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FINANCIAL ANALYSIS UNIT FOR THE PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM. Eighteen (18) May, two thousand sixteen (2016).

Administrative Resolution AL-03-2016.

The Financial Analysis Unit for the Prevention of Money Laundering and the Financing of Terrorism (UAF for its acronym in Spanish) was created by means of Executive Decree 136 dated 9 June 1995, reorganized by executive Decree 5 of December 2014 and amended by means of Executive Decree 241 dated 31 May 2015, in which it was definitively established that this Unit has as its purpose, among others, broadening the coverage for collecting intelligence information and identifying suspicious transactions, operations, and activities related to Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction.

This same rule describes the Duties of the Financial Analysis Unit, among which are: to draft forms and guidance, to establish guidelines and to provide feedback that will help Regulated Financial Entities, Regulated Nonfinancial Entities, and Designated Nonfinancial Businesses and Professions to apply measures to prevent Money Laundering, the Financing of Terrorism, and the Financing of the Proliferation of Weapons of Mass Destruction and to Report Suspicious Transactions.

In the same vein, The Egmont Group has issued a Bulletin on Foreign Terrorist Fighters (FTFs) for Regulated Financial Entities, providing FTF indicators and an overview of the financial characteristics of each phase, to help reporting entities to identify possible FTFs intending to travel or that have travelled to join the conflict in Syria and Iraq. Clearly, financial reporting entities receiving this Bulletin can use it to identify transactions possibly connected to FTFs and report them to UAF-Panama.

Based on the above, the undersigned Interim Director of the Financial Analysis Unit for the Prevention of Money Laundering and the Financing of Terrorism determines:

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- To adopt the Bulletin on Foreign Terrorist Fighters prepared by The Egmont Group.
- To submit the Bulletin on Foreign Terrorist Fighters prepared by The Egmont Group to all regulated financial entities through their supervisory bodies.
- The Bulletin on Foreign Terrorist Fighters prepared by The Egmont Group is of confidential and compulsory use for all regulated financial entities supervised by the relevant Supervisory Body, which will distribute it accordingly.

For registration in the respective registry.

LEGAL GROUNDS: Paragraph 13 of Article 11 of Law 23 dated 27 April 2015; Paragraph 14 of Article 2 of Executive Decree 241 dated 31 March 2015.

FOR ENFORCEMENT,

(signed)

Alejandro Melo Tuñon

Interim Director of the Financial Analysis Unit

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CONFIDENTIAL

**Coat of Arms of the Republic of Panama
Government of the Republic of Panama**

**MINISTRY OF THE PRESIDENCY
FINANCIAL ANALYSIS UNIT FOR THE PREVENTION OF MONEY LAUNDERING
AND THE FINANCING OF TERRORISM**

NONPUBLIC BULLETIN

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BULLETIN ON FOREIGN TERRORIST FIGHTERS

Identification Number: 001

Date: 1 March 2016

Indicated recipients: Regulated Financial Entities

Foreign Terrorist Fighters (FTFs): individuals who travel to a State other than their State of residence or nationality for the purpose of perpetrating, planning, preparing or participating in terrorist acts or providing or receiving terrorist training, including in connection with armed conflict.¹

Introduction

A key priority for UAF-Panama is to prevent terrorists, including Foreign Terrorist Fighters (FTFs), from using the global financial system. The acts perpetrated by

¹ See Resolution 2178 (2014) issued by the United Nations Security Council.

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terrorist organizations, including Al-Qaida, the Islamic State in Iraq and the Levant (ISIL), in conjunction with other cells, affiliates, splinter groups or derivatives of Al-Qaida, as well as the propagation of FTFs, represent a grave threat to international peace and security.

To face the serious growing threat these terrorist organizations represent, more than 37 Financial Intelligence Units (FIUs) have focused on analyzing the FTF financial footprint. The purpose of UAF-Panama is to share the key results of this analysis with the relevant Regulated Financial Entities. Based on the analysis, this Bulletin contains the indicators describing the specific features of the financial transactions that are most likely to be involved or connected with financing FTFs. The regulated financial entities receiving this Bulletin can use it to identify transactions possibly connected with FTFs and report them to UAF-Panama, and to other national competent authorities when appropriate.

Suspicious Transactions Reporting based on this Bulletin

The Regulated Financial Entities must immediately report any imminent threat to UAF-Panama and/or, if they deem it appropriate, inform the national competent authorities of their findings.

