

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority and Minority Staff

Date: February 29, 2016

Subject: March 1, 2016 Task Force to Investigate Terrorism Financing hearing titled "Helping the Developing World Fight Terror Finance"

The Task Force to Investigate Terrorism Financing will hold a hearing entitled "Helping the Developing World Fight Terror Finance" on Tuesday, March 1, 2016, at 2:00 p.m. in room 2128 of the Rayburn House Office Building. This will be a one-panel hearing with the following witnesses:

- Ambassador Robert M. Kimmitt, Senior International Counsel, WilmerHale
- Mr. Clay Lowery, Vice President, Rock Creek Global Advisors and Visiting Fellow, Center for Global Development
- Mr. James W. Adams, former Vice President, East Asia and Pacific Region, World Bank
- Mr. William F. Wechsler, Senior Fellow, Center for American Progress

Introduction¹

U.S. and international efforts to combat terrorist financing abroad include a number of interdependent activities. These include targeted sanctions, intelligence and law enforcement, global guidance and regulatory standard-setting, as well as training and technical assistance to build the capabilities of national government anti-money laundering and combating the financing of terrorism (AML/CFT) efforts. Despite the existence of international conventions, standards, initiatives, regulations, and oversight bodies that commit participating countries and institutions to AML/CFT goals, there is no central coordination body mandated to facilitate AML/CFT capacity building efforts on a global level through training and technical assistance. While there has been substantial convergence on the specific requirements of the various conventions and initiatives, coherence among the various national and international agencies involved has been identified as an area of concern.

In remarks delivered in April 2015, Yury Fedetov, Executive Director of the United Nations Office on Drugs and Crime (UNODC), commented that:

[The] most frequently identified technical assistance needs in countering terrorist financing are one, strengthening the effective cooperation between national agencies which are involved directly or indirectly in fighting terrorist financing, and two, enhancing cooperation between regional and international networks.²

As terrorist financing and other illicit financial activity continues to pose risks to the international financial system, some have called for greater AML/CFT cooperation between, and among, national and international agencies.³ The international community has yet to clarify the varying roles that state, regional bodies, and international and intergovernmental entities may play in the coordination and implementation of AML/CFT capacity building assistance. Instead, a wide range of donor entities are actively engaged in providing a broad array of AML/CFT technical assistance and training offerings, which are not consistently catalogued or coordinated. It is believed that “improved coordination among donor governments... could make global development assistance more efficient and effective.”⁴ Donor coordination, which is called “harmonization,” has been a major theme of international development cooperation agreements in the last decade, including the 2005 Paris Declaration on Aid Effectiveness, to which the U.S. and other major donors have committed themselves.⁵ As described in international guidance on AML/CFT capacity building, however, there are inherent tensions between international interests to coordinate technical assistance and national prerogatives that seek to avoid perceptions of outside influence to control or constrain the mandates and activities of donor and recipient countries.⁶

Key issues for policymakers include whether and how to prioritize AML/CFT technical assistance at the international level and what role the United States can or should play to coordinate, fund, and

¹ This memorandum was prepared by the Congressional Research Service at the Task Force’s request, and has been reviewed and approved by staff of the Financial Services Committee.

² Yury Fedetov, Remarks at the UNODC High-Level Special Event on Strengthening National and International Cooperation in Preventing and Countering Terrorist Financing, April 14, 2015.

³ Financial Action Task Force, Emerging Terrorist Financing Risks, October 2015.

⁴ See, for example, Congressional Research Service Memo, Foreign Aid: International Donor Coordination of Development Assistance, February 2013.

⁵ Id.

⁶ See, for example, Financial Action Task Force, Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards Within Low Capacity Countries, February 29, 2008.

implement such efforts. Some observers have questioned the effectiveness of recent AML/CFT capacity building efforts. A 2015 report by the Organization for Economic Cooperation and Development (OECD), for example, found that while countries' compliance with key AML/CFT standards has improved, particularly following international responses after the Al Qaeda terrorist attacks of September 11, 2001, compliance with the key OECD recommendations and obligations remains low.⁷ Compliance is an even greater concern in developing countries, since larger Gross Domestic Product (GDP) levels and a higher quality of domestic economic and legal institutions are associated with greater compliance with AML/CFT standards.⁸ The Financial Action Task Force (FATF) and other standard-setters have cautioned that the aggressive implementation of AML/CFT standards and procedures can have the unintended consequence of preventing low-income households from accessing the formal financial sector.

