

Report of the Third Meeting of the BIMSTEC Sub-Group on Combating the Financing of Terrorism

**15-16 May 2007
Phuket, Thailand**

1. The Third Meeting of the BIMSTEC Sub-Group on Combating the Financing of Terrorism (SG-CFT) under the BIMSTEC Joint Working Group on Counter-Terrorism and Transnational Crime (JWG-CTTC) was held on 15-16 May 2007 in Phuket, Thailand.
2. Delegates from Bangladesh, Bhutan, India, Nepal, Sri Lanka and Thailand attended the Meeting. The list of delegates appears as *Annex I*.

Agenda Item 1: Opening Session

3. The SG-CFT Meeting opened with Welcoming Remarks by Pol. Col. Yutthabool Dissamarn, Secretary-General of the Anti-Money Laundering Board of Thailand (AMLO), as the Chair of the Meeting.
4. The Chair, on Thailand's behalf, emphasised the importance of this forum where experts from BIMSTEC's law enforcement agencies and Financial Intelligence Units (FIUs) could share their ideas on how to cope with the problems of money laundering, in particular the financing of terrorism in the sub-region. The Chair then invited the Heads of Delegations to deliver their remarks.
5. Bangladesh presented to the Meeting overviews on anti-money laundering and combating terrorist financing programmes in its country. Information on its related legal framework, i.e., the Money Laundering (Prevention) Act 2002 was provided along with the works of the Anti-Money Laundering Department of the Bangladesh Bank, which serves as the country's FIU. The Meeting was also updated on the situation under the recently declared Emergency Rule 2007 as well as Bangladesh's cooperation with international bodies in the area of money laundering.
6. Bhutan shared with the Meeting its concern over the growing threats from terrorism in the region and stressed the importance of regional and international cooperation in combating terrorism. The Meeting was informed of the country's close coordination with India in intelligence sharing and exchange of information on security related issues in order to combat cross-border terrorism and trans-national crimes.
7. India provided the Meeting the information on its domestic legislation concerning anti-money laundering and combating the financing of terrorism, including the Prevention of Money Laundering Act 2005, the Unlawful Activities Prevention Act, and the Banking Regulation Act 1935. India has also been a member/observer of various forums targeting at combating money laundering and financing of terrorism.
8. Nepal stressed the importance of tracking the sources and means as well as objectives of the terrorist funds. The Meeting was informed that appropriate amendments had been made from time to time in the related laws in consistent with the international and regional Conventions to which Nepal is party.

9. Sri Lanka explained its Central Bank's policy, entitled "Road Map: Monetary and Financial Sector Policies for 2007 and beyond", which would expand the work of financial intelligence, actively investigate and take actions to combat money laundering and terrorist financing. The Meeting was also briefed on Sri Lanka's recent efforts in enacting three related laws, i.e., the Convention on the Suppression of the Terrorist Financing Act, the Prevention of Money Laundering Act, and the Financial Transaction Reporting Act, as well as the establishment of FIU in the Central Bank.

Agenda Item 2: Adoption of the Agenda

10. The agenda adopted by the Meeting appears as *Annex II*.

Agenda Item 3: Report of the Second Meeting of the SG-CFT in May 2006

11. Thailand briefed the Meeting the outcomes of the 2nd Meeting of the SG-CFT during 29-30 May in Chiang Mai as follows:
 - a) Regarding the issue of exchange of information, it was suggested that AMLO provide on its website secured section providing information on legislations, nodal agencies/officers, and meeting reports. Thailand agreed to provide username and password for access to the secured information to the member countries.
 - b) Regarding the issue of legal matters, the Meeting agreed that appropriate legislative arrangements should be put in place and noted that the EGMONT Group encouraged its members to have bilateral Memorandum of Understanding (MoU) on Cooperation for the Exchange of Financial Intelligence related to Money Laundering between one another.
 - c) Regarding the issue of capacity building, the member countries were encouraged to undertake exchange of visits and consider a possibility of organising a short-term training programme for other members.
 - d) The member countries made presentation on "the Role of Alternative Remittance "Hawala" in the Financing of Terrorism and Development of Appropriate Counter Measures" and "Country Typologies/Case Studies on Money Laundering and Financing of Terrorism".
 - e) The Meeting took note of various significant channels for ML and FT including share price manipulation, smart card/credit card, western union transfer, wire transfer, cash courier, etc.
 - f) It was suggested that a system that requires declaration of foreign currencies once they exceed a certain threshold would be one effective means to suppress ML and FT through cash couriers.
 - g) The abuse of NGOs/NPOs for terrorist activities was of grave concerns. As their balance sheet needs not be declared in some countries, the monitoring was thus difficult. Thailand also suggested cooperation with the United Kingdom Charity Commission to strengthen their supervisory systems.
 - h) The Meeting also agreed that the black list should not consist of only the name of the organisations, but also cover all individuals involved, as such terrorist organisations could change their names at will.