The Regulated Financial Entities must refer to this Bulletin and base their findings on the indicators provided, when reporting potential transactions connected to FTFs to UAF-Panama. Referring to this Bulletin in the Suspicious Transactions Reports (STRs) will permit UAF-Panama to identify and give priority to the reports related to terrorism and FTFs. The entities are reminded to report the financing of terrorism through STRs, including all relevant, detailed information permissible, such as the IP address, customer's online access, and identification information.

In the case of a terrorist attack in any jurisdiction, it is recommended that Regulated Financial Entities diligently review their customer and transaction records to identify any activity or operation connected with individuals or entities that may have supported or perpetrated that attack. The Regulated Financial Entities should not wait to be

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contacted by the competent authorities to check their records; they are urged to proactively report any permissible relevant information to the competent authorities and to submit useful STRs.

FOREIGN TERRORIST FIGHTERS AND THEIR FINANCIAL FOOTPRINT

Once recruited, the FTFs try to travel to zones where ISIL, Al-Qaida and their affiliates have operations, e.g. Iraq and the Levant. Therefore, FTF financial activities can show transactions related to their travel arrangements, plans, departure, transit period, arrival, and presence in the conflict zone.

FIU analysis reveals that FTFs traveling to conflict zones usually follow a 5-phase travel pattern: 1) prior to departure; 2) travel and transit; 3) in the conflict zone; 4) return; and 5) facilitating and supporting terrorist networks. Each phase is characterized by its financial activities and types of operations.

The United Nations estimates that more than 250,000 men and women from more than 100 countries have travelled to Iraq, Syria and, increasingly, Libya to become FTFs². Most of the FTFs come from North African and Middle Eastern countries, including Turkey, Tunisia, Libya, Saudi Arabia, Jordan and Morocco, among others.

This Bulletin provides an overview of the financial characteristics of each phase in order to help reporting entities to identify potential FTFs intending to travel, or FTFs that have travelled, to join the conflict in Syria and Iraq.

FTF Indicators

In applying the indicators below, Regulated Financial Entities **must understand that no transactional indicator is a clear barometer of terrorist activity**. Regulated Financial Entities must consider additional factors such as the customer's overall economic activity and whether there are multiple indicators before identifying a potential relationship with the financing of terrorism and FTFs. Some of the following

² Secretary General's remarks to the Security Council meeting on Threats to International Peace and Security caused by Terrorist Acts (Foreign Terrorist Fighters) (May 2015), available at <https://www.un.org/sg/en/content/sg/statement/2015-05-29/secretary-generals-remarks-security-council-meeting-threats>

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indicators can be recognized during the overall review of the operation, while others can be easily identified during a deeper review of the case.

FTFs use various methods to disguise their finances and intentions. To determine whether the operations can be related to FTF financing, Regulated Financial Entities must consider the following phase indicators and factors:

- Deviation from the customer's regular activity
- Source of the resources
- Information available on the purpose of the operations
- Available public information

Regarding the available public information, ISIL and other terrorist organizations are known for being active on social networks. Regulated Financial Entities can find useful information on social networks for assessing suspicious activities and identifying risks associated with the indicators provided in this Bulletin and in other sources of information. UAF-Panama does not recommend social network information be reviewed as part of the regular due diligence procedures. On the contrary, the objective of UAF-Panama is to highlight the additional context that information from social networks can provide regarding operations that may already be considered suspicious. At the same time, the location from where the customer accesses the online services platform of the Regulated Financial Entity can be considered relevant in determining whether the operation is suspicious (see below).

Phase 1 Indicators. Prior to departure

During this phase, the FTF prospects try to raise funds and make arrangements for their trip without raising suspicions. The funds may be used to pay for the trip to conflict zones and other associated expenses or may also be used to support terrorist groups once abroad. Financial Intelligence and STR information from several FIUs reveal the following indicators prior to departure:

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Suspicious Operations associated with Fundraising:

- 1.1. Applying for small loans to loan entities and not making the payments;
- 1.2. Overdrawing accounts or reaching the credit limits before departing to conflict zones;
- 1.3. Selling personal property, including retirement accounts/plans and other personal property (e.g. cars, houses);
- 1.4. Requesting the bank increase ATM limits;
- 1.5. Young people applying for life insurance or funeral insurance;
- 1.6. Buying cars to export them to countries bordering the conflict zones in Syria and Iraq;
- 1.7. Receiving or sending funds to apparently unrelated individuals located near cities occupied by ISIL and Al-Qaida for operations that do not have a legitimate commercial purpose. These apparently unrelated individuals may have similar addresses, telephone numbers and other identification information;
- 1.8. Employees or directors of Nonprofit Organizations (NPOs) embezzling funds prior to leaving for conflict zones.