International Framework

Although there are international standard-setting bodies, such as FATF and the OECD, in addition to global and regional forums to address AML/CFT policy issues, there is no central coordination body to set a global direction or policy agenda on AML/CFT capacity building efforts. This has been mitigated, to an extent, through the involvement of informal groups such as the G-20, which has taken leadership on various financial sector issues.

International legal obligations to combat terrorist financing have been negotiated within the framework of the United Nations (UN). The UN Security Council has issued specific mandates to target individuals and funding streams associated with Al Qaeda and the Islamic State (also known as ISIL, ISIS, and Da'esh). Nevertheless, most international AML/CFT activity has been voluntary and policy concerns are raised in informal decision-making forums like the G-20. National authorities are the primary actors, responsible for devising regulatory requirements for and guidance to the financial industry and other economic sectors vulnerable to money laundering and terrorist financing abuse, as well as providing oversight and supervision of financial institutions operating under their jurisdiction. National authorities also voluntarily participate in the international standard-setting bodies. International financial institutions, primarily the International Monetary Fund (IMF), provide overall surveillance of national compliance with the agreed upon international financial standards, among its other functions. The IMF, as well as the World Bank and numerous other international, regional, and national entities, provide a wide range of technical assistance and training to various countries each year.

Support for Bilateral and International Technical Assistance

Several U.S. federal departments, agencies, and offices provide bilateral technical assistance and training on AML/CFT topics. The U.S. government also supports multilateral organizations that provide AML/CFT assistance, whether in the form of direct U.S. participation or funding. According to the U.S. Department of State, in a 2015 report to Congress on Money Laundering and Financial Crimes, the U.S. government provided AML/CFT support to more than 100 countries in 2014, both bilaterally and with other donor nations and international organizations, in the form of training, mentoring, and other support for the full range of AML/CFT stakeholders.⁹ Such stakeholders included supervisory, law

⁷ Organization for Economic Cooperation and Development, *Illicit Financial Flows from Developing Countries: Measuring OECD Responses*, 2014.

⁸ Concepcion Verdugo Yepes, *Compliance with the AML/CFT International Standard: Lessons from a Cross-Country Analysis*, International Monetary Fund, Working Paper 11/177, 2011.

⁹ U.S. Department of State, *International Narcotics Control Strategy Report*, Vol. II, Money Laundering and

enforcement, prosecutorial, customs, and financial intelligence unit government personnel, as well as private sector entities. U.S. agencies involved in implementing such international AML/CFT support include the:

- Board of Governors of the Federal Reserve System (FRB);
- U.S. Department of Homeland Security (DHS), including Customs and Border Protection (CBP) and the Immigration and Customs Enforcement's Homeland Security Investigations (ICE-HSI);
- U.S. Department of Justice (DOJ), including the Drug Enforcement Administration (DEA), Offices within the Criminal Division (including the Office of Overseas Prosecutorial Development, Assistance, and Training (OPDAT), and the Asset Forfeiture and Money Laundering Section (AFMLS), and the National Security Division (NSD));
- U.S. Department of State, including the International Narcotics and Law Enforcement Affairs Bureau (INL) and Counterterrorism Bureau (CT);
- U.S. Department of the Treasury, including the Financial Crimes Enforcement Network (FinCEN), International Revenue Service-Criminal Investigations (IRS-CI), Office of the Comptroller of the Currency (OCC), and Office of Technical Assistance (OTA); and
- Federal Deposit Insurance Corporation (FDIC).

These U.S. federal entities provide an array of international programming that spans several AML/CFT topics. Illustrative programming includes DHS-CBP training workshops in bulk cash smuggling, ICE-HSI cross-border financial investigation training (CBFIT), DOJ-OPDAT and DOJ-AFMLS training on financial investigations and asset recovery, State Department-managed trainings through its five International Law Enforcement Academies (ILEAs), and Treasury-OTA's comprehensive support to develop internationally-compliant AML/CFT regimes through its Economic Crimes Team (ECT).

DHS special agents have also been placed on temporary assignment overseas as cross-border financial investigations advisors (CBFIAs) and federal prosecutors have been placed overseas on long-term assignments funded by the State Department and managed by OPDAT, as resident legal advisors (RLAs). In 2014, RLAs were located in Algeria, Bangladesh, Iraq, Kenya, Panama, Senegal, Turkey, and UAE; they focused on supporting host nations with the development and implementation of AML/CFT legal regimes.

