

Follow-up Meeting to the United Nations Counter-Terrorism Committee (CTC)  
Special Meeting on 6 March 2003, hosted by the Organization for Security and  
Co-operation in Europe (OSCE) in co-operation with the United Nations Office  
on Drugs and Crime (UNODC)

March 11-12 2004  
Vienna, Austria

## **DAY 1 CONFERENCE REPORT**

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### **Executive Summary**

First day discussions focused on three current global terrorism concerns: Man Portable Air Defense Systems (MANPADS), non-banking conduits and narco-terrorism. While these, by no means, were the only terrorism issues of the day, a precedent was established where such current and emerging threats were for the first time included on this conference agenda.

In discussing these three topics, a framework for future action that might be applied to other terrorist threats emerged. Conference participants represented organisations with unique strengths and specialities, serving as resources to each other. As presenting experts repeatedly pointed out, international, regional and sub-regional organisations can and must better utilise their respective strengths, leveraging comparative advantages more effectively to combat terrorism.

ICAO, OSCE and NATO presenters shared the results that are possible when collaboration takes place as is happening to counter the current and real threat posed to civil aviation by MANPADS. The CIS presenter noted the need for more effective information sharing whether it relates to terrorist organisations or other intelligence-related information. Experts on non-banking conduits similarly pointed out the need for enhanced international co-operation to remove this tool from the terrorists' toolbox. Experts on narco-terrorism noted that facing this challenge requires co-ordinated action between police, military and international organisations.

If terrorists and state sponsors of terrorism have globalised operations, international organisations combating terrorism must do so as well. They can do so through real time co-ordination of resources, real time capacity-building assistance to states, real time responses to current and emerging threats.

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## **Opening Remarks**

**OSCE Secretary General Jan Kubis** convened the session. On behalf of all participants and observers, he expressed condolences to the Spanish people and the Government of Spain for the terrorist attacks in Madrid that had occurred that morning. He called for a minute of silence in which all attendees joined in respect for the innocent killed and injured.

**Chairman of the Permanent Council, Ambassador Ivo Petrov**, welcomed the participants on behalf of the Bulgarian Chairmanship-in-Office of the OSCE. He pointed out that the fight against terrorism remains a tremendous challenge and will be a priority of the Bulgarian Chairmanship. He stressed that what is needed are robust practical measures, implemented in co-operation with other international organizations, as the OSCE has successfully demonstrated with its efforts on concrete areas, such as airport security, secure travel documents, policing, countering the financing of terrorism and other activities in implementation of SC Resolution 1373, carried out in close co-operation with UNCTC, UNODC, ICAO, IAEA and other organizations. He underlined that all OSCE counter-terrorism activities are carried out with due respect to human rights and the relevant norms of international law. Amb. Petrov noted the positive assessment of UNCTC for OSCE's contribution to the fight against terrorism and the achieved level of co-ordination and interaction with other organizations.

**OSCE Secretary General Kubis**, in his opening statement, underscored the high priority placed on anti-terrorism by the OSCE and the close relations enjoyed with UNODC, demonstrated by the co-hosting of this conference in Vienna. Ambassador Kubis noted that this was the third major counter-terrorism conference that the OSCE had organised or co-hosted since the beginning of the year. He shared the concrete results of the 23 January workshop on the MANPADS threat to civil aviation and the 1-2 March workshop on safeguarding travel documents against fraudulent use. Ambassador Kubis further detailed OSCE anti-terrorism efforts including addressing the ongoing trafficking of radiological materials, and the ratification and implementation of UNSCR 1373 and the 12 universal conventions and protocols related to terrorism. He recognised the good work of the OAS and how the OSCE was adopting the best practices of such organisations as in the recent establishment of the OSCE Counter-Terrorism Network. Ambassador Kubis underscored the importance of UNCTC's leadership in providing cohesion to international counter-terrorism efforts. In particular, he lauded the dynamic leadership of the Spanish Chair of the UNCTC, noting that for the first time current and emerging terrorist threats were included on this conference agenda. Recalling the terrorist attacks in Madrid that morning as well as the voices of victims heard at the first Victims of Terrorism Congress held in Madrid earlier in the year, Ambassador Kubis said that actions must speak, not just words. This conference, he urged, must move participating organisations forward in that direction.

