early errors and maximize effectiveness.</p> <p>Given the volatile and ever-changing nature of terrorist threats, it is important to keep updated and make amendments if necessary, to address any changing needs.</p> | <p>If needed, extensions would be granted.</p> <p>Final reviews and evaluations would be conducted at this stage.</p> <p>If deemed successful, similar projects will be initiated in new regions, and the project cycle will continue.</p> |

It is noteworthy, that all three policy options rely heavily on funding from international organizations or governments. In the current political climate, there is an increasing demand for counter-terrorism initiatives, so there isn't any perceived threat to the availability of funding. Global Affairs specifically has a Middle East Strategy Envelope with exclusive funding for projects of this nature. However, if there is a shift in demand or an increase in a different priority over the coming years, there is a possibility that funding

for these options would become capped. In this case, it would prevent the named stakeholders from supporting these types of programs. Hypothetically, the effectiveness of these policy options would be challenged. This has not happened, but it is important to keep in mind when proposing long-term policy options.

Lastly, while not proposed as a policy option, there is a very clear gap in the existing research on what the best approaches and measures of counter-terrorism are. Furthermore, there is limited research on the exact link between money-laundering and terrorist financing, and detailed information on how these activities occur. For these reasons, it is also recommended that research continues to be conducted on this topic, in order to better inform policies.

## Chapter 10

### Conclusion

This study aimed to analyze the effectiveness of existing AML/CFT measures in the Middle East. Secondary source research was conducted and the information was used to create a literature review and jurisdictional scan. As pointed out in the beginning of this study, there isn't a consensus on which counter-terrorism measures are effective. As a result, the literature review explores three identified approaches: military, financial regulatory, and technical assistance. In an attempt to better answer the policy problem, the jurisdictional scan takes a step further and identifies two countries – Indonesia and Pakistan – who were recently removed from the FATF black and grey lists. The steps and measures implemented by both countries' governments are analyzed and eventually contribute to the policies recommended in this paper.

Three policy options are recommended: (1) Partnering with banks and financial institutions to implement a standardized screening process; (2) Continue to support existing broader counter-terrorism measures and policies; and (3) Increased collaboration with non-profit organizations. They are analyzed against four different objectives, with effectiveness being the primary one. The other objectives include political feasibility, administrative ease, and equity. Neither one of these options addresses the issue in its entirety. As a result, all three policy options should be implemented simultaneously.

Canada has always been at the forefront of counter-terrorism, and broader international assistance and humanitarian aid programs. Canada hopes to maintain this reputation and engaging in effective implementations of AML/CFT measures is an excellent opportunity. While the proposed policy options can be implemented by any international organization, they can also each be taken on by the Government of Canada. Specifically, the Counter-Terrorism Capacity Building Program at Global Affairs could become the agent of change. As the research shows, there is no agreed upon consensus on what the effective measures are in this field. When looking at the existing programs, there are gaps that need to be addressed. Canada should take this on and be a leader in reframing the existing policies with the hopes of implementing successful changes.