Additionally, the State Department provides multilateral AML/CFT support to the UN through its Global Programme Against Money Laundering (GPML); FATF, including selected FATF-Style Regional Bodies (FSRBs); the Egmont Group; and the Organization of American States Inter-American Drug Abuse Control Commission (OAS-CICAD), particularly to its Experts Group to Control Money Laundering and the OAS Counter-Terrorism Committee. AML/CFT technical assistance projects have primarily been funded with foreign assistance accounts administered by the State Department's INL and CT bureaus and Treasury's OTA, but have also received funding from the U.S. Agency for International Development (USAID), U.S. Embassies, and the Millennium Challenge Corporation, among others. Prior to 2015, earlier annual volumes of the State Department's Money Laundering and Financial Crimes report described the coordination of U.S. AML/CFT technical assistance through an interagency entity called the Terrorist Finance Working Group (TFWG), which was co-chaired by INL and CT bureaus. Although the TFWG was not mentioned in the 2015 edition of the Money Laundering and Financial Crimes report and has

apparently not met recently, working-level discussions of AML/CFT assistance coordination reportedly continue.¹⁰

U.S. funding for AML/CFT technical assistance across all government stakeholders is not comprehensively presented in an interagency format to Congress as part of the President’s annual budget plans, but some illustrative trends in funding are available for specific accounts, including technical assistance funded by Treasury’s OTA (see **Table 1**) and State Department funding specifically for combating terrorist financing, which is appropriated out of the Non-Proliferation, Anti-Terrorism, Demining, and Related Programs (NADR) foreign aid account (see **Table 2**).

Table 1. Treasury’s OTA: Technical Assistance Funding, FY2010-present
 (in US\$ current millions)

FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 Request
25	25.4	27	23.6	23.5	23.5	23.5	33.5

Source: U.S. Department of the Treasury, International Programs, Congressional Justification for Appropriations, FY2012-FY2017.

Notes: Unless otherwise noted, funding represents enacted levels.

Table 2. State Department’s Foreign Assistance to Combat Terrorist Financing, FY2010-present
 (in US\$ current millions)

FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 Request	FY2017 Request
21	20.7	17	16.1	7.1	15	16	not available

Source: U.S. Department of State, response to CRS.

Notes: This programming category specifically includes only State Department foreign assistance for combating terrorist financing under Sub-Element 1.1.1.3 "Deny Terrorist Access to Finance," as defined by the *Standardized Program Structure and Definitions*. Other State Department funding for technical assistance for anti-money laundering and capacity building for financial institutions, more broadly defined, is not included here. Sub-Element 1.1.1.3 is exclusively budgeted out of the Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) foreign assistance account. According to the State Department's *Standardized Program Structure and Definitions* document, this Sub-Element includes programming to "[i]dentify, disrupt, and deny access to sources, means, and mechanisms of terrorist finance including technical assistance to strengthen foreign government legislative, regulatory, law enforcement, and prosecutorial capabilities and the establishment of multilateral organizations to ensure legal/enforcement standards for formal financial systems."

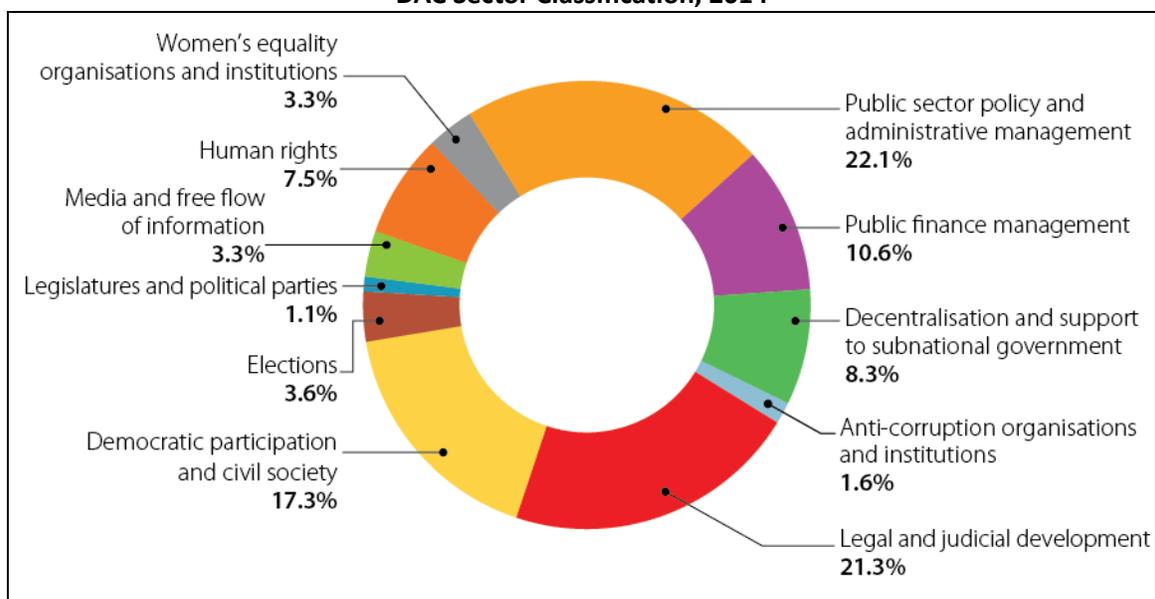
Figures reported by the United States and other donors to the OECD, however, help illustrate how donors spend official development assistance (ODA) funds on programs related to AML/CFT. For example, at the global level, OECD categorizes a subset of ODA under the “Government and Civil Society” category, which reportedly captures foreign aid related to governance capacity building,

