

**REPORT OF THE 6th BAY OF BENGAL INITIATIVE FOR MULTI-SECTORAL
TECHNICAL AND ECONOMIC CO-OPERATION (BIMSTEC) SUB-GROUP ON
COMBATING THE FINANCING OF TERRORISM**

5-7 FEBRUARY, 2014

New Delhi, India

The Sixth 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 05-07 February 2014 at New Delhi, India.

2. Delegates from Bangladesh, Bhutan, India, Nepal, Sri Lanka and Thailand attended the Meeting. The list of delegates is at *Annexure-I*.

DAY-1 (5th Feb 2014)

Agenda Item 1: Inaugural Session

3. The BIMSTEC SG-CFT Meeting opened with an inaugural session presided over by Mr. Anil Goswami, Union Home Secretary of India, the Chief Guest of the Session. Shri Rakesh Mittal, Director, Ministry of Home Affairs welcomed the Chief Guest and the delegates on behalf of the Ministry of Home Affairs. Union Home Secretary in his speech welcomed all the distinguished delegates of the Meeting and, emphasized the joint working spirit among the member countries on Combating the Financing of terrorism. He explained the various channels used for terrorist funding and the measures taken by India to combat the menace. He recognized the importance of the focus of the meeting “Financing of Terrorism related to Counterfeit Currency Notes” because of its serious implications for the terror funding activities not only for India but also for the other countries in the region.

Introductory speeches by the Heads of Delegation

4. The formal working sessions of the meeting started with introductory remarks by BIMSTEC members. The Chair of the working sessions Mr. P.K. Mishra, OSD, Ministry of Finance and Co-Chair Mr. Weekon Nithimutrakul, Head of the Thai delegation welcomed all the delegates for the formal working sessions. Each Head of the delegation introduced himself and his other colleagues.

Co-Chair, Head of the **Thai** delegation in his introductory address shared information, knowledge and concerns regarding the Financing of Terrorism. Thailand further informed that the present global security situation has shown a dramatic increase in concern with regard to international security. Therefore, any security strategy today has to be a strategy of engagement between stakeholders. Every country is, therefore, not safe from the threat and needs to be fought together to protect ourselves. Acts of terrorism require financing in one form or another. The best way to tackle the crime is to block its funding. The crime has increasingly assumed a trans-border nature, any country cannot go alone in the fight against it. We need to work together as much as we can. One of the important aspect of the cooperation is intelligence sharing. Co-Chair encouraged all the delegates to share the best practices so that the same may be replicated and brought to fruition by others.

Head of the **Bangladesh** delegation in his address stated that most of the countries are facing terrorism issues not only domestically but also in the neighboring countries, which is a great challenge for the economic development of the region.

Head of the **Bhutan** delegation in his address stated that they have taken measures for countering the financing of terrorism.

Head of the **Nepal** delegation stated that Nepal has taken anti money laundering and combating the financing of terrorism together in policy, legal, institutional and operational framework. He shared the initiatives undertaken by the Government of Nepal like AML/CFT regime and various other legal framework that are operational and subsequent amendments made in this regard for countering the threat of financing of terrorism.

Head of the **Sri Lankan** delegation in his introductory address stated that Sri Lanka has suffered from the menace of terrorism for 30 years and has more experience than other countries of the group. Sri Lanka has been getting support from the regional groups like BIMSTEC and it is necessary to have co-operation within the region in order to defeat terrorism and terrorist financing.

Head of the **Indian** delegation informed in his introductory speech that the available inputs / records confirm that funds are being provided to terrorist organisations for terrorist activities by State as well as non-State actors. Available inputs also suggest the involvement of specific organizations and individuals sympathetic to the terrorist groups based abroad. He further informed about the emergence of two new trends - (a) Financing of terrorism has become systematic and institutionalized; and (b) has acquired a global dimension and has become highly sophisticated.

