

# THE UPDATED 2015 INDONESIA'S RISK ASSESSMENT ON TERRORIST FINANCING CRIME

JAKARTA 2019

## UPDATED INDONESIA'S RISK ASSESSMENT

AGAINST THE TERRORIST FINANCING CRIME

Main Points:

Updated Counter-TF Regulation

Updated TF Main Risk

TF Mitigation 2015-2018

NPO Risk Management

Oleh:  
Tim NRA TPPT Indonesia 2019

**THE UPDATED INDONESIA'S RISK ASSESSMENT ON  
TERRORIST FINANCING  
(NRA ON TF 2015 UPDATED)**

**FINAL REPORT**

**MEY 2019**

**Executing Team©:**



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## **The Updated 2015 Indonesia's Risk Assessment on Terrorist Financing Crime**

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## **STRUCTURE OF THE TEAM FOR THE UPDATED 2015 INDONESIA'S RISK ASSESSMENT ON TERRORIST FINANCING CRIME**

### **A. STEERING COMMITTEE**

1. Coordinating Minister for Politics, Law and Security
2. Head of Indonesia Financial Transaction Reports and Analysis Center
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4. Chairman of the Board of Commissioners of the Financial Services Authority
5. Minister of Foreign Affairs
6. Minister of Law and Human Rights
7. Attorney General of the Republic of Indonesia
8. Chief Justice of the Supreme Court
9. Head of the National Counter Terrorism Agency
10. Head of the State Intelligence Agency
11. Chief of Special Detachment 88 Anti-Terror Police
12. Deputy Chief of INTRAC
13. Deputy for Eradication of INTRAC
14. Deputy for Prevention of INTRAC
15. Chief Secretary of INTRAC

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**Team of the National Counter Terrorism Agency (BNPT)**



**Team of State Intelligence Agency (BIN)**



**Ministry of Foreign Affairs (KEMLU)**



**Ministry of Law and Human Rights (KEMENKUMHAM)**

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**Team of the Directorate of Terrorist and Transnational Crimes of the Attorney General's Office of the Republic of Indonesia**



**Team of Indonesian Supreme Court (MA)**

### **3. Supervisory and Regulatory Agencies**



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**Team of Financial Services Authority (FSA)**



**Team of Indonesia Financial Transaction Reports and Analysis Center (INTRAC)**

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## FOREWORD

*Assalamualaikum Warahmatullahi Wabarakatuh.*



All praise and thanks be to Allah, the One True Almighty God, for His grace and guidance, so that INTRAC and all stakeholders of the Anti Money Laundering and Counter-Terrorist Financing (AML and CTF) regime as the members of the Inter-Agency Working Group for the Indonesia's NRA can complete the preparation of documents "Updated Indonesia's Risk Assessment Against the Terrorist Financing Crimes 2015".

As we know in common that terrorism is a crime that can occur anywhere in the world without exception, since it is organized and transnational, regardless of any ethnicity, religion, race, and time. Terrorist crime is very closely related to Terrorist Financing Crime. Thus, the Indonesian Government has criminalized all forms of financial support for acts of terrorism in Law No. 9/2013 concerning the Prevention and Eradication of Terrorist Financing Crime (TF).

We cannot deny that it is not an easy attempt to combat TF due to its different characteristic from other criminal acts. The money in TF is not a target, but the means and it may come from legal results. The government has made various efforts to combat TF in the last 5 years. All of them have shown an increase in handling TF in Indonesia, which is marked by the issuance of a number of strategic policies and achievements in the prevention and eradication of terrorism financing crimes.

One of the important instruments to effectively combat TF in Indonesia is by employing the results of a national risk assessment (NRA). Stakeholders will have a fully understanding of TF in accordance with the level of risk assessed. The appropriate handling will be immediately for the ones with high risk (called the TF handling with a risk based approach) in accordance with the recommendations of the Financial Action Task Force (FATF).

The preparation of the updated 2015 Indonesia's Risk Assessment on TF has been carried out comprehensively, completely and thoroughly involving the role of the ML Committee (national coordination committee on ML) as well as all stakeholders of TF prevention by employing the FATF standard methodology to guarantee the quality of the assessment results. Through the updated 2015 Indonesia's Risk Assessment on TF, Indonesian government have carried out many strategic policies to mitigate the main risks identified in the NRA TF, both prevention and eradication policies with soft



and hard approach. Each stakeholder then implemented it based on their duties and functions through supervision, regulation and law enforcement.