## References

- Asia Pacific Group on Money Laundering (2022). Mutual Evaluation of Pakistan. <https://apgml.org/mutual-evaluations/page.aspx?p=a901712a-54e4-4b3b-a146-046aefca6534>
- Basel Institute on Governance. (2022). Country briefing: Pakistan - baselgovernance.org. Basel Institute on Governance . Retrieved March 22, 2023, from [https://baselgovernance.org/sites/default/files/2022-12/221215\\_december\\_pakistan\\_delisting.pdf](https://baselgovernance.org/sites/default/files/2022-12/221215_december_pakistan_delisting.pdf)
- Beyer, C., & Bauer, M. (2009). *Effectively countering terrorism the challenges of prevention, preparedness and response*. Sussex Academic.
- Boutton, A. (2014). US foreign aid, interstate rivalry, and incentives for counterterrorism cooperation. *Journal of Peace Research*, 51(6), 741–754. <https://doi.org/10.1177/0022343314543144>
- Boyle, M. J. (2018). The military approach to counterterrorism. *Routledge Handbook Of Terrorism And Counterterrorism*, 384–394. <https://doi.org/10.4324/9781315744636-33>
- Commission of Inquiry into Money Laundering in British Columbia. Cullen Commission. (2022, June 15). Retrieved from <https://cullencommission.ca/>
- Comply Advantage. (2022). Anti-money laundering in Indonesia: What you need to know. ComplyAdvantage. Retrieved March 21, 2023, from <https://complyadvantage.com/insights/anti-money-laundering/aml-regulations-in-indonesia/>
- Counter Extremism Project. (2022). Lebanon: Extremism and terrorism. Counter Extremism Project. Retrieved March 21, 2023, from <https://www.counterextremism.com/countries/lebanon-extremism-and-terrorism>
- Davis, J. (2022). Understanding the effects and impacts of counter-terrorist financing policy and Practice. *Terrorism and Political Violence*, 1–17. <https://doi.org/10.1080/09546553.2022.2083507>

- Dean, A., Thompson, E., & Keatinge, T. (2013). Draining the Ocean to Catch one Type of Fish: Evaluating the Effectiveness of the Global Counter-Terrorism Financing Regime. *Perspectives on Terrorism*, 7(4), 62–78.  
<http://www.jstor.org/stable/26296984>
- Dreher, A., & Fuchs, A. (2011). Does terror increase aid? *SSRN Electronic Journal*.  
<https://doi.org/10.2139/ssrn.1915635>
- El Taraboulsi-McCarthy, S. (2021). Whose risk? bank de-risking and The Politics of Interpretation and vulnerability in the Middle East and North Africa. *International Review of the Red Cross*, 103(916-917), 747–762.  
<https://doi.org/10.1017/s1816383121000643>
- FATF. (n.d.). *An effective system to combat money laundering and terrorist financing*. Documents - Financial Action Task Force (FATF). Retrieved December 12, 2022, from <https://www.fatf-gafi.org/publications/mutualevaluations/documents/effectiveness.html>
- FATF. (n.d.). *Emerging terrorist financing risks - fatf-gafi.org*. Retrieved December 13, 2022, from <https://www.fatf-gafi.org/media/fatf/documents/reports/Emerging-Terrorist-Financing-Risks.pdf>
- FATF. (n.d.). Indonesia's measures to combat money laundering and terrorist financing. Financial Action Task Force (FATF). Retrieved March 21, 2023, from <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Mutualevaluations/Mer-indonesia-2018.html>
- FATF. (n.d.). Jurisdictions under Increased Monitoring - June 2022. Financial Action Task Force (FATF). Retrieved March 21, 2023, from <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-june-2022.html>
- FATF. (n.d.). Jurisdictions under Increased Monitoring – 21 October 2022. Financial Action Task Force (FATF). Retrieved March 21, 2023, from <https://www.fatf-gafi.org/en/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-october-2022.html>

FATF. (n.d.). Pakistan's progress in strengthening measures to tackle money laundering and terrorist financing. Financial Action Task Force (FATF). Retrieved March 21, 2023, from <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Mutualevaluations/Fur-pakistan-2022.html>

FATF. (n.d.). *Public statement on the financing of ISIL, Al Qaeda and affiliates*. Documents - Financial Action Task Force (FATF). Retrieved October 24, 2022, from <https://www.fatf-gafi.org/publications/fatfgeneral/documents/statement-isil-al-qaeda.html#:~:text=FATF%20Public%20Statement%20on%20the%20Financing%20of%20ISIL%2C%20Al%20Qaeda%20and%20Affiliates,-Send&text=Paris%2C%2021%20October%202021%20%2D%20The,including%20Africa%20and%20South%20Asia>