¹⁰ State Department response to CRS, February 17, 2016.

including CFT (**Figure 1**). Within the “Governance and Civil Society” sector, several sub-categories of funding would capture some CFT-related support including:

- Anti-corruption organizations and institutions, which totaled \$229 million (or 1.6% of total spending in the governance category) in 2014;
- Public financial management, which totaled \$1.9 billion (10.6%) in 2014, and includes support for bank supervision, AML-related issues, customs and border controls, and strengthened tax systems;
- Legal and judicial development, which totaled \$3.1 billion (21.3%) in 2014 and which helped to build the capacity of judicial authorities to investigate and prosecute economic and financial crimes;
- Democratic participation and civil society, which totaled \$2.5 billion (17.3%) in 2014; and
- Media and free flow of information, which totaled \$481 million (3.3%) in 2014, can help non-governmental actors investigate illegal activities and advocate for reforms.

Figure 1. Total Development Assistance to the Sector “Government and Civil Society” in the OECD’s DAC Sector Classification, 2014



Source: OECD.

Table 3 provides U.S. assistance (reported to the OECD) for the same categories for the years 2009-2014.

Table 3. Selected U.S. Development Assistance to the Sector “Government and Civil Society” in the OECD’s DAC Sector Classification
 (in US\$ current millions)

	2009	2010	2011	2012	2013	2014
Anti-corruption organizations and institutions	84.16	75.05	68.32	155.62	41.67	42.59
Public finance management	266.10	104.72	59.13	55.70	37.68	58.47

	2009	2010	2011	2012	2013	2014
Legal and judicial development	1,588.8	1,621.3	1,863.2	1,905.5	1,757.0	1,975.2
	4	1	8	1	4	1
Democratic participation and civil society	241.04	343.09	331.41	323.46	295.36	282.15
Media and free flow of information	57.53	63.79	82.19	82.67	79.59	66.45

Source: OECD

International Fora for AML/CFT Technical Assistance

Technical assistance for AML/CFT is coordinated and supported by multiple international organizations, including the FATF and its FATF-Style Regional Bodies (FSRBs), the Egmont Group, the IMF, the World Bank, and the UN. The U.S. government provides donor support to some but not all of these organizations. Although there may be awareness among officials from donor nations that AML/CFT technical assistance may be provided on a bilateral, regional, or multilateral basis, such efforts do not appear to be consistently coordinated for possible redundancy. While there is broad recognition that AML/CFT capacity in many developing countries remains limited, decisions regarding where to prioritize international support appears to be diffuse.

United Nations Office on Drugs and Crime (UNODC)

Established in 1997, the UNODC is mandated to provide technical assistance to Member States in their struggle to combat drugs, crime, and terrorism consistent with their obligations pursuant to relevant UN treaties, including the 1999 UN International Convention for the Suppression of the Financing of Terrorism. Central to the UNODC's effort to address AML/CFT is the Global Programme Against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML). According to the State Department, which provides financial support to GPML, GPML is "the focal point for AML policy and activities within the UN system and a key player in strengthening CFT."¹¹ Through GPML, UNODC supports Member States with AML/CFT technical assistance in the form of advisory services, workshops, seminars, other training platforms, as well as in-country mentoring. Various national and international organizations, including the World Bank, IMF, Egmont Group, EU, OSCE, and the United States, partner with UNODC on AML/CFT technical assistance. GPML also maintains observer status with FATF and its FSRBs. According to the State Department, GPML deployed three in-country AML/CFT mentors overseas in 2014, including one who was shared with the World Bank. In addition, GPML hosts an international information sharing platform, which includes contacts for inter-country assistance on AML/CFT capacity building.