Suspicious Operations associated with Travel Arrangements:

- 1.9. Large withdrawals, mainly from automated teller machines;
- 1.10. Purchasing or exchanging currencies in high denominations, preferring United States Dollars or Euros;
- 1.11. Exchange of low denomination currency for higher 500 EUR/100 USD denominations;
- 1.12. Paying pending taxes and fines that might prevent traveling abroad and that could result in being detained at the border when departing the country;
- 1.13. Payments indicating medical appointments;
- 1.14. Purchasing products in camping and survival goods stores;
- 1.15. Paying travel expenses and air tickets, or transferring funds to travel agencies;
- 1.16. Payments to apply for/renew passports and visas;

Suspicious Operations associated with Payments/Expenses:

- 1.17. Purchasing action games or participating in combat training activities;
- 1.18. Payments to Islamic media or bookstores;

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- 1.19. Purchasing online communication plans for Voice Over IP (VoIP) (e.g. Internet calls);
- 1.20. Donating financial resources to certain Islamic NPOs and Islamic websites;
- 1.21. E-wallet expenses and prepaid card expenses in countries bordering the conflict zones in Syria and Iraq;

Phase 2 Indicators. Travel and transit

To arrive in Iraq and the Levant, the FTFs can purchase air tickets for European countries or countries near or adjacent to areas controlled by ISIL/Al-Qaida, including Cyprus, Egypt, Greece, Jordan, Lebanon, and Turkey, to later continue overland. Consequently, the operations, withdrawals from automated teller machines, or internet log-ins can be observed at transit points along the route. Financial Intelligence information and STRs from several FIUs reveal the following indicators related to travel and transit:

Noticeable operations at Transit Points when Traveling to Conflict Zones:

- 2.1. Using automated teller machines or debit cards to withdraw money at the airports of countries bordering Syria and Iraq, where the transaction does not match the expected customers' profile or activity;
- 2.2. Using online tools of reporting entities or customer service lines to monitor operations in order to coordinate and facilitate fundraising or initiate additional operations. For example, shortly after conducting operations from the United States, they are followed by log-ins in from places like Syria, Iraq, Northeast Lebanon or the southern Turkish border;
- 2.3. Frequent and rapid operations in countries bordering with Iraq or Syria for operations that do not have a legitimate purpose;
- 2.4. Paying or transferring funds with the reference "May Allah help you" or "*Dawlatna Mansora*," which translates from Arab as "The Chosen State;"
- 2.5. Online payments to Islamic media or bookstores;
- 2.6. Purchasing Internet communication plans;
- 2.7. Purchasing clothing or equipment in camping or survival goods stores;
- 2.8. Online payments for travel expenses or air tickets;

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- 2.9. E-wallet expenses and prepaid card expenses in countries bordering the conflict zones in Syria and Iraq;
- 2.10. Not paying for loans, credit cards, lines of credit or car loans;
- 2.11. Sending wire transfers to the conflict zones in Syria, Iraq or bordering countries or other conflict zones for operations that have no legitimate purpose;
- 2.12. Using credit cards to fund electronic wire transfers addressed to Syria, Iraq or bordering countries;
- 2.13. Paying for gas, tolls, meals and accommodations during the road trip to conflict zones;
- 2.14. Not returning rented cars;
- 2.15. Reporting missing vehicles in countries bordering conflict zones in Syria and Iraq, followed by cashing the insurance in the country of origin.