Financial Crimes Enforcement Network. (n.d.). *United States Department of the Treasury Financial Crimes Enforcement Network*. United States Department of the Treasury Financial Crimes Enforcement Network | FinCEN.gov. Retrieved December 12, 2022, from <https://www.fincen.gov/>

*Financial market integrity*. World Bank. (n.d.). Retrieved October 24, 2022, from <https://www.worldbank.org/en/topic/financialmarketintegrity>

*Global Programme Against Money laundering*. United Nations : Office on Drugs and Crime. (n.d.). Retrieved October 24, 2022, from <https://www.unodc.org/unodc/en/money-laundering/global-programme-against-money-laundering/.html>

Giraldo, J. K., & Trinkunas, H. A. (2007). *Terrorism financing and state responses: A comparative perspective*. Stanford University Press.

Government of Canada (2021). *About the Anti-terrorism Act*. National Security. From <https://www.justice.gc.ca/eng/cj-jp/ns-sn/act-loi.html>

Government of Canada (2022). *Building Resilience Against Terrorism: Canada's Counter-terrorism Strategy*. Public Safety Canada. From <https://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/rslnc-gnst-trrrsm/index-en.aspx>

- Government of Canada (2022). *Canada's Middle East Engagement Strategy*. From [https://www.international.gc.ca/world-monde/international\\_relations-relations\\_internationales/mena-moan/strategy-strategie.aspx?lang=eng](https://www.international.gc.ca/world-monde/international_relations-relations_internationales/mena-moan/strategy-strategie.aspx?lang=eng).
- Government of Canada (2022). *Mandate*. FINTRAC. From <https://fintrac-canafe.canada.ca/fintrac-canafe/1-eng>
- Government of Canada. (2019, July 22). *Security capacity-building programs*. GAC. Retrieved October 24, 2022, from [https://www.international.gc.ca/world-monde/issues\\_development-enjeux\\_developpement/peace\\_security-paix\\_securite/capacity\\_building-renforcement\\_capacites.aspx?lang=eng](https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/peace_security-paix_securite/capacity_building-renforcement_capacites.aspx?lang=eng)
- Government of Canada. (2018, December 13). *Terrorist Financing Assessment - 2018*. Government of Canada, Financial Transactions and Reports Analysis Centre of Canada. Retrieved March 21, 2023, from <https://fintrac-canafe.canada.ca/intel/assess/tfa-2018-eng>
- Gurulé, J. (2017). Utilizing secondary sanctions to curtail the financing of the islamic state. *Georgetown Journal of International Affairs*, 18(1), 36–42. <https://doi.org/10.1353/gia.2017.0006>
- Houlihan, A. (2022, January 11). EU removes Iraq from high-risk money laundering list. AML Intelligence. Retrieved March 21, 2023, from <https://www.amlintelligence.com/2022/01/eu-removes-iraq-from-high-risk-money-laundering-list-eu-ambassador-says-this-will-pave-the-way-for-deepening-financial-cooperation-and-investment/#:~:text=By%20Alisha%20Houlihan%20for%20AMLi%20Iraq%20has%20been,its%20%E2%80%98grey%20list%E2%80%99%20due%20to%20its%20%E2%80%9Csignificant%20process%E2%80%9D>.
- High-risk and other monitored jurisdictions*. Financial Action Task Force (FATF). (n.d.). Retrieved October 24, 2022, from [https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc%28fatf\\_releasedate%29](https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc%28fatf_releasedate%29)
- Jones, S. and Libicki, M. (2008). *How Terrorist Groups End: Lessons for Countering Al Qaeda*. Santa Monica: RAND.