Terrorist financing is not an undeveloped crime (static). Several cases of terrorism in Indonesia within the last 5 years have proven that the terrorists have developed their method from the old one that used to be a violence/crime/robbery, into a smoother way (not attracting the attention of the general public) and any other ways. Regarding this TF development, all stakeholders have updated their knowledge on TF risk through the Updated 2015 Indonesia's Risk Assessment on TF and in this year in 2019, the Indonesian Government, through the coordination of the TF Committee, has completed the Updated 2015 Indonesia's NRA TF. The purpose is for ensuring the conformity of the TF mitigation efforts that has been and will be carried out by the stakeholders, with the current TF risks.

Taking into account such need and in order to face the FATF Mutual Evaluation Review (FATF MER) which will be carried out in 2019–2020, we compiled this Updated 2015 Indonesia's NRA TF document to provide a clear and complete picture of the current TF risks in Indonesia which has experienced several developments from 2015 to 2018.

Finally, I express my gratitude and appreciation to all those who have contributed to the publication of this document. May Allah SWT blesses our charity and goodness. Amin Ya Rabbal 'Alamin.

*Wassalamu'alaikum Warahmatullahi Wabarakatuh.*

Jakarta, 27 May 2019  
**Head of INTRAC**



**Kiagus Ahmad Badaruddin**

## EXECUTIVE SUMMARY

The updated 2015 Indonesia's risk assessment on Terrorism Financing Crime (NRA on TF 2015) contains the data on modes (collection, transfer and use of funds), profile of terrorists, transaction products/instruments and high-risk areas for terrorist financing for the 2011–2014 period. Some updates to the 2015 NRA on TF include:

### **A. National Scale**

White Paper on Risk Mapping of the Terrorism Financing Crimes related to Domestic Terrorist Networks Affiliated with Islamic State of Iraq and Syria (ISIS) in 2017. This is a way to respond the development of world terrorism maps including the spread of ISIS influence and the foreign terrorist fighter/FTF phenomenon to depart for Syria or Iraq. The high risk of social media and the reduced risk of NPO for financing terrorists are the highlights of this White Paper.

### **B. International Scale of the Southeast Asia Region (South East Asia Plus Australia and New Zealand)**

Regional Risk Assessment/RRA for assessing the risks of terrorist financing in the Southeast Asia region including Indonesia, Singapore, Malaysia, the Philippines, Thailand, Brunei Darussalam as well as Australia and New Zealand with the titles:

1. The 2016 RRA on Terrorist Financing. This RRA aims to assess the modes (collection, transfer and use of terrorist funds) in the regional area including its potential for development in the future. The RRA has produced TF risk mitigation measures in the form of priority actions at the regional level.
2. The 2017 RRA NPO on Terrorist Financing. This RRA aims to assess the risks of NPO in the region against TF in terms of threats, vulnerabilities and impacts. RRA is also carried out to identify the following parameters (subset) of high risk NPO TF along with risk mitigation.
3. The 2018 Indicator/Redflag for NPO transactions that indicate TF. We carried out this activity to find the key and supporting indicators that will facilitate reporters in detecting and reporting suspicious transactions (STR) for NPO customers.
4. *The 2018 ISIL and Regional Terrorist Financing. This activity is to map the flow of funds from the ISIL/ISIS group and its affiliates in the Middle East region to their networks in the ASEAN region plus. In addition, this activity is also to find measures for mitigating ISIS's TF at the regional level.*

To follow up on the NRA TF and mitigate identified TF risks, Indonesia has issued various regulations, requirements and actions in line with the risk assessment results, including compiling the NPO sectoral risk assessment (SRA) in 2016 to assist stakeholders interest in determining the form of legal entity, type of activity and location of NPO areas with high risk for TF.

In 2019, Indonesia issued the updated 2015 national risk assessment on the TF (NRA on TF 2015 Updated). One of the goals of this update is to recognize the development of the TF risk map in Indonesia along with its mitigation in the 2016–2018 period. This document contains the results of Indonesia's risk assessment on TF, specifically regarding TF domestic risks (mode, profile, transaction products/instruments and areas with the risks for terrorist financing), foreign threats, emerging threats, NPO risk management and mitigation conducted by stakeholders in the 2016--2018 period.

The 2015 Updated NRA TF is substantially a consolidated document of all the results of Indonesia's national risk assessment on TF in the 2015–2018 period and its mitigation measures for reducing TF risk in Indonesia.