**Executive Director of the United Nations Office on Drugs and Crime Antonio Maria Costa** drew, in his opening statement, attention to the main objective of the Conference, i.e. to strengthen the practical co-operation between regional and international organizations in the fight against terrorism. He then presented, and commented on a list of factors conducive to terrorism and organised crime, such as corruption, weak legislation, poor law enforcement, non-transparent financial institutions, bad economic conditions, inadequate rule of law, porous borders, lack of political will, geographic location (e.g. along drug- and arms-trafficking routes), and geopolitical issues. Mr. Costa pointed out that UNODC's efforts were focused specifically on tackling some of these issues, but success required more effective

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multilateral action, as it was beyond the capacities and mandate of any one single organization to deal with all these factors. In conclusion he stressed that the work of the Conference should take into account two main issues: the need to give more attention to the contextual factors that make both transnational crime and terrorism possible and at the same time hamper economic growth and sustainable development and the need to consider how to make multilateral action more effective by looking at terrorism and related forms of crime in an integrated way.

**Chairman of the United Nations Counter-Terrorism Committee Inocencio F. Arias** condemned the inhuman atrocity carried out in Madrid earlier that same day and expressed appreciation for the sympathy and the attention demonstrated by the meeting participants. He thanked the OSCE for organizing the UNCTC conference in co-operation with the UNODC and viewed the OSCE and UNODC as two exemplary organisations serving in the global fight against terrorism. As a follow-up to the Special Meetings held in New York and Washington in 2003, this third event would improve co-operation among the international, regional and sub-regional organizations in the fight against terrorism, and in particular, further the UNCTC goal of ensuring implementation of UNSCR 1373 by all UN Member States.

Ambassador Arias noted that the central principles of his Committee's work were equal treatment of states, transparency and, above all, co-operation. UNCTC does not have the capacity to provide counter-terrorism assistance directly to countries. It is the international, regional and sub-regional organizations that serve as critical resources to UNCTC in achieving the implementation of UNSCR 1373. The Committee's role is to ensure that there will be neither a duplication of effort nor gaps in the global response.

In this regard, Chairman Arias said that UNCTC must become more efficient, competent and pertinent to global action against terrorism. To ensure that technical assistance could be provided in an effective manner, a profound and revitalizing reform of the Committee was underway and would soon be manifested in a UN Security Council resolution. This effort had two main objectives: 1) to improve the effectiveness of the Committee by establishing an Executive Directorate Unit under the leadership of an Executive Director; and 2) to reform the system of co-ordinating the counter-terrorism work of the international, regional and sub-regional organizations to enhance current levels of co-operation and to avoid duplication of activities.

Chairman Arias explained that the Committee aimed to achieve this goal through measures described in the draft Vienna Declaration, including establishment of a Matrix of Joint Activities, which would allocate roles to all organizations in order to increase the effectiveness of resource utilization. He highlighted that the Declaration, to be adopted at the conclusion of the Vienna Conference, would be vital to efforts of all the participants, contributing to the overall reform of UNCTC.

In conclusion, Ambassador Arias stated that the Committee, as part of the UN, benefits from its universal legitimacy of the organization, as it constitutes an effective tool for the global fight against terrorism. He noted that achievements would be severely limited without mutual assistance and co-operation of all the participating organizations, and consequently encouraged all to further enhance their efforts in this regard.