Agenda Item 4: Report of the Third Meeting of the JWG-CTTC in January 2007

12. Thailand summarised the recommendations from the 3rd Meeting of the JWG-CTTC during 16-17 January 2007 in Nay Pyi Taw as follows:

- a) The possibility of drafting an Agreement for mutual legal assistance in criminal matters between BIMSTEC members would be taken into consideration at the next meeting of the Sub-Group on Legal and Law Enforcement Issues in India;
- b) The feasibility of the proposal for establishing Border Liaison Offices (BLO) between BIMSTEC members would be addressed at the next meeting of the Sub-Group on Intelligence Sharing in Sri Lanka;
- c) India was to consider being the Lead Country for the BIMSTEC Counter-Terrorism and Transnational Crime Sector;
- d) The draft BIMSTEC Agreement on Cooperation in Combating International Terrorism, Organised Crime and Illicit Drug Trafficking should be finalised before the next Summit Meeting with a flexibility to adopt either as one comprehensive agreement or as three separate ones.

Agenda Item 5: Matters for Consideration**5.1 Revised Designation of a Nodal Agency/ Designation of a Nodal Officer**

13. The Meeting agreed that due to constant changes of the person in charge, designation of the nodal officers could also be done in terms of general position with contact information. The revised list of the nodal agencies/officers is as follows:

Country	Nodal Agency/Officer	Contact Information
Bangladesh	Anti-Money Laundering Department, Bangladesh Bank/ General Manager	2nd Annex Building, Bangladesh Bank Head Office, Dhaka 1000 Tel: 8802 7120659 Fax: 8802 7120371 E-mail: gmaml@bangla.net
Bhutan	SAARC and Bilateral Affairs Department, Ministry of Foreign Affairs/ Director	SAARC and BIMSTEC, Department of Multilateral Affairs, MFA, Thimphu, Bhutan Tel: 00975 2 322 781
India	Department of Economic Affairs Ministry of Finance Joint Secretary (CM) (Dr. K.P.Krishan, IAS)	North Block New Delhi 110021 Tel: +91 11 23092881 Fax: +91 11 24107999 E-mail: kpk1959@gmail.com
Myanmar	Myanmar Financial Intelligence Unit/ Head	To be notified
Nepal	Revenue Investigation Department, Ministry of Finance/ (Deputy) Director-General	Tel: (009771) 5527885
Sri Lanka	Criminal Investigation Department	To be notified
Thailand	Information and Analysis Centre, Anti-Money Laundering Office of Thailand (AMLO)/ Director (Mr. Weekoon Nithimuthrakul)	422 Phayathai Rd., Wangmai, Phatumwan, Bangkok 10330, Thailand Tel: 662 219 3658 Fax: 662 219 3664 E-mail: weekoon@amlo.go.th

5.2 Follow-up/ Progress Report of Implementation of the Members

14. The Meeting took note of the revised Progress Report Matrix of the Implementation of the Work Programme under the BIMSTEC SG-CFT prepared by Thailand which appears as *Annex III*.
15. The second item under Action Line of the Exchange of Information would read as “Sub-Group member countries are requested to provide copies of their national AML/CFT related laws to AMLO for compilation.”
16. A fourth element entitled “Cooperation” would be added into the table to allow interaction with other Sub-Groups.
17. India informed the Meeting that the country’s FIU has decided to hold a capacity building workshop for BIMSTEC member countries in late 2007 and requested that requirement and suggestion on the course content be forwarded to the FIU Director in due course. The Meeting welcomed India’s offer and also suggested that the course could also be designed as the host country deemed appropriate.

