

FIU DEFINITION
“COUNTERING OF TERRORISM FINANCING”
COMPLEMENTARY INTERPRETATIVE NOTE

1. In response to the international mandatory standards committing the FIUs to play an active role in the fight against the financing of terrorism, the Heads of the Egmont Group Financial Intelligence Units at its 2004 Plenary session in Guernsey agreed on a revision of the definition of a Financial Intelligence Unit, as incorporated in the Egmont Group Statement of Purpose, to reflect the countering of terrorism financing (CTF) as a core function of the FIU.
2. Full compliance with the Egmont definition of a Financial Intelligence Unit being one of the essential criteria for being recognised by and admitted in the Egmont Group, a survey was conducted of the current members in order to determine the extent to which they had CTF legislation, and the nature and form of that authority. The review was intended not only to determine the state of compliance with the respect to the CFT aspect, but also to isolate the essential criteria for satisfying the Egmont definition.
3. Consequently Egmont specific criteria, separate and apart from other international criteria, were adopted that allow for a flexible and pragmatic approach, without however betraying the basic rationale of the relevant international mandatory standards. Such an approach is consistent with Egmont’s policy with a primary focus on the operational nature of the FIU and on maximizing cooperation between those units.
4. With these goals in mind, the following requirements apply as a minimum to comply with the terrorism financing element of the Egmont definition:
 - a system of mandatory reporting of suspicious transactions related to TF should be established in the jurisdiction;
 - the FIU should be the central reception point of such disclosures;
 - the TF reporting obligation to the FIU should be formally imbedded in the law, irrespective of all *de facto* or goodwill motivated situations (see also par. 6);
 - the FIU should have full authority and ability to exchange TF related information with its counterparts;
5. Terrorism financing encompasses the use of legitimate, or clean funds. Terrorism financing as predicate offense to money laundering is insufficient under Egmont criteria where it covers only proceeds of crime. A reporting obligation based solely upon lists of designated or suspected terrorists is also insufficient. Both national and international terrorism should be covered.
6. Compliance with the Egmont FIU definition is distinct from international standards governing the entire AML/CFT regime of a jurisdiction. To the extent an FIU operates under a legal basis that accommodates terrorism finance as discussed above, through primary or other legal instruments such as secondary legislation (by-laws, decrees ...) and regulations insofar they have force of law and consequently a coercive character, there is compliance with the Egmont Group’s criteria.