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## **REPORTS OF THE WORKING SESSIONS**

**(Organisation acronyms are used; for full spelling see the list of participating organisations at the end of this document.)**

### **3. MANPADS**

#### ***3.1 Airport Security***

**Mr. Dominique Antonini** (ICAO) presented on **The Threat Posed to Civil Aviation by MANPADS**. Mr. Antonini outlined international countermeasures being undertaken by international organisations including OSCE, ICAO, EU and the G8. Overall, he characterised measures being undertaken as ‘defensive’ and ‘reactive’ rather than ‘proactive’ and noted the operational and financial constraints to undertaking many of such countermeasures. Mr. Antonini discussed some of the preventive measures being used by states and international organisations, such as import/export control mechanisms, threat assessments as well as implementation of aviation security measures. Stressing in particular the importance of developing uniform implementation of preventive measures on a regional basis, Mr. Antonini emphasised the important role of regional and sub-regional actors in tackling the threat of MANPADS. Such organisations can tailor preventive measures and assistance to regional needs as well as bridge assistance gaps by setting up systematic regional plans. As financial burdens should not be left to one state or airport, regional and sub-regional organisations could play an important function by sharing and co-ordinating such needs and resources on a regional basis. Moreover, there was a need to develop a legal framework on the subject of MANPADS as well as to co-ordinate such an effort with the UNCTC and other international actors.

**Mr. Brian Woo** (OSCE/ATU) shared the results from the recent **OSCE-ICAO Technical Experts Workshop on Countering the MANPADS Threat to Civil Aviation** which brought together civil aviation and security experts from participating States and international organisations on 23 January in Vienna. He noted the conclusion of experts that the MANPADS threat to civil aviation was real and that any airport could be a target. The workshop found that airport security officials required further information on both the nature of the threat and what to do if it emerged in their countries. Closer international co-ordination and information-sharing was critical to addressing the MANPADS threat. At the workshop, experts shared with national representatives several practical countermeasures that could significantly ameliorate the threat, such as perimeter patrols focusing on key areas around airports where MANPADS might most effectively be used. The value of raising awareness within civilian communities in and around airports to increase local vigilance was also underlined. Mr. Woo pointed out that additional regional workshops, facilitated by international and national organisations, could be part of an effective regional and global response to the MANPADS threat. As a direct result of the 23 January workshop, several national governments in the OSCE region had immediately undertaken follow-up actions addressing this threat, including the convening of national interagency efforts to develop contingency plans.

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### *3.2 Stockpile Controls*

**Mr. Sergi Valdés**, (OSCE Forum for Security Co-operation Chair, Andorra) presented on **OSCE/FSC Work on Stockpile and Export Controls for MANPADS**. It highlighted the OSCE's involvement in addressing the threat of MANPADS which had been dealt with in the Document on Small Arms and Light Weapons (SALW) adopted in November 2000. To facilitate discussion on application of effective and comprehensive export control of MANPADS, information provided by the participating States in their annual information exchange on SALW about MANPADS had been compiled and distributed throughout the OSCE in 2003. In December 2003, the Ministerial Council had endorsed the FSC decision on MANPADS, underlining the importance of effective and comprehensive export controls on MANPADS and calling upon participating States to use existing mechanisms under the OSCE SALW Document to destroy excess MANPADS. In addition, Mr. Valdés briefed on the OSCE Strategy to Address Threats to Security and Stability in the Twenty-First Century which calls on the OSCE to address the problem of proliferation of MANPADS and encourages states to ensure the security and integrity of national stockpiles as well as guard them against theft or illicit transfer. He noted that OSCE/FSC co-operated with other international organisations such as the Wassenaar Arrangement through a sharing of views and experiences. Regarding stockpile management, the information exchange regime set out in the OSCE SALW Document covered national procedures for the control over national stockpiles management and security procedures. The one-time exchange, which was conducted on 30 June 2001, not only provided substantial information on policy and practice related to stockpile security and SALW control but also helped to identify trends and patterns of implementation apparent in participating States responses. More recently, the Handbook of Best Practice Guides in areas related to the control of SALW had been published to provide guidelines to national governments for implementation of the commitments related to the Document on SALW. As a supplementary measure, a framework had been established whereby a state could request OSCE assistance in meeting identified needs related to the surplus of SALW. Looking to the future, OSCE/FSC planned to continue promoting the application of stricter controls on MANPADS, through export control and destruction of excess MANPADS stocks.