5.3 Presentation of Case Studies on “The Abuse of NGOs/NPOs for the Financing of Terrorism”

18. Thailand and Sri Lanka presented to the Meeting their case studies on “the Abuse of NGOs/NPOs for the Financing of Terrorism”, a matter of grave concern at the 2nd SG-CFT Meeting. The presentation documents appear as *Annex IV*.
19. The presentation made by Thailand addressed the illegitimate and legitimate sources of terrorist financing. The abuse of NGOs/NPOs for the financing of terrorism falls into the latter case. The Meeting’s attention was drawn to foreign Islamic NGOs and NPOs in Thailand as well as the country’s response to such abuses, including defensive and offensive measures. Although legal and regulatory basis for effective regulation of NGOs exists in Thailand, the implementation could face difficulties arising from various factors, particularly the complicated nature of the problem. Recommendations were also suggested as follows:
 - a) Undertake a strategic review of the NGO sector and its regulation: The review should establish a clear strategy for the regulation of NGOs, review current practice and make recommendations for improvements.
 - b) Open dialogue between government and the NGOs: This will allow explicit recognition of each other’s value and legitimacy, and will improve mutual understanding and trust and lead ultimately to better regulation.
 - c) Help NGOs comply with regulations: Regulations should be clear, simple and fair and provide advice on how to comply with them. NGOs should not be punished for honest mistakes, but helped to comply in the future.
 - d) Provide incentives to NGOs to comply with regulations: Government should recognise the useful role of NGOs and encourage them to comply with regulations by providing privileges, such as tax breaks.
 - e) Enforce compliance: The regulator should have the necessary powers and sanctions it needs for deterrent, investigative and protective purposes.
 - f) Establish a single, independent specialist regulator: Eliminate duplication and concentrate expertise by investing key roles in a single regulator. A politically independent transparent regulator will also build trust between government and the sector.

- g) Create a comprehensive national database of NGOs: The current regime, in Thailand's case, does not identify potential risks in the sector or share what information it has effectively. A single, comprehensive national database is the first step to address this issue.
 - h) Encourage self regulation by the NGO sector: The most effective monitoring of an NGO comes from within. Encourage self-regulation in all its forms as an effective, cheap and uncontroversial measure.
20. Sri Lanka made presentation on its experience on financial investigation into terrorist funding which concerns various sources, including the Bank of Tamil Eelam (BOT) and the Tamil Rehabilitation Organisation (TRO). A number of NGOs established after the Tsunami attack in December 2004 were exploited as channels to finance terrorist activities with foreign funds purported for humanitarian relief. The Meeting was also briefed about actions taken by the Sri Lanka Government, which included legal suspension of banking transactions and cooperation with international law enforcement agencies. Sri Lanka expressed its hope that what was discussed in this Meeting would actually be implemented and urged for close cooperation within BIMSTEC against the abuse of NGOs/NPOs for the financing of terrorism as one country alone would not be able to prevent such activities from happening.
 21. Bangladesh shared with the Meeting the Bangladesh Bank's experience in implementing its Money Laundering Prevention Act 2002 upon request made by the United Nations Sanction Committee against a Saudi Arabia-based international charity organisation. However, such abuse of NGOs/NPOs for the financing of terrorism has not yet been domestically detected.
 22. Bhutan informed the Meeting that the role of NGOs/NPOs is so far not significant in the Bhutanese case as there are only few of such organisations with limited financial capability and highly subsidised by the Government. The NGOs/NPOs in Bhutan are closely monitored by the government. However, the NGO Act which spells out the roles and responsibilities of such organisations, including limits of their operation, will soon be deliberated by the National Assembly.
 23. India reported to the Meeting that no case of utilisation of funds by NGOs/NPOs for financing of terrorism has yet been found in the country. The Meeting was further informed that contributions to NGOs/NPOs in India are subjected to the Foreign Contributions Regulation Act 1976. The receipt of all foreign contributions by unregistered recipient organisations must obtain prior permission from the Ministry of Home Affairs. However, the case of contributions given to spiritual leaders, which are common in India, could be much more difficult to monitor.
 24. Nepal also informed the Meeting that it found no evidence of the financing of terrorism through NGOs. As the establishment and operation of NGOs/NPOs in Nepal are strictly registration of the NGOs/NPOs in Nepal are channelled through local administration as per Association/Institution Registration Act, the chance of abusing their funds is remote.
 25. Thailand suggested that education related NGOs/NPOs be also closely monitored. From Thailand's experience in the three southern provinces, non-Islamic schools were sabotaged partly for altering financial contributions aimed at supporting education to terrorist activities. Even in other countries, the future prospect of such acts could by no means be ruled out.