In April 2015, on the sidelines of the 13th UN Congress on Crime Prevention and Criminal Justice, the UNODC organized a *High-Level Special Event on Strengthening National and International Cooperation in Preventing and Countering Terrorist Financing*. This event explored ongoing CFT work carried out by Member States and key organizations, highlighting areas where gaps still exist and exploring potential for capacity building programs. Several participants, including the Nigerian and Brazilian representatives called for greater coordination among donor agencies on their technical assistance efforts and increased use of unconditional contributions to the UNODC's efforts.¹²

¹¹ U.S. Department of State, International Narcotics Control Strategy Report, Vol. II, Money Laundering and Financial Crimes, March 2015.

¹² UNODC, Thirteenth United Nations Congress on Crime Prevention and Criminal Justice, Draft Report: High Level Segment of the Conference, April 14, 2015.

Financial Action Task Force (FATF) and FATF-Style Regional Bodies (FSRBs)

FATF is an intergovernmental body established in 1989, whose current mandate (2012-2020) focuses on setting global standards for the implementation of legal, regulatory, and operational measures for AML/CFT and other threats to the integrity of the international financial system.¹³ FATF has issued a set of 40 recommendations on international AML/CFT standards that have been endorsed by over 180 countries. It collaborates with other international stakeholders to identify and follow up on national-level AML/CFT vulnerabilities, particularly through periodic mutual evaluations that review participating country AML/CFT legal, financial, and regulatory systems. Currently, FATF identifies 13 “high risk and non-cooperative jurisdictions.”¹⁴ FATF’s mandate document also clarifies that the IMF and the World Bank are responsible for providing technical assistance and capacity building on combating money laundering, terrorist financing, and other related threats.

In February 2008, FATF issued special guidance on AML/CFT capacity building consistent with the FATF standards in low-capacity countries.¹⁵ It noted that while implementation of FATF standards in all countries can be challenging, their implementation in low-capacity countries is particularly difficult due to several structural characteristics that are “severely” constraining, including:

- competing priorities for scarce government resources;
- a severe lack of resources and skilled workforce to implement government programs;
- overall weakness in legal institutions;
- a dominant informal sector and cash-based economy;
- poor documentation and data retention systems; and
- a very small financial sector.

The FATF guidance further notes that care should be taken in defining a proper sequence for implementation of AML/CFT reforms and that FSRBs, regional entities whose primary purpose is to promote the implementation of FATF standards, can play an important role in facilitating requests for technical assistance and training. The guidance notes that several FSRBs have established coordination mechanisms to facilitate AML/CFT technical assistance and training (e.g., the Asia/Pacific Group on Money Laundering (APG), to which the United States is a member). Although FSRBs can be relevant in the coordination of efficient and effective technical assistance between donor and recipient nations, the FATF guidance cautions that they are not to “control or constrain the mandates and activities of the donors, nor act as a ‘buffer zone’ between the countries requesting assistance and the donor/provider.” In February 2016, FATF held its most recent plenary session in Paris and focused in particular on terrorist financing, identifying the issue as “the top priority” for FATF.¹⁶ At the plenary session, FATF members adopted a consolidated FATF Strategy on Combating Terrorist Financing. Included among the FATF Strategy’s goals is to “identify and take measures in relation to any country with strategic deficiencies

¹³ Financial Action Task Force, Mandate (2012-2020), April 20, 2012.

¹⁴ Against two of these, Iran and North Korea, FATF calls on its participating membership to “apply counter-measures to protect the international financial system” from AML/CFT risks arising from these two countries. FATF also identifies the following countries as jurisdictions to monitor: Afghanistan, Bosnia and Herzegovina, Guyana, Iran, Iraq, Laos, Myanmar (Burma), Papua New Guinea, Syria, Uganda, Vanuatu, and Yemen.

¹⁵ Financial Action Task Force, Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards Within Low Capacity Countries, February 29, 2008.

¹⁶ Financial Action Task Force, Outcomes of the Plenary Meeting of the FATF, Paris, 17-19 February 2016.

for terrorist financing.”¹⁷ To this end, FATF updated members on the status of jurisdictions with fundamental shortcomings in the implementation of FATF recommendations 5 and 6 (on criminalizing terrorist financing and applying targeted financial sanctions). As of February, FATF reported that 36 jurisdictions, including 40% that had lacked in 2015 legal powers to prosecute terrorist financiers or apply targeted financial sanctions, have already taken remedial actions.¹⁸ There reportedly remain, however, 15 jurisdictions which FATF identifies as requiring “urgent action to address their shortcomings, including requesting technical assistance from relevant bodies if necessary.”¹⁹