**Ms. Susan Pond** (NATO) presented **NATO's Efforts to Counter the Threat of MANPADS**. She emphasised that, in addition to a wide range of measures intended to protect military and civilian aircraft from MANPADS such as counter proliferation diplomacy and self-protection equipment, NATO was further engaged in several activities aimed at ensuring the safe storage, handling and destruction of MANPADS. Regarding measures to protect military and civil aviation from MANPADS, Pond noted that measures including a large database of threats, aircraft signatures, scenarios, infra-red counter measures tactics/techniques and self-protection equipment have been developed and were constantly being updated and re-evaluated. Allies were requested to have an effective self-protection suite installed on their combat aircraft before any NATO assignment of such aircraft was accepted. In addition to safety measures, NATO countries exercised strict control over the storage and movement of all types of ammunition, with even more stringent controls being applied to MANPADS, shoulder fired rockets, grenades and small arms ammunition. Moreover, NATO had developed a complementary programme of co-operation with NATO and non-NATO States taking part in the Partnership for Peace. The programme focused on three main areas of stockpile management and security including (1) site and procedures; (2) safe destruction of surplus stocks; (3) and export control. The Ad Hoc Group on SALW was the primary focal point for multi-lateral efforts between nations, including provision of

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national experts to assist in the drafting of appropriate export controls and exchange of information between governments, NGOs and other government institutions. Other forms of NATO assistance to non-NATO countries included practical support such as, for example, training courses and expert teams sent to conduct site inspections, identification of surplus inventories and development of plans for their safe destruction.

## **4. Terrorism-Criminal Nexus**

### ***4.1 Non-banking Conduits***

**Mr. Boris Mylnikov** (CIS Anti-Terrorism Center) presented on the **Terrorist-Criminal Nexus: Non-banking Conduits**. He observed that international terrorism is changing and that both terrorist organisations as well as the methods they employ were evolving. Exchange of methods and tactics between organised criminal and terrorist groups is occurring more frequently. In some cases, criminal and terrorist networks have merged. For some groups, terrorism has also become a way to make illicit profit. Mr. Mylnikov described various methods of alternative remittance systems, such as *hawala*. He stressed the global importance of enhanced international efforts through UNCTC. Additionally, he underlined the significance of organisations such as the CIS in co-ordinating counter-terrorist activities regionally. Mr. Mylnikov urged participants to strengthen co-operation and information sharing as this was the only viable counter to this evolving terrorist threat. He further pointed to the need, at least regionally, to establish mechanisms for information sharing related to counter-terrorism, including the formulation of common regional lists of prohibited organisations. He also underlined the necessity to create specialised national structures for combating terrorist financing and the harmonisation of national legislation in this regard.

**Mr. Harjit Sandhu** (OSCE/ATU Expert) offered further insights into the **Terrorism-Criminal Nexus: Non-banking Conduits**. He reiterated the position that there had been an increasing tendency for terrorist groups to raise funds through criminal means. His presentation, however, focused on how terrorists move funds, particularly through alternative remittance systems (ARS) such as *hawala* and *hundi*. Focusing in particular on *hawala*, which he termed ‘The Invisible Financing System of Terrorism’, Mr. Sandhu described the functioning of ARS, how such systems benefit law-abiding people world-wide, and why they have become an indispensable tool to terrorists. He argued that while funding terrorism through such systems comprise only a small part of overall transactions, concern is not on the amounts of money involved but rather on the terrorist activities that are so funded. Describing the difficulties in countering terrorist use of ARS, Mr. Sandhu called for an integral approach that included tax laws, export/import policies as well as banking, legal and enforcement systems. In this respect he underlined the paramount importance of international co-operation, particularly with regards to enhanced and timely information sharing among, for example, Financial Intelligence Units (FIUs) and law enforcement authorities. Intelligence needed to be shared more quickly and acted upon.