- International Monetary Fund. (n.d.). Anti-money laundering/combating the financing of terrorism (AML/CFT) - topics. Retrieved December 12, 2022, from <https://www.imf.org/external/np/leg/amlcft/eng/aml1.htm>
- Mackintosh, K., & Duplat, P. (2013). (rep.). *Study of the Impact of Donor Counter-Terrorism Measures on Principled Humanitarian Action*. Retrieved from <https://www.nrc.no/globalassets/pdf/reports/study-of-the-impact-of-donor-counterterrorism-measures-on-principled-humanitarian-action.pdf>.
- MENA region: UNODC launches training to disrupt terrorist financing*. United Nations : Office on Drugs and Crime. (n.d.). Retrieved October 24, 2022, from [https://www.unodc.org/unodc/en/frontpage/2017/May/mena-region\\_unodc-launches-training-to-disrupt-terrorist-financing.html](https://www.unodc.org/unodc/en/frontpage/2017/May/mena-region_unodc-launches-training-to-disrupt-terrorist-financing.html)
- Ministry of Foreign Affairs. (2022, October 21). Pakistan exits FATF Grey list. Ministry of Foreign Affairs. Retrieved March 21, 2023, from <https://mofa.gov.pk/pakistan-exits-fatfs-grey-list/>
- Money matters: Sources of Isis' funding and how to disrupt them*. CGSRS. (2015, October 25). Retrieved October 24, 2022, from <http://cgsrs.org/publications/27>
- Muhammad Masadeh, W., & Tayel Al Hassan, A. (2018). *Combating money laundering and terrorism financing instructions in Jordan*. *Banks and Bank Systems*, 13(3), 81–94. [https://doi.org/10.21511/bbs.13\(3\).2018.08](https://doi.org/10.21511/bbs.13(3).2018.08)
- Mutual evaluations*. Documents - Financial Action Task Force (FATF). (n.d.). Retrieved October 24, 2022, from <https://www.fatf-gafi.org/publications/mutualevaluations/documents/more-about-mutual-evaluations.html>
- Robinson, K. (2022, May 25). *What is Hezbollah?* Council on Foreign Relations. Retrieved December 12, 2022, from <https://www.cfr.org/background/what-hezbollah>
- Romaniuk, P., & Keatinge, T. (2017). Protecting charities from terrorists ... and counterterrorists: FATF and the global effort to prevent terrorist financing through

the non-profit sector. *Crime, Law and Social Change*, 69(2), 265–282.

<https://doi.org/10.1007/s10611-017-9755-6>

Ryder, N. (2017). Out with the old and ... in with the old? A critical review of the Financial War on Terrorism on the Islamic State of Iraq and Levant. *Studies in Conflict & Terrorism*, 41(2), 79–95.

<https://doi.org/10.1080/1057610x.2016.1249780>

Shah, M. (2022, October 25). FATF delisting marks Pakistan's progress against Terrorism Financing. *The Diplomat*. Retrieved March 21, 2023, from <https://thediplomat.com/2022/10/fatf-delisting-marks-pakistans-progress-against-terrorism-financing/>

Silke, A. (2005). 'Fire of Iolus: The Role of State Countermeasures in Causing Terrorism and What Needs to Be Done.' In Tore Bjørgo (ed.), *Root Causes of Terrorism*, pp. 241–255. Oxford: Routledge.

Swanson, A. (2015, November 18). How the Islamic State makes its money .

*Washington Post*. Retrieved from

<https://www.washingtonpost.com/news/wonk/wp/2015/11/18/how-isis-makes-its-money/>.

Sweeney, J. (2020, October 18). *To what extent is military force an effective response to terrorism?* To What Extent Is Military Force An Effective Response To Terrorism?

Retrieved December 12, 2022, from <https://projectofive.ca/2020/10/18/to-what-extent-is-military-force-an-effective-response-to-terrorism/>

Tookitaki. (2022). A guide to anti-money laundering in Indonesia. Anti-Money Laundering (AML) Solutions. Retrieved March 21, 2023, from

<https://www.tookitaki.com/blog/news-views/indonesia-anti-money-laundering-guide>

U.S. Department of State. (2020, December 1). Iraq - united states department of state.

U.S. Department of State. Retrieved March 21, 2023, from

<https://www.state.gov/reports/country-reports-on-terrorism-2019/iraq/>