Egmont Group of Financial Intelligence Units

The Egmont Group began in 1995 as a small group of 14 national financial intelligence units (FIUs) seeking international cooperation on financial intelligence matters. The State Department describes the Egmont Group as the “international standard setter” for FIUs, whose guidance documents are interlinked with the FATF standards.²⁰ Since its inception, it has grown to a recognized membership of 151 FIUs as of 2015. According to its revised 2013 charter, the Egmont Group aims, among other purposes, to support member capacity development through the offering of training and technical assistance, personnel exchanges, operational and strategic collaboration, and access to secure information exchanges between Egmont FIUs.²¹ The Egmont Group’s annual report for the 2013-2014 time period describes its Secretariat’s role in coordinating the delivery of technical assistance and training and support for such activities by regional representatives.²²

International Monetary Fund and the World Bank

In November 2001, IMF and World Bank member countries agreed to expand their work to cover the problems of terrorist financing through the provision of technical assistance and the conduct of the IMF’s annual surveillance. In 2002, IMF member countries approved the Fund’s involvement in the conduct of assessments of country’s compliance with the FATF AML/CFT standard. Specifically, the Board agreed to adopt, subject to certain conditions, the FATF standard for the purposes of the Reports on the Observance of Standards and Codes (ROSC) program and to launch a twelve-month pilot program of AML/CFT assessments. During the pilot, the IMF and the World Bank evaluated 33 countries and assessed their compliance with the FATF AML/CFT recommendations. This program was made permanent in 2004 and since then, AML/CFT issues have been an integral component of many IMF surveillance products. In a limited number of cases, AML/CFT measures have been incorporated into conditionality under Fund-supported programs.²³

One of the benefits of IMF and World Bank membership is technical assistance and training. The IMF and the World Bank are the only global institutions that have a permanent staff of assessors and a global reach that facilitates conducting assessments and providing technical assistance/capacity building. Since

¹⁷ Financial Action Task Force, Consolidated FATF Strategy on Combatting Terrorist Financing, February 2016.

¹⁸ Id.

¹⁹ Financial Action Task Force, Outcomes of the Plenary Meeting of the FATF, Paris, 17-19 February 2016.

²⁰ U.S. Department of State, International Narcotics Control Strategy Report, Vol. II, Money Laundering and Financial Crimes, March 2015.

²¹ Egmont Group of Financial Intelligence Units, Charter, approved by the Egmont Group Heads of Financial Intelligence Unit, July 2013, published October 30, 2013.

²² Egmont Group of Financial Intelligence Units, Annual Report 2013-2014, 2014.

²³ For example, Afghanistan, Cyprus, Greece, Kyrgyzstan, Sao Tome and Principe, and Uganda.

2007, the World Bank has led the development of an analytical risk assessment tool to guide countries in conducting their AML/CFT risk assessment at the national level.²⁴

This AML/CFT technical assistance is provided on a voluntary, cooperative basis, i.e., at the request and with the assistance of the authorities of that country. Prior to the 2009, the IMF's AML/CFT capacity development programs were financed primarily through internal resources. Since 2009, most of the AML/CFT technical assistance is externally financed through a multi-donor trust fund. The United States is not a contributing member.

The IMF's AML/CFT trust fund was renewed for a five-year term in May 2014. Donors (France, Japan, Luxembourg, the Netherlands, Norway, Qatar, Saudi Arabia, Switzerland and the United Kingdom) have pledged more than \$20 million through 2019. As of September 2015, 17 projects have already started under the second phase. The trust fund complements existing accounts that finance the IMF's AML/CFT capacity development activities in member countries, bringing the number of countries assisted each year to over 30 and totaling over \$6.5 million annually in direct technical assistance and training.²⁵ In addition to their own technical assistance efforts, the World Bank has become involved in providing detailed AML/CFT risk assessments.

Selected Issues

U.S. Government Interagency Coordination

According to a U.S. Government Accountability Office (GAO) report from July 2015, the formal interagency Terrorist Financing Working Group (TFWG), which had previously been the primary mechanism "to discuss and reach consensus on CTF programming outcome and goals," is on hiatus.²⁶ Part of the reason for its recent inactivity is the result of organizational restructuring within the State Department's CT Bureau, whose CFT unit, which was disbanded, had been a co-chair of the TFWG. A Treasury official reported to GAO that, despite ongoing informal coordination, the current status quo could have deleterious consequences for stakeholder awareness. The TFWG was also the subject of a 2005 GAO study, which identified gaps in coordination, including interagency disagreement over the roles, procedures, delivery, and evaluation of CFT training and technical assistance.²⁷ In light of the TFWG's current status, some may question whether the U.S. government's ability to coordinate on CFT assistance among international donors has been affected by recent gaps in interagency coordination—and how to avoid returning TFWG to the interagency malfunctions described in the 2005 GAO report.