**Ms. Celina B. Realuyo** (G-8/CTAG) outlined the **G-8 Counterterrorism Action Group Efforts to Combat Terrorist Financing**. She described the impact of 9/11 in underscoring the importance of stemming the flow of funds to terrorist groups and how the attacks had served as a catalyst to institute and/or reinforce anti-money laundering or countering the financing of terrorism measures on national, regional and international levels. Ms. Realuyo described the work of CTAG, focusing on the group’s efforts on countering terrorist

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financing and highlighting its close co-operation with FATF and UNCTC. More specifically, Ms. Realuyu showcased the five basic elements of an effective regime (Legal Framework; Financial Regulatory; Financial Intelligence Unit; Law Enforcement; Prosecutions). She also described the challenges of denying terrorists' use of non-banking conduits such as ARS, non-profit organisations (NPO) and cash couriers. In closing, she underlined that donor countries could channel human and financial resources to implement measures through international fora such as G-8/CTAG.

**Mr. Vincent Schmoll** (FATF) gave a presentation on **FATF Standards Related to Non-Banking Conduits for Terrorist Financing**. He outlined FATF standards to protect the world-wide financial system from misuse by organised crime and terrorist financiers, focusing on the FATF Forty Recommendations and the Eight Special Recommendations (SR) on Terrorist Financing. Particular emphasis was placed in SR VI (Alternative Remittance Systems) and SR VIII (Non-Profit Organisations). This included detailed information on the relevant Interpretative Notes and Best Practice Papers. Importantly, Mr. Schmoll not only discussed challenges in implementing Special Recommendations (particularly with regards to SR VIII) but further offered possible solutions based on the aforementioned Best Practice Papers. In this respect he underlined the importance FATF placed on working together with other bodies and organisations through, for example, participation in forums with non-member jurisdictions (such as the FATF Terrorist Financing Seminar, Abu Dhabi Conference on Hawala, etc.), support of FATF-style regional bodies as well as more general co-operation with other international, regional and sub-regional organisations.

#### *4.2 Narco-Terrorism*

**Mr. Kevin Newmeyer** (OAS) addressed the issue of **Terrorism and Drug Trafficking: The Approach by the Organization of American States**. While execution of an individual terrorist attack may not be very expensive, the maintenance of a network of operational cells necessitated more significant amounts of funds for the purchase of weapons, travel and living expenses. As a result, terrorist groups have increasingly turned to drug trafficking to raise operational funds, particularly in the wake of diminishing funds from state sponsors of terrorism. In many parts of the world, distinctions between terrorism, drug trafficking and other forms of transnational crime are becoming increasingly blurred. He further described the role of the OAS in the fight against international terrorism, highlighting the work of the Inter-American Committee on Terrorism (CICTE) and the Inter-American Commission against Drug Abuse (CICAD). Mr. Newmeyer emphasised that rigid and hierarchical approaches were ineffective in countering the flexibility and adaptability of contemporary criminal and terrorist groups. As drug traffickers and terrorists co-operated, so too must the forces countering them. Knowledge could be leveraged if shared. Therefore, increased international co-operation and information sharing between separate divisions of an organisation but also within and between its member states and the international community as a whole, was imperative in combating this threat.

**Mr. Richard Will** (UNODC) spoke on **Narco-Terrorism – A View from the Field**. Drawing on experience gathered during assessments in Afghanistan, Mr. Will noted that opium production in Afghanistan had continuously increased since 1980 and continued to do so to this day (2001 being the only year to significantly deviate from this trend). Mr. Will pointed to a multitude of difficulties that needed to be addressed to stem the illicit trafficking flow of narcotics from Afghanistan. Drug trafficking networks also served to smuggle weapons and humans if the price was right. He outlined possible solutions, all of which

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were linked. The gathering of quality intelligence was critical as were UNODC's capacity building efforts to strengthen Afghan law-enforcement capabilities. In addition, he stressed the importance of effective anti-money laundering measures specifically with regards to stemming the flow of drug money. Concerning legislation, UNODC's work on the Criminal Justice Reform was also highlighted. Mr. Will joined other presenters in calling for increased regional and international co-operation as the only viable means to effectively fight terrorism. Finally, he urged participants to keep the realities on the ground in mind when discussion and formulating potential counter-terrorism actions.