Agenda Item 6: Other Matters

6.1 Rotation of Lead Shepard for the SG-CFT

26. The Chair pointed out that Thailand has so far hosted three Meetings of the SG-CFT. He further recalled the Sub-Group's Terms of Reference and suggested the need for a change of the Lead Shepherd. It was also suggested that the matter could be decided either on voluntary basis or in alphabetical order.
27. The Meeting took note of the concern expressed by some delegations regarding coordination with other Sub-Groups and agreed that the change of Lead Shepherd of the four Sub-Groups should be considered together at the 4th Meeting of the JWG-CTTC to be held in Nepal.

6.2 Conclusion of MoU on Exchange of Information/Intelligence related to Money Laundering

28. The member countries were encouraged to consider the draft bilateral Memorandum of Understanding (MoU) on Exchange of Information/Intelligence related to Money Laundering prepared and circulated by Thailand. The Meeting was also informed that Thailand has so far signed the MoU with 28 countries, including Myanmar. The text of the bilateral MoU between Thailand and Myanmar would be posted on the AMLO website. Thailand also encouraged the member countries to sign bilateral MoU between one another.
29. India informed the Meeting that it has circulated similar MoU to be concluded on bilateral basis and would be ready to further consult with member countries concerning any amendments or modifications.

Agenda Item 7: Date and Venue of the Fourth Meeting of the Sub-Group

30. The Meeting decided that the 4th Meeting of the SG-CFT would be held in mid 2008. The venue will be determined following a final decision by the 4th Meeting of the JWC-CTT on the new Lead Shepherd.

Agenda Item 8: Briefing on "Situation of Transnational Crimes in Phuket"

31. The Meeting was briefed on the "Situation of Transnational Crimes in Phuket" by representative from the Phuket Provincial Police. The Meeting noted with interest the useful information on transnational crime and international terrorist groups.

Agenda Item 9: Way Forward

32. Thailand informed the Meeting of its participation in the Working Group of the United Nations Counter-Terrorism Implementation Task Force (CTITF) on 21 May 2007. The forum would enable states to give full effect to the international obligations and standards, increase the impact of combating the financing of terrorism measures, as well as integrate such measures into their general counter-terrorism efforts. Two relevant points were raised by Thailand for discussion with CTITF, namely the BIMSTEC experience of the abuse of NGOs/NPOs for the financing of terrorism as in Agenda Item 5.3, and possible contact among the EGMONT Group and Non-EGMONT Group FIUs.

33. The BIMSTEC member countries were invited to share with the Meeting their obstacles in implementing the international obligations to fight against terrorism so that Thailand could bring such information to the attention of the forthcoming Working Group Meeting.
34. India cited their discussion with UNCTED when it was proposed that the UNSCRs, by the time they are conveyed to member countries, have lost their significance as the same is posted on the UN website immediately after the resolution. The listed organizations/entities have sufficient time to alternate their financial activities in the financial institutions and dispose off the assets. India suggested that this issue may be raised at CTITF for evolving a system that the contents of UNSCRs are known to member countries well in advance.
35. Considering Sri Lanka's challenges in dealing with terrorists, e.g. LTTE, it was suggested that the following be brought to the Working Group's attention:
 - a) Countries wish to participate in CTITF;
 - b) Terrorist problem is global and thus needs global cooperation and attention;
 - c) Terrorists engage in global businesses and share markets through indirect means;
 - d) Terrorist shipping operates in the international waters;
 - e) In case of involvement with arms manufacturers (reputed) or dealers, such dealers should be made aware of the consequences. KYC norms should be applied before an agreement is reached;
 - f) Terrorist vessels carry different flags and their names could be changed in mid sea with forged documentations;
 - g) Offshore banking and wire transfers (global) have been used to finance terrorists and arms deals;
 - h) Use of fabricated smart cards.
36. Considering the dynamic nature of money laundering and the agents, as the long-term and continuing work for the Sub-Group, the Meeting suggested for paving way towards greater contact and cooperation in sharing of financial information in financial institutions, e.g., the stock market transactions. As a beginning, all relevant laws and practices among the member countries may be collated and shared.

Agenda Item 10: Consideration and Adoption of the Report of the 3rd SG-CFT Meeting

37. The Meeting adopted the report of the 3rd Meeting of the BIMSTEC SG-CFT and the annexed documents.
38. The Chair thanked the delegates for their active cooperation which resulted in a fruitful outcome of the Meeting.
39. The delegations from Bangladesh, Bhutan, India, Nepal and Sri Lanka expressed their sincere appreciation to the Chair for conducting the Meeting in a highly efficient manner. The delegates also expressed their gratitude to the Royal Thai Government, in particular, the Anti-Money Laundering Office, for its generous hospitality and excellent arrangements.