FATF Role and Counter-ISIL Financing Coordination

As part of the U.S.-led global coalition to combat the Islamic State, the United States, Italy, and Saudi Arabia are co-chairing a Counter-ISIL Finance Group (CIFG) focused on disrupting the Islamic State's

²⁴ More information is available at:

<http://www.worldbank.org/en/topic/financialmarketintegrity/brief/antimoney-laundering-and-combating-the-financing-of-terrorism-risk-assessment-support>.

²⁵ International Monetary Fund, "Fact Sheet: The IMF and the Fight Against Money Laundering and the Financing of Terrorism," September 14, 2015.

²⁶ U.S. Government Accountability Office (GAO), "Combating Terrorism: State Should Evaluate Its Countering Violent Extremism Program and Set Time Frames for Addressing Evaluation Recommendations," GAO-15-684, July 2015.

²⁷ GAO, "Terrorist Financing: Better Strategic Planning Needed to Coordinate U.S. Efforts to Deliver Counter-Terrorism Financing Training and Technical Assistance Abroad," GAO-06-19, October 2005.

sources of revenue and its ability to move and use funds. In February 2016, the CIFG jointly met with FATF to discuss the ISIL threat, exchange information, and identify opportunities for future action. One of these, according to the FATF-CIFG Communique following the joint meeting, is to facilitate “efforts to improve multilateral information sharing and capacity building.”²⁸ As the international community, including the United States, proceeds to translate such statements into action, a key question for policymakers will be how to coordinate, prioritize, and implement multilateral efforts to build CFT capacity broadly and counter-ISIL financing capacity specifically.

Building Policy Coherence

The OECD has identified tensions between national and international systems for combatting terrorist financing. A 2014 OECD study found that countries face a range of challenges implementing standards related to combatting money laundering, tax evasion, international bribery, and freezing, recovering, and repatriating stolen assets.²⁹ While many of the policies required of national governments by the FATF standards do not leave countries any discretion, there are others such as FATF’s risk-based approach, in which countries are required to ensure their risks apply proportionate measures. These include enhanced or simplified measures and exemptions from the FATF requirements depending on their unique risk assessment.

A further challenge is that any country’s efforts to combat terrorist financing are embedded in a deep and wide national framework of polices and institutions with diverse priorities (e.g., criminal justice, financial regulation and supervision, tax, government and public administration, etc.). Policymakers may also choose to consider how best to help governments create holistic/whole-of-government AML/CFT strategies.

²⁸ FATF-CIFG Communique, February 2016.

²⁹ Organization for Economic Cooperation and Development, “Illicit Financial Flows from Developing Countries: Measuring OECD Responses,” 2014.

Witness Biographies

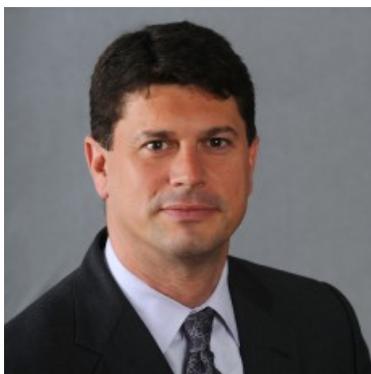
Ambassador Robert M. Kimmitt, Senior International Counsel, WilmerHale



Ambassador Robert M. Kimmitt advises clients on issues spanning public policy, national security law, international investment, regulation and governance. Both in government and the private sector, he has held a wide variety of senior positions at the intersection of international business, finance, law and policy. Ambassador Kimmitt originally joined the firm in 1997 and rejoined in 2009 after serving as Deputy Secretary of the US Department of the Treasury. He serves as co-chair of the Strategic Response Group. From 2005-2009, he served as Deputy Secretary of the US Treasury, where he had significant responsibility for the Department's international agenda, including cross-border investment in his leadership role on the Committee on Foreign Investment in the United States (CFIUS).

As a partner at the firm from 1997 to 2000, Ambassador Kimmitt focused on international transactions in regulated industries, primarily in the areas of defense, aerospace, telecommunications and banking. Prior to joining the firm, he served as American Ambassador to Germany (1991-1993), Under Secretary of State for Political Affairs (1989-1991), General Counsel to the Department of the Treasury (1985-1987), and Executive Secretary and General Counsel of the National Security Council at the White House (1983-1985). In addition to his government service, Ambassador Kimmitt was Vice Chairman and President of Commerce One, a Silicon Valley software company. He also served as Executive Vice President for Global Public Policy (2001-2005) at Time Warner Inc., and from 2009-2012, he chaired the Deloitte Center for Cross-Border Investment, which provided strategic advice on the execution of cross-border acquisitions and divestitures. Ambassador Kimmitt has authored many articles, including "Public Footprints in Private Markets," a seminal look at Sovereign Wealth Funds that was published in *Foreign Affairs* magazine.