**Mr. Robert Boylan** (Interpol) offered insights into **Interpol's Efforts to Counter the Global Threat of Terrorism**. He briefed on the efforts of Interpol and its 181-member countries in addressing counter-terrorism issues globally. Mr. Boylan noted that Interpol's large country membership represented a strength rather than a weakness and could act as a catalyst to collect and distribute information on a global basis that was impossible to obtain on a national basis alone. He argued that investigations of terrorist organisations and activities were inherently sensitive given the nature of the threat, geo-political considerations, concerns about sources of information as well as potential conflicts between law enforcement and intelligence communities. Consequently, he stressed the importance of Interpol's efforts to improve information sharing, co-operation and co-ordination among its member countries. Boylan described recent developments at Interpol aimed at strengthening the organisation's anti-terrorist efforts such as the creation of the Fusion Task Force (FTF); the establishment of the largest global database of suspected terrorists and forged and stolen travel documents; the establishment of I-24/7, a state of the art global communication system; the creation of a command and co-ordination centre that operated 365 days a year; streamlining the procedure for issuing Red Notices; as well as the introduction of Orange Notices. Mr. Boylan stressed that as the terrorist threat evolved and changed continuously, becoming increasingly diversified and transnational in the process, so too, law enforcement would have to constantly evolve. Increased international co-operation was the key to this evolution.

### **Adoption of Special Declaration**

The following **Special Declaration** expressing condolences to and solidarity with the Spanish people and the Government of Spain for the 11 March 2004 attacks in Madrid was adopted by consensus agreement:

*Special Declaration*  
*Adopted by Participants in Vienna at the 11-12 March Follow-up Meeting*  
*to the UNCTC Special Meeting of 6 March 2003*  
*Hosted by the OSCE in Co-operation with the UNODC*

We, the participating representatives of the international, regional and sub-regional organisations, bodies of the United Nations system, and international institutions, meeting in Vienna on 11 and 12 of March 2004, express our deepest sympathy and condolences to the Government and people of Spain and solidarity with victims of the terrorist attacks and their families; reassure our reinforced determination to combat all forms of terrorism in accordance with our responsibilities under our various mandates; and unanimously condemn in the strongest terms the horrifying terrorist attack which took place on 11 March 2004 in Madrid and regard such act, like any act of terrorism, as a threat to peace and security.

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## **Questions to Presenters / Comments Session**

1. A member of the Permanent Delegation of the Republic of Kazakhstan to the OSCE presented a statement on behalf of **CACO**, outlining the organization's activities and aims concerning the stability and security in its region. In this respect, it highlighted CACO's increased efforts to combat terrorism, extremism, regional and transnational crime, the illicit trafficking in narcotic drugs and its links to terrorist financing. These issues posed a common and serious threat to the security and stability of all Central Asian countries without exception. Consequently, the statement emphasised the need for joint action and increased co-operation in general, and in particular with regards to CACO members creating a co-ordinated legal framework directed at countering common threats such as those outlined above.

2. By **OGBS** on the threat MANPADS pose to civil aviation:

There appears to be significant differences between the military and civilian approaches. The military appears to discount the effectiveness of airport/airfield vicinity patrols yet this is a major part of the civilian response. The civil response is that countermeasures on aircraft [are] too expensive yet this is a fundamental part of the military response. Will it be [as in the case of] secure doors for the pilot, i.e. too expensive to do until after the tragedy?