Agenda Item 2: Discussion and Feedback on the Minutes of the 5th Meeting of the Sub-Group held on 6-8 March 2013 at Dhaka, Bangladesh

5. Mr. Wiroj Panjakhajornsak, Thai Delegate, read out a summary report of the 5th BIMSTEC SG-CFT Meeting held on 06-08 March, 2013 in Dhaka, Bangladesh. The summary of the report as adopted by the Sub-group is at *Annexure –II*.

Agenda Item 3: Adoption of the Agenda of the Sixth Sub-Group Meeting.

6. The agenda adopted by the Meeting is at *Annex III*.

Agenda Item 4: Business Arrangements

7. The Head of the Indian delegation briefed about the business arrangements.

Agenda Item 5: Matters for Consideration

5.1 Exchange of view on current activities

8. Co-Chair invited delegates of various BIMSTEC member countries to exchange their views on the current activities.

Co-Chair and the Head of delegation of Thailand, shared the views about the activities undertaken by Thailand in the past year. Thailand recognized the importance of formalizing exchange between Member countries through agreements for exchange of financial intelligence. It was informed that the AMLO of Thailand has signed MoUs with Myanmar, Nepal, India and

Bangladesh on the Egmont Model. Process is underway for signing the same with Sri Lanka and Bhutan. On exchange of study visits, last year AMLO received delegation from Bhutan to study the functioning of the FIU under AMLO. It was further informed that, Thailand is now sponsoring the membership of Myanmar, Nepal for the Egmont Group Membership.

9. **Bangladesh** has taken initiatives on Combating the Financing of Terrorism in the country. Government of Bangladesh has taken several initiatives such as amendment of Anti Terrorism Act in 2012 and in 2013 by including provisions in their laws to meet international standards. Bangladesh has also notified the Anti- terrorism Rules, 2013. The main challenge being faced by Bangladesh is about its implementation given the complex nature of the activities relating to Terrorism and Terrorist Financing. Bangladesh has formed a National Coordination Committee for combating terrorism and terrorist financing which organizes workshops, outreach programmes, cultural programmes, religious sermons for the people to deter them from involving themselves in the terrorist activities. Similarly, another committee has also been formed to implement UNSCRs and other international sanctions and requests. Bangladesh is also extending all co-operation to the neighboring countries. Further, it was stated that they have included 05 proscribed entities in the Schedule of Anti Terrorism Act. Bangladesh is co-sponsoring Bhutan for the EGMONT group membership.

10. **Bhutan** stated that with the establishment of FIU-Bhutan in 2011, they have finalized the negotiation for MoUs with the FIUs of India and Bangladesh. Bhutan is also in the process of signing MoU with Thailand. It was informed that Bhutan is already working on joining the EGMONT. Royal Government of Bhutan with the assistance of the Government of India has installed a system to receive transaction reports electronically. Bhutan mentioned that penal provisions on money laundering, financing of terrorism and terrorist acts are strongly reflected in the existing legislations such as Penal Code of Bhutan, 2004, Financial Service Act, 2011, Anti-corruption Act, 2011 and NDPS Act, 2005. It was informed that Bhutan recently has formed a National Coordination Committee with membership from various relevant agencies for considering issues relating to money laundering and financing of terrorism.

11. **Nepal** has promulgated several laws to combat financing of terrorism which include enacting of the Anti-Money Laundering Act and Mutual Legal Assistance Ordinance/the Extradition Act. The Government of Nepal has recently presented Organized Crime Control Ordinance for approval by the new Parliament. Nepal had framed a Five Year Strategy Plan (2011-2016) in a co-ordinated and integrated manner to combat terrorism and financing of terrorism. Law Enforcement Agencies of Nepal are jointly working together with other relevant agencies on this aspect. Nepal also has one High Level Committee, chaired by Finance Secretary, especially for efficient monitoring of implementation of Anti-Money Laundering Act. The FIU-Nepal which had been established in the Central Bank of Nepal, has prepared a national strategy for anti money laundering issues including the financing of terrorism. FIU-Nepal has already signed MOUs with FIUs of India, Bangladesh, Sri Lanka and Thailand. Nepal has also upgraded their police machinery and provided technical back-up support to enhance their capacity to address this issue especially with regard to investigation.