Mr. Clay Lowery, Vice President, Rock Creek Global Advisors and Visiting Fellow, Center for Global Development



Clay Lowery serves as Vice President for Rock Creek Global Advisors, an international advisory firm that assists clients to anticipate and seize opportunities in the global marketplace, while mitigating political and regulatory risk. He is also a Visiting Fellow at the Center for Global Development. He brings more than fifteen years' experience in the US government, primarily at the US Treasury where he rose from desk officer to Assistant Secretary for International Affairs (2005-2009) overseeing all US government interactions at the IMF, World Bank, regional multilateral development banks, the G7, G20 and the Financial Stability Board. He was also heavily involved in debt relief initiative including debt reduction for the poorest countries, Paris Club

negotiations and the Iraq and Liberia debt negotiations in 2003 and 2008. Lowery also oversaw or negotiated financial service and investment chapters in a number of trade agreements. In addition to his service at Treasury, Lowery was one of the original staff of the Millennium Challenge Corporation in 2004 and helped drive its formation while serving at the National Security Council (2001-2002). He has

served as adjunct professor at Georgetown University in international financial institutions and is a regular lecturer at the National War College.

James W. Adams, former Vice President, East Asia and Pacific Region, World Bank



James W. Adams is a retired Vice President of the East Asia and Pacific Region at the World Bank. In this capacity, he has overall responsibility for World Bank operations in one of the world's most dynamic regions, covering more than a dozen states ranging from the world's most populous country -- China-- to the smallest and most remote Pacific Islands states. Previously, Adams was Vice President and Head of Network, Operations Policy and Country Services at the World Bank. In this capacity, he was responsible for operational policy development, procurement and financial management activities, relations with United Nations and nongovernmental organizations, and support to Regional staff working in all these areas.

Since joining the Bank in 1974, he has held a variety of operational positions in East Asia, Latin America, and Sub-Saharan Africa, including as Country Director for Tanzania and Uganda, Director for Operations Policy and Division Chief of several departments. Before joining the Bank, Adams worked as a loan officer for Merchants Bank, in Syracuse, NY, and with the General Agreement on Tariffs and Trade, in Geneva, Switzerland. Adams studied at Colgate University, and holds an MPA from Princeton University.

Mr. William F. Wechsler, Senior Fellow, Center for American Progress



William F. Wechsler is a Senior Fellow at American Progress, where his work focuses on counterterrorism and U.S. national security policy in the Middle East, South Asia, and Africa. Wechsler's most recent position in government was Deputy Assistant Secretary of Defense for Special Operations and Combating Terrorism, where his work had an emphasis on counterterrorism, counterinsurgency, information operations, and other sensitive operations. At the U.S. Department of Defense, Wechsler advised multiple secretaries on a wide range of departmental actions, along with its policies, plans, authorities, and resources related to special operations and irregular warfare. In this position, Wechsler also helped provide civilian oversight of the service-like responsibilities of the U.S. Special Operations Command.

Previously, Wechsler served as Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats, where his key areas of focus included integrating law enforcement operations into U.S. military campaigns in Afghanistan; institutionalizing the department's counterthreat finance structures and doctrine; and sharply increasing capacity-building in Mexico. During the Clinton administration, Wechsler served as Special Advisor to the Secretary of the Treasury, where he helped establish the legal regime and policy processes that the United States now uses to impose foreign sanctions and combat money laundering. Prior to that, he was Director for Transnational Threats on the staff of the National Security Council at the White House and Special Assistant to the Chairman of the Joint Chiefs of Staff at the Pentagon.

Wechsler has also had a separate career in finance. Earlier this year, he left the Pentagon to become Vice Chairman of Capitol Peak Asset Management, which focuses on infrastructure-related investments. Previously in his private-sector career, Wechsler was a managing director at Greenwich Associates—a boutique management consultancy specializing in the financial services industry—where he rose to lead the firm’s global asset management practice.

Wechsler is a graduate of Cornell University and received a Master’s degree from Columbia University’s School of International and Public Affairs. He has contributed chapters to two edited volumes and has been published in *The New York Times*, *Los Angeles Times*, *Foreign Affairs*, *The National Interest*, *Financial Times*, and *Pensions & Investments*. Wechsler is a member of the Council on Foreign Relations, a member of the CFA Institute, and is a CFA charter holder.