Several main points of the Updated 2015 NRA TF results are:

1. The high-risk mode of terrorist financing consists of several stages:
  - Collecting funds in the form of donations to terror groups, self-funding and funding through social media.
  - Transferring funds (moving) in the form of carrying cash, the use of non-bank licensed fund transfer providers and the use of banking products and services.
  - Using funds (=) in the form of the purchases of weapons and explosives, mobility of terrorist members & networks (including FTF), war training, family compensation for terrorists and terrorist network management.
2. High-risk profiles of the latest terrorist financing in the form of traders/entrepreneurs/businessmen according to a number of cases that have occurred (2015–2018).
3. Banking products in the form of savings accounts and cash transaction instruments known to have a high risk for terrorist financing.
4. The high-risk area for terrorist financing is DKI Jakarta, the business and government center and the most populous in Indonesia.
5. The main threat abroad is related to foreign terrorist networks affiliated with terrorist groups or organizations in Indonesia, the profile of terrorist groups in Indonesia and terrorist financing from abroad (external funding).
6. The emergence of the TF new threats (emerging threat) in the form of the use of cross-border payments online and cash carrying (cross border cash movement/CBCM)

Based on the results of the updated risk assessment and mitigation that has been carried out, this Updated 2015 NRA TF recommends a number of the TF prevention and eradication efforts through strengthening coordination, cooperation and synergy with domestic stakeholders (with ministries and institutions, law enforcement, supervisory and regulatory agencies and the reporting party); as well as international parties (with all overseas partners) both formal and informal.

## LIST OF ABBREVIATIONS

NO	Abbreviation	Description
1	AML/CFT	Anti-Money Laundering / Counter-Terrorist Financing
2	APG	Asia Pacific Group on Money Laundering
3	APGAKUM	Law Enforcement Apparatus
4	APU PPT	Anti-Money Laundering and Counter Terrorist Financing
5	ASEAN	The Association of Southeast Asian Nations
6	AUSTRAC	Australian Transaction Reports and Analysis Center
7	BB	Non Bank
8	BNPT	Counter-Terrorism Agency
9	CTF Summit	Counter Terrorist Financing Summit
10	Densus 88 AT Polri	Special Detachment 88 Indonesia Anti Terror Police
11	DTTOT	List of Suspected Terrorists and Terrorist Organizations
12	FATF	Financial Action Task Force
13	FIU	Financial Intelligent Unit
14	HA	<i>Analysis Result</i>
15	ISIS / ISIL	Islamic State of Iraq and Syria / Islamic State of Iraq and the Levant
16	KUPVA	Currency Exchange Business Activities
17	LHA	Analysis Result Report
18	LPP	Supervisory and Regulatory Agency
19	LPUTLB (CBCC)	Cross-Border Cash-Carrying

NO	Abbreviation	Description
20	LTKM (STR)	Suspicious Transaction Report
21	LTKT (CTR)	Cash Transaction Report
22	MER	Mutual Evaluation Review
23	NPO	Non-Profit Organization
24	Ormas	Civil Society Organization (CSO)
25	PDB	Gross Domestic Product
26	PERPPU	Government Regulation in Lieu of Law
27	PTD	Fund Transfer Services
28	RRA on NPO	Regional Risk Assessment on Non-Profit Organization
29	RRA on TF	Regional Risk Assessment on Terrorist Financing
30	Stakeholders	Stakeholders
31	TF	Terrorist Financing
32	TPPT	Terrorist Financing Crimes
33	TPPU	Money Laundering Crimes
34	UUD	<i>Indonesian Constitution</i>
35	WIC	Walk In-Customer





## **CHAPTER 1**

# **REGULATION AND LEGISLATION OF THE CURRENT TERRORIST FINANCING PREVENTION**



## **CHAPTER 1 REGULATION AND LEGISLATION OF TERRORIST FINANCING PREVENTION**

### **LAW NO. 5/2018 CONCERNING AMENDMENT TO LAW NO15/2003 CONCERNING STIPULATION OF GOVERNMENT REGULATION IN LIEU OF LAW NO.1/2002 CONCERNING TERRORISTS ERADICATION INTO LAW.**