12. **Sri Lanka** gave a brief presentation regarding their current position of AML/CFT highlighting various laws for countering financing of terrorism and money laundering and their subsequent amendments.

Sri Lanka further stated that implementation of UNSCR 1267 was put into operation in 2013. Sri Lanka has been removed from the ICRG process since July, 2013 and that it was removed from the FATF Public Statement in February, 2013.

By 2013 Sri Lanka has signed MOUs with 24 countries which include Nepal, India & Bangladesh. The MoU with Myanmar was finalized and to be signed soon and with Thailand is under process. Sri Lanka is also getting support from EGMONT member countries relating to combating terrorist financing. Sri Lanka has given assistance to 18 countries and has also received assistance from two countries. Sri Lanka informed that international cooperation continues and they are now undertaking National Risk Assessment and the APG mutual evaluation during 2014. They are also ready to provide any assistance to the countries, whenever requested.

13. **India** informed about several initiatives taken to counter the menace of financing of terrorism. As far as, the legal regime is concerned the amendment to Unlawful Activities (Prevention) Act [UAPA] has removed all technical deficiencies that were mentioned in the Mutual Evaluation Report of India. India, as a member of FATF has participated in all the FATF Plenary meetings held in 2013. In June 2013, FATF Plenary India presented a Typology Project on “Money Laundering and Terrorist Financing related to Counterfeiting of Currency” that was co-led with EUROPOL. In this regard India got very good cooperation from the Government of Bangladesh and Government of Nepal. Similarly, India received response from 23 other countries to the questionnaire for this project. On the basis of the response to the questionnaire, India had prepared a report which was approved by the FATF Plenary. India has initiated the process of examining the revised recommendations of FATF *vis-a-vis* our present laws and implementation structures. India is also a member of the Eurasian Group on Combating the Money Laundering and Financing of Terrorism (EAG) and has been unanimously elected as Chairman of EAG in November 2013 for a period of two years. India had organised a workshop for national and state level law enforcement agencies in April 2013 where they were briefed about the terror financing issues and implementation thereof. India has recently restructured Special Economic Intelligence Cell (SEIC) wherein policy issues relating to sharing of intelligence on financing of terrorism has been emphasized. The first meeting of Joint Task Force on Fake Currency Notes between India and Bangladesh was organized in New Delhi in January 2014, where issues related to financing of terrorism and counterfeit currency notes and process to develop a mechanism regarding mutual cooperation in specific areas was discussed. India participated in the 6th BIMSTEC-JWG meeting on Counter-terrorism and Transnational Crime in Colombo, Sri Lanka where two relevant issues have been identified – (1) decision taken by sub-group on intelligence sharing amongst BIMSTEC members and (2) decision taken with regard to sub-group on legal and law enforcement issues.

Financial Intelligence Unit (FIU-IND) has been further strengthened in pursuance of the Prevention of Money Laundering Act, 2002 (PMLA) as amended in 2013. FIU-IND has made the provisions of receiving reports relating to cross border wire transfer and on transaction of immovable properties into their IT systems and will start receiving these reports from the reporting entities very shortly. FIU-IND has been providing technical assistance to FIU-Bhutan for establishing Electronic Reporting System. FIU-IND has signed MOUs with 23 countries and also in the process for signing of MOUs with several other countries. Among BIMSTEC countries FIU-IND has already signed MOUs with Nepal, Thailand and Sri Lanka. MOU with Bangladesh is likely to be signed shortly. FIU-IND is also planning to sign MOUs with Bhutan and Myanmar.

National Investigation Agency (NIA) is the Central law enforcement agency of India for investigation of terror related cases including high quality of FICN cases.