Phase 3 Indicators. In conflict zones

FTFs can use funds for provisions, training or operations while in conflict zones. This behavior can be characterized by suspicious activities originating from cities near zones controlled by ISIL/Al-Qaida, including unusual log-ins, withdrawals from automated teller machines and wire transfers. Financial Intelligence and STR information from several FIUs reveal the following indicators while in conflict zones:

Noticeable Suspicious Operations near or in conflict zones:

- 3.1. Using online tools from reporting entities or customer service lines to monitor operations in order to coordinate and facilitate fundraising or initiating additional operations. For example, shortly after conducting operations in the United States, they are followed by log-ins from places in Syria, Iraq, Northeast Lebanon or the southern Turkish border;
- 3.2. Withdrawing cash from automated teller machines or using debit cards in conflict zones shortly after receiving cash deposits in accounts from a distant jurisdiction;
- 3.3. To avoid communicating with others and avoid telecommunications or emails, FTFs can transfer small amounts of money (e.g. 1 USD or 1 EUR) with payment instructions or a description of the operation having short, suspicious messages;

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- 3.4. Customers that had minimum transaction activity before ISIL expanded its operations (beginning of 2014) now have a flow of money from unknown origins followed by wire transfers to beneficiaries or withdrawals from automated teller machines in Iraq, Northeast Lebanon, Libya, Southern Turkey or Syria;
- 3.5. Not paying the balances on credit cards, lines of credit or car loans;
- 3.6. Receiving or sending funds to apparently unrelated individuals located near cities controlled by ISIL or Al-Qaida for operations that have no legitimate commercial purpose. These apparently unrelated individuals can have similar addresses, telephone numbers and other identification information;
- 3.7. Receiving wire transfers in cities near the borders of Iraq and Syria, or near conflict zones.

Phase 4 Indicators. Return to the Home Country

FTFs may attempt to return to their home country after being trained or having participated in an armed conflict. Financial Intelligence and STR information reveals certain operations associated with possible FTFs returning to their home country:

- 4.1. Withdrawing money in automated teller machines in Turkish cities near the Syrian or Iraqi borders;
- 4.2. After a long period of inactivity, domestic operations of possible FTFs return to the activity levels previous to leaving the country. Wire transfers from FTF relatives or associates related to FTF or FT networks can be observed;
- 4.3. Receiving or sending funds to apparently unrelated individuals located near cities controlled by ISIL and Al-Qaida for operations that have no legitimate commercial purpose. These apparently unrelated individuals can have similar addresses, telephone numbers and other identification information.

Phase 5 Indicators. Facilitation

After returning to their home country, FTFs may try to recruit others or plan and perpetrate terrorist attacks. Financial Information and STR information from several FIUs reveal the following transactional behavior after the FTF returns to his/her home country:

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- 5.1. Sending funds to apparently unrelated individuals. Although this behavior might not have been previously noticed, FTFs returning from conflict zones can be trying to support other FTFs or terrorists;
- 5.2. Over a period of weeks, transferring funds that accumulate and are then withdrawn by apparently unrelated individuals within a short period of time (e.g. a couple of days);
- 5.3. After a long period of inactivity, domestic operations of possible FTFs return to their activity levels previous to leaving the country. Wire transfers to FTF relatives or associates related to FTF or FT networks can be noticed;
- 5.4. Obtaining logistics support, including transportation expenses and provisions from suspicious or apparently unrelated sources;
- 5.5. Raising funds directly or through suspicious charity organizations to support other FTFs. The suspicious fundraising takes place in Internet forums frequently visited by radicalized individuals;
- 5.6. Employees or directors of Nonprofit Organizations (NPO) embezzling funds prior to departing for conflict zones.

Geographical points of interest

The areas under the control of ISIL in Syria, Iraq and, most recently, Libya fluctuate significantly. Therefore, UAF-Panama has not included an approximate geographic map of the zone herein. Media and intelligence agencies show and delineate the zone controlled by ISIL regularly on their websites. For example:

- <http://www.businessinsider.com/heres-all-of-the-area-that-isis-controls-2015-3?IR=T>
- <http://www.ft.com/ig/sites/2014/isis-map/> (2014)
- <http://isis.liveuamap.com/> (up to date)
- <http://intelcenter.com/maps/is-affiliates-map.html>

Interest Report regarding FTFs funding

- ISIL Report to FATF:
<http://www.fatf-gafi.org/documents/documents/financing-of-terrorist-organisation-isil.html>.

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- FATF's Report on emerging FT trends:
<http://www.fatf-gafi.org/documents/documents/emerging-terrorist-financing-risks.html>.
- ICCT Report on "Identifying Foreign Terrorist Fighters, The Role of Public-Private Partnership, Information Sharing and Financial Intelligence":
http://icct.nl/wp-content/uploads/2015/07/OP-FININT_web_low-res.pdf