- 1.1 The government is committed against the threats of terrorism in Indonesia. Thus, in 2018 the Indonesian Government through the Minister of Law and Human Rights has issued the latest law, namely Law No. 5/2018 concerning Amendment to Law No. 15/2003 concerning Stipulation of Government Regulation in Lieu of Law No. 1/2002 concerning the Terrorist Eradication into Law.
- 1.2 Some important points of this latest Act on combating terrorism are:
  - a. Affirming that the definition of terrorism can clearly identify the scope of terrorist crimes to distinguish them from other criminal acts that have almost the same consequences.
  - b. Expanding the criminalization of the terrorist crimes against people related to the terrorist organization and to those who deliberately spread words, attitudes or behavior, writings, or displays with the aim of provoking people or groups of people to commit a Terrorist Crime.
  - c. Criminalizing the acts of preparation, joining military or paramilitary training or other exercises both domestically and abroad with the intention of committing the terrorist crimes, as well as expansion of the use of tools/weapons to commit terrorist crimes.
  - d. Imposing sanctions against those who commit terrorist crimes both directly and assistance to commit terrorist crimes.
  - e. Expanding criminal sanctions against corporations imposed on founders, leaders, management, or people who direct corporate activities.
  - f. Additional criminal charges including revocation of the right to have a passport within a certain period.
  - g. Increasing the time of arrest and detention for the benefit of investigators and public prosecutors as well as examining criminal case files of terrorist crimes by public prosecutors.
  - h. Preventing terrorist crimes carried out by relevant agencies in accordance with the main tasks, functions and authorities of each coordinated by the National Counterterrorism Agency (BNPT).

- i. Institutionalizing the National Counterterrorism Agency and its supervision as well as the involvement of the role of the Indonesian National Army (TNI).

**LAW NO. 16/2017 CONCERNING ESTABLISHMENT OF GOVERNMENT REGULATION IN LIEU OF LAW NO. 2/2017 CONCERNING AMENDMENT TO LAW NO. 17/2013 CONCERNING MASS ORGANISATION BECOMING LAW.**

- 1.3 Civil society organizations (CSOs) or also known as Non-Profit Organizations (NPOs) in Indonesia are an important element within the lives of the society of a state. With the number of CSOs reaching 390 thousand registered in Indonesia as of 2018, it is important to organize the legal aspects of CSOs in Indonesia. To address this issue, in 2017 the Government of Indonesia, represented by the Ministry of Law and Human Rights, issued Law No. 16/2017 concerning Establishment of Government Regulation in Lieu of Law (PERPPU) No. 2/2017 concerning Amendments to Law No. 17/2013 concerning Civil society organizations becomes Law.
- 1.4 Some important points from this latest law on civil society organizations are:
  - a. Reinforcing the definition of civil society organization. Only organizations established with the aim of participating in development in order to achieve the objectives of the Unitary State of the Republic of Indonesia based on the *Pancasila* (Five Principles) and the 1945 Constitution of the Republic of Indonesia can be referred to as a civil society organization.
  - b. Expanding elements of the prohibition to the previous rules, including that civil society organizations are prohibited from having understanding contrary to Pancasila as the principles of the state.
  - c. The Minister of Home Affairs or the Minister of Law and Human Rights has the authority to directly dissolve and revoke the status of legal entity organizations whose principles and activities proven to threaten the sovereignty of the Republic of Indonesia based on Pancasila and the 1945 Constitution.

**PRESIDENTIAL REGULATION OF THE REPUBLIC OF INDONESIA NO. 18/2017 CONCERNING PROCEDURES FOR THE DONATION ACCEPTANCE AND GRANTING BY CIVIL SOCIETY ORGANISATIONS IN THE PREVENTION OF TERRORIST FINANCING CRIMES.**

- 1.5 By realizing that civil society organizations (CSOs) can be used as a means, both directly and indirectly, to receive and make contributions relating to the Terrorist Financing crimes, the Government needs to regulate the procedures for receiving and giving donations by civil society organizations.
- 1.6 Based on these considerations, on February 22, 2017, President Joko Widodo has signed Presidential Regulation (PERPRES) No. 18 of 2017 concerning Procedures for Receiving and Giving Donations by Civil Society Organizations in Preventing Terrorist Financing Crimes
- 1.7 The scope of CSOs regulated in this PRESIDENTIAL REGULATION are:
  - a. Organizations subject to laws and regulations can receive donations from abroad and or make donations abroad;
  - b. CBOs whose significant number or large part of financial resources come from community contributions for operational, cash and related CSO activities.
- 1.8 According to this Presidential Regulation, CBOs that will receive donations are required to identify donors. The identification is carried out in terms of:
  - a. Donations to be received come from donors with citizenship or domicile in a country that has been declared inadequate in implementing international conventions and standards in the field of prevention and eradication of money laundering and terrorist financing crimes;
  - b. Donations to be received are intended to be given to recipients in countries that have been declared inadequate in implementing international conventions and standards in the field of prevention and eradication of money laundering and terrorist financing crimes.