5.2 Presentation of Case Studies on “Terrorist Financing through Counterfeit Currency”

All the BIMSTEC countries gave presentations on issues relating to counterfeit currencies:

14. Bangladesh stated that although there have been cases of counterfeit currency (more than 5000 registered cases) however, it is difficult to connect them with financing of terrorism. But in some cases the possibility of involvement of counterfeit currency cannot be ruled out. The cases relate to counterfeiting of Indian currency notes, Bangladeshi currency Taka and US dollars. Compared to counterfeit currencies of other countries, Bangladeshi fake currency notes are most commonly available in Bangladesh. Counterfeiting was not found to be done by any organized group. Mostly these counterfeit notes are circulated in rural areas particularly during their festive seasons “Eid-ul- Azha”, because rural people are unaware about the security features of notes. Even though, sometimes the sources have not been clearly identified, its circulation is mainly from internal sources as well as from border areas of neighboring countries. To deal with counterfeit currency notes, a committee has been constituted in Bangladesh. As far as counterfeit Indian currencies detected in Bangladesh are concerned, it is revealed that, Bangladesh is used as a transit point (particularly the Dhaka Airport) for the circulation of FICN. It is being smuggled from another country. The two major cases of seizure of FICN in Bangladesh, that were discussed relate to 5 million and 100 million face value in INR. Bangladesh has been unable to reach the kingpins who are in a different country.

15. Bhutan informed that there are no specific cases of counterfeit notes linked to terrorist financing cases at the moment. However, Bhutan has received some fake currencies and on the basis of that some covert operations were carried out. Some foreign nationals were arrested and it was ascertained that these notes are printed by using Canon Pixma 500 printer from the image formed by photocopying but these counterfeits were not of high quality.

16. Nepal remarked that there have been some seizures of fake currencies but no specific case of fake currencies having linkage with terrorist financing has been found. Investigations on these seized fake currencies are going on. It is presumed that some middlemen/couriers are circulating these currencies for the sake of profit motives for which some of them have been imprisoned. Once released from jail, some of these culprits are suspected to have been involved in these illegal activities. The law enforcement agencies of Nepal have been able to confiscate some Nepalese, Indian and to a lesser degree the US currencies notes and the Government of Nepal, therefore, has enhanced its vigilance and surveillance.

17. Sri Lanka made a presentation on the current position of Counterfeit Currency Notes and stated that linkage with terrorist financing has not been found. Sri Lanka gave an overview of their currency notes, legal framework, identification of counterfeit currency notes, recent development on the CCN and measures taken to mitigate CCN like awareness programmes for public, advertisement, awareness through print and electronic media, distributing leaflets etc. It was observed that the circulation of counterfeit has been increased marginally in Sri Lanka because of the advancement of printing and software technology.

18. India made a presentation on the case studies related to financing of terrorism through counterfeit currency notes and also explained its relationship with organized crimes and money laundering. India also explained that Fake Indian Currency Notes being used as an instrument for terror financing directly and indirectly. (Copy of presentation /case studies is at **Annexure IV**).

19. Representative from the Bank of Thailand gave an overview of the Bank's responsibilities, which includes printing and management of Thai Bank Notes. Thailand stated that there are no specific cases of counterfeiting of Thai bank note linked to terrorist financing. Making of counterfeit currency is a criminal offence and those who commit the offence are liable for punishment under various provisions of laws. Further, Thailand strives to curb the problem of counterfeit bank notes by researching and developing new security features, raising public awareness through various educational programmes, and working closely with law enforcement agencies to monitor and combat counterfeit bank notes.

5.3 Progress review: Implementation of the BIMSTEC Consolidated list of Designated Persons / Entities (By all member countries), MoU, BIMSTEC SG – CFT webpage, Wire Transfers related to Terrorist Financing Workshop, Terrorist Financing Act, etc.

