

What is Terrorist Financing?

Terrorist financing means making funds available to a person or an organisation who may use them to commit a terrorist act at home or abroad (Article 11 of Directive (EU) 2017/541 on combatting terrorism, complemented by Article 2 in the Regulation (EU) 2024/1624).

 The way these funds are made available does not matter: for example, donating to a charity that supports terrorist aims could be terrorist financing. Additionally, the amount of these funds is inconsequential for the offense to be qualified

Funds used for terrorist financing can stem from **illegal sources**, as terrorists can launder money from predicate offences such as fraud, kidnapping for ransom, illicit trade in commodities, misuse of non-profit organisations.

Funds used for terrorist financing can also come from **legitimate sources** such as voluntary donations, legal incomes, legitimate commercial enterprises.

What is the difference between targeted financial sanctions against terrorism and detection of terrorist financing?



Targeted Financial Sanctions

relating to terrorism means that once a person or entity is designated, **funds or other assets have to be frozen without delay and not made available directly or indirectly to that sanctioned individual or entity.**

Targeted Financial Sanction designations by the UN Sanctions Committees are dealt with in **United Nations Security Council resolutions** 1267 (1999) and 1373 (2001) and their successor resolutions.

The EU gives legal effect to those targeted financial sanctions through **EU Council Regulations**. The EU also maintains its own EU terrorist list.



Detection of terrorist financing

means identifying groups and individuals that are **not yet on targeted financial sanctions lists** but are financially linked to known terrorist organisations or individuals.

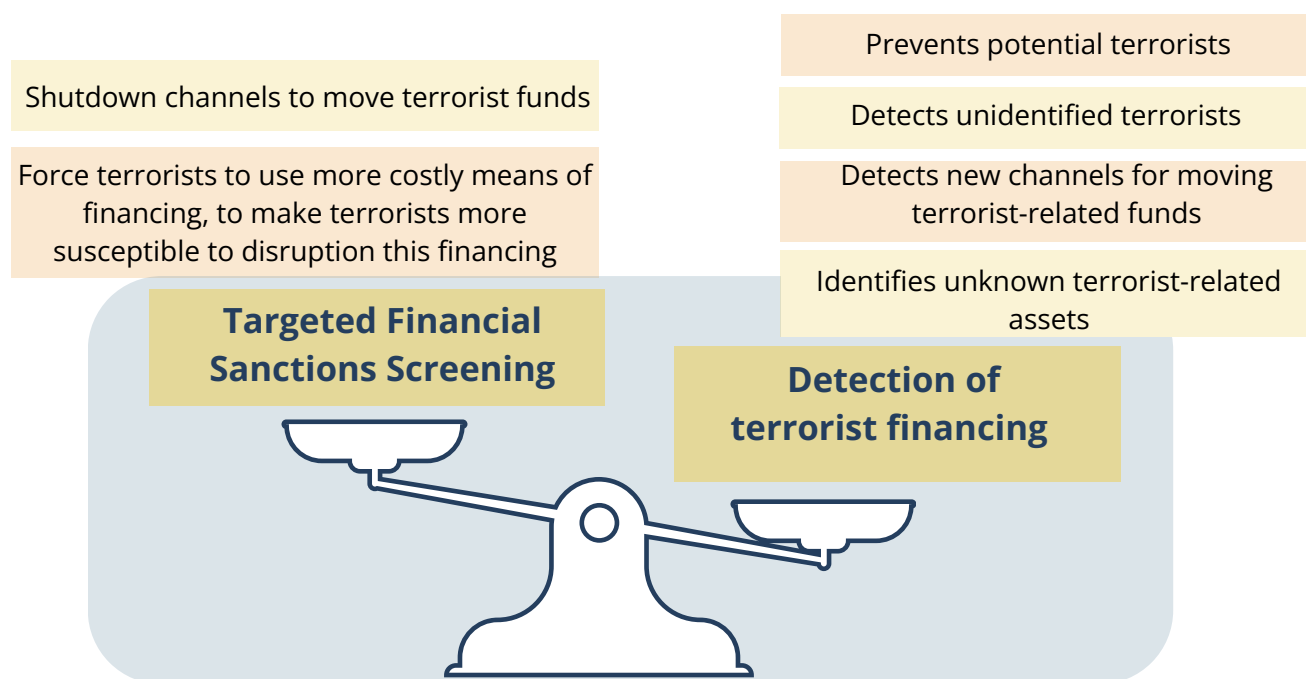
A lack of understanding, or an out-of-date understanding of terrorist financing risks gives rise to significant vulnerabilities, especially in those Member States where the phenomenon of **radicalisation** is more prevalent.

A terrorist financing risk assessment should use reliable sources with regularly updated information such as the FATF typologies report, FIU reports, and reports on the terrorist context such as **EU Terrorism Situation and Trend Report** from Europol.

Which approach to combatting terrorist financing is more effective?

Both detection and targeted financial sanctions are important in combatting terrorist financing. Focusing only on compliance with targeted financial sanctions means that terrorist financing risks may be overlooked. Not all persons or organisations potentially involved in terrorist financing are captured by targeted financial sanctions, for example because they are lone actors or small terrorist cells.

The graphic below demonstrates why detection is just as, if not more, important than targeted sanctions.



What is the EBA doing to tackle Terrorist Financing?

The EBA issued Guidelines to financial institutions and their supervisors on the steps they should take to make sure that controls to counter terrorist financing are effective.

- The EBA's ML/TF risk factors [Guidelines](#) set out how financial institutions should identify, assess and mitigate terrorist financing risks to which they are exposed.
 - In March 2023, the EBA updated this guidance to tackle unwarranted derisking of non-profit organisations as a result of ineffective counter-terrorist financing controls. The EBA also published a [factsheet](#) addressed to non-profit organisations to help them understand what information they may have to provide to banks to avoid being de-risked.
- The EBA's [Guidelines](#) on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures set out provisions to ensure that financial institutions' governance and risk management systems are sound and sufficient to address the risk that they might breach or evade restrictive measures. The set of Guidelines on restrictive measures under Regulation (EU) 2023/1113 set out what financial institutions should do to satisfy themselves that their screening system is adequate and reliable, and steps financial institutions should take when screening customers and analysing alerts generated through such screening.
- AML/CFT supervisors should identify and understand the terrorist financing risk factors that will affect their supervised sector, as explained in the EBA's Risk-based supervision [Guidelines](#). The EBA encourages AML/CFT supervisors to exchange information with law enforcement and services specialised in countering terrorism.

Depending on the extent of the risk, specific measures, such as thematic reviews, or reporting by financial institutions on their CFT frameworks, are warranted.

Terrorist financing cannot be stopped by one actor alone, or by one Member State. This is why strengthening cooperation is a key focus for the EBA, both across borders – such as through AML/CFT colleges– and domestically.



The EBA's [Guidelines](#) on cooperation and information exchange between FIUs, AML/CFT supervisors and prudential supervisors set out practical modalities for an effective cooperation.