The **ICAO** representative agreed that many measures to increase air-traffic security had been too reactive (i.e. secure cockpit doors) and that a more pro-active approach was needed. Nevertheless, he warned that utilising military equipment in civilian aircraft should only be considered after conducting very thorough testing. Military equipment may not be suitable for all aircraft and all flights, both from cost as well as safety perspectives.

3. By **OGBS** on non-banking controls:

While emphasis has been placed on the use of non-profit organisations, there is little doubt that companies and trusts are also being used for terrorist financing as they are for money laundering. Is it not time to bring these structures under greater control than those in the revised FATF 40+8 [Recommendations], including the ending of bearer shares, the prohibiting of directors which are themselves companies and the bringing of those who act as trustees or promote services for companies (e.g. company secretaries, nominee shareholders) under a formal supervised regulatory regime? Such a regime would ensure identification of ultimate beneficial ownership and control making such entities less attractive as vehicles for terrorist financing.

The **FATF** representative pointed out that the FATF Forty Recommendations went far beyond prior recommendations. He viewed current recommendations on anti-money laundering and countering the financing of terrorism to be as far reaching as member countries were prepared to go at this point in time. This, however, did not preclude further discussion and adjustment in the future.

4. By **IAIS** on non-banking conduits:

Some insurance regulators have seen evidence of money laundering in general insurance products and the IAIS would like anti-money laundering guidelines to extend to general insurance not just life insurance products. Why hasn't FATF covered this area in their 40+8 Recommendations?

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The **FATF** representative responded that FATF was working to cover insurance in their recommendations. The issue had been covered albeit not in specific details. He emphasised that FATF is continuing work to find vulnerable points in the whole insurance industry that could be abused by terrorists and other criminals. Presently, however, there was agreement within FATF that life insurance was likely the most vulnerable area, as there had been concrete cases of criminal abuse. On the other hand, opinions regarding other types of insurance vary among FATF experts.

5. By **UNICRI** regarding law enforcement co-operation:

Does Interpol support the regional approach and what level of co-operation has been established between Interpol and regional law-enforcement agencies?

The **Interpol** representative pointed out that a regional approach had been part of Interpol's strategic plan since 1995. Consequently, regional contacts that serviced and interfaced between the secretariat and the regions had been established. As many crimes were inherently regional in nature, they could best be addressed through such an approach.

6. By **BIS** regarding non-banking conduits:

Speaking about alternative remittance systems in general and *hawala* in particular, the BIS representative agreed with Mr. Sandhu's view that counter-terrorism efforts should not shut down what is an extremely efficient and widely used mechanism for passing money cheaply around the world. Nevertheless, he expressed the view that *hawala* could be better controlled much in the same way as formal financial institutions. He strongly supported the FATF concept that it was possible to apply some of the same regulatory principles to *hawala*, such as registering users. This was something the United Arab Emirates had done pursuant to last year's Abu Dhabi conference. Realising that alternative remittance systems represented a loose and irregular network, he opined that "know-your-customer" rules were nonetheless applicable. The aforementioned measures would, at least, mark a viable starting point.

7. By **IMF** on non-banking conduits:

The IMF representative agreed with the previous speaker, noting there was a great amount of work to be done particularly on licensing and registration of alternative remittance systems. As one of the international organisations conducting assessments of the FATF 40+8 Recommendations, IMF had recently reviewed the results of 2 years of assessment work. The main conclusion was that the weakest level of compliance among the reviewed nations had been in the area of terrorist financing. In fact, about half of the assessed countries had been found to be non-compliant or materially non-compliant. Importantly, four main reasons for this development had been identified: (1) money value transfer systems were not required to be registered; (2) preventive measures regarding anti-money laundering were not extended to these alternative remittance systems; (3) there was no effective regime for monitoring and enforcing compliance with anti-money laundering requirements; (4) if there were such requirements, they were not extended to alternative remittance systems. He indicated he would elaborate on this issue when he presented on the second day of the conference.

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