20. Co-Chair read out the progress of the BIMSTEC, gave a summary of the list of Designated Persons / Entities of all member countries, MoU, BIMSTEC SG – CFT webpage, Wire Transfers related to Terrorist Financing Workshop, Terrorist Financing Act, etc. With respect to **consolidated list of designated** persons/entities, the Co-Chair informed that India, Sri Lanka and Bangladesh had sent the list. Co-Chair requested all other countries to send the same very soon. Co-Chair also requested for **signing of MOUs** by all the BIMSTEC countries on priority basis. Regarding **setting up of CFT Web Page**, it was informed by the Co-Chair on behalf of Thailand that Government of Thailand AMLO has already created a BIMSTEC SG-CFT webpage on its website in September 2013, to visit it please go to www.amlo.go.th, choose English menu, then you will see BIMSTEC SG-CFT webpage. In order to fulfill the context, Thailand would like to receive any useful information to share on this webpage, such as case studies, publication and designated persons list. India conveyed that the links of URLs along with the list of banned terrorist organizations has been shared. India is also in the process of uploading various orders relating to CFT cases. Regarding **wire transfers related to Terrorist Financing workshop**, Thailand stated a two day workshop will be held in Bangkok, Thailand, around April or May 2014.

With regard to **terrorist financing act**, Bhutan informed that while various legal provisions are prevailing under relevant acts, Bhutan may consider drafting a new CFT Act after the completion of mutual evaluation by APG which is likely to take place in 2015. Bhutan highlighted that the reason for considering of a new CFT Act only upon the completion of mutual evaluation by APG is to ensure incorporating their findings / recommendations.

21. The meeting commenced with a presentation by National Investigation Agency (NIA) India. The highlight of the presentation were UAPA Act 1967 which deals with terror related cases including financing of terrorism and NIA Act covering salient features of the Acts .

Agenda Item 6: Other Relevant Issues

22. The chair initiated the discussion by mentioning about the financing of terrorism as a global issue which can be controlled by international cooperation, for which the Chair requested

the BIMSTEC countries to develop the mechanism of Standard Operating Procedures (SOPs). The concept of BIMSTEC countries designated entities may be circulated to the FIUs of the respective countries.

Bangladesh mentioned that in order to have better cooperation among the BIMSTEC countries there should be additional Contact Points. Bhutan, Nepal, Sri Lanka, Thailand and India supported the suggestion of Bangladesh. India further suggested that there should be a regional mechanism at the BIMSTEC level for information sharing and cooperation in investigation through designated nodal officers.

India further suggested to work out an annual calendar for technical assistance programme on the basis of requests made by member countries, which will be organized by the member countries as per their convenience.

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

23. Bhutan agreed to host the next BIMSTEC Meeting. All delegates unanimously agreed. The Chair thanked Bhutan and requested Bhutan to decide the theme of the meeting by consulting with other Member countries. The other member countries were requested to suggest topics for discussion during the next meeting.

Agenda Item 8: Consideration and Adoption of the Report of the 6th Meeting of BIMSTEC SG-CFT:

24. The Meeting adopted the report of the 6th Meeting of the BIMSTEC SG-CFT and the attached documents.

25. The Chair thanked the delegates for their active cooperation which resulted in a fruitful outcome of the Meeting.

26. The delegations from Bangladesh, Bhutan, Nepal, Sri Lanka and Thailand expressed their sincere appreciation to the Chair for conducting the Meeting in a highly efficient manner. The delegates thanked India for its hospitality.

Agenda Item 9 : Closing Session

27. The Chair thanked the delegates for their participation in the 6th BIMSTEC Sub-Group Meeting on Combating the Financing of Terrorism. The Chair appreciated the contributions made by them. He further informed that the 4th round of Mutual Evaluation procedure have been finalized by the FATF, which puts emphasis on effectiveness of AML/CFT regime. He therefore, requested delegates to sensitize all the stakeholders to achieve not only technical compliance of FATF standards but also to demonstrate the effectiveness of the implementation consistent with the standards prescribed in the FATF methodology.

28. The Co-Chair and the Head of the Thailand delegation in his vote of thanks address appreciated the participation from BIMSTEC countries and thanked India for hosting the successful event with hospitality and excellent facilitation in all aspects.