**PRESIDENTIAL REGULATION OF THE REPUBLIC OF INDONESIA NO. 13/2018 CONCERNING THE APPLICATION OF THE PRINCIPLES OF RECOGNIZING OF THE CORPORATE BENEFICIARIES IN THE CONTEXT OF PREVENTION AND ERADICATION OF MONEY LAUNDERING AND TERRORIST FINANCING CRIMES.**

- 1.9 By considering that corporations can be used as a means both directly and indirectly by criminal offenders who are the beneficiaries of the results of money laundering (ML) and terrorist financing (TF), the Government deems it necessary to regulate the application of the principle of recognizing the corporate beneficiaries.

- 1.10 Based on these considerations, on March 1, 2018, President Joko Widodo signed the Presidential Regulation No.13/2018 regarding the Application of the Principle of Recognizing Corporate Beneficiaries for the Prevention and Eradication of Money Laundering and the terrorist financing Crimes.
- 1.11 Beneficiary is an individual who can appoint or dismiss directors, the board of commissioners, management, coaches, or supervisors of the Corporation, has the ability to control the Corporation, is entitled to and / or receives benefits from the Corporation directly or indirectly, is the true owner of the funds or shares of the corporation and/or meet the criteria referred to in this Presidential Regulation.

**FSA REGULATION NO.12/POJK.01/2017 REGARDING THE IMPLEMENTATION ON ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING IN THE FINANCIAL SERVICE SECTOR.**

- 1.12 The issuance of this regulation is due to the growing complexity of financial products and services including marketing (multi channel marketing), as well as the increasing use of information technology in the financial services industry which in practice causes a high risk for financial service providers (FSP) being used as a means of money laundering and/or terrorist financing.
- 1.13 The high risk faced by FSP requires the improvement of the quality of the anti-money laundering and/or counter-terrorist financing programs based on a risk-based approach in accordance with general principles that apply internationally.
- 1.14 Through this regulation, FSA regulates that in case any party related to terrorism/terrorist financing recorded in LSTTO, the FSP is obliged to reject business relations while against the parties who have been registered as customers, the closure/termination of business relations can be done.
- 1.15 Some of the main points of this regulation include:
- A. The FSP must identify and conduct a risk assessment of money laundering and/or terrorist financing crimes related to the development of new products and business practices, including new distribution mechanisms, and the use of new technologies or technology development for new products and existing products.

- B. The FSP is obliged to ensure that prospective customers, customers, or WIC who open business relationships or conduct transactions for themselves or for the benefit of the beneficiaries.
- C. The FSP is obliged to cooperate with law enforcement and authorized authorities in the context of eradicating the money laundering and/or terrorist financing crimes.

## **FSA CIRCULAR LETTER NUMBER 32/SEOJK.03/2017 REGARDING THE IMPLEMENTATION OF AML AND CTF PROGRAMS IN THE BANKING SECTOR**

- 1.16 In connection with the financial services authority regulation (FSAR) number 12/POJK.01/2017 concerning the implementation of anti-money laundering and counter-terrorist financing programs in the financial services sector (State Gazette of the Republic of Indonesia No.57/2017 Supplement to the State Gazette of the Republic of Indonesia Number 6035), hereinafter referred to FSAR on AML and CTF, FSA has the need to further regulate the implementation of anti-money laundering and counter-terrorist financing programs (AML and CTF) in the banking sector.
- 1.17 Banks that provide a variety of financial transaction services are very vulnerable to the possibility of being used as a means of money laundering and/or terrorist financing. In order to prevent banks from being used as a means of money laundering and/or terrorist financing, banks need to implement AML and CTF programs.
- 1.18 The growing complexity of banking products and services, including marketing (multichannel marketing), as well as the increasing use of information technology in the banking industry requires the AML and CTF programs quality improvement based on a risk-based approach in accordance with the general principles applying internationally and the provisions in FSAR on AML and CTF as well as this Financial Services Authority circular.
- 1.19 Some of the main points of this regulation include:
  - a. To implement an AML and CTF risk-based approach, the bank carries out at least the inherent risk identification, risk tolerance determination, mitigation and risk control measures preparation, residual risk evaluation, a risk-based approach application, as well as the existing risk-based approaches review and evaluation.
  - b. Banks must conduct the in-depth Customer Due Diligence (CDD) activities or enhanced due diligence (EDD) on the criteria of prospective customers, customers, walk in customers (WIC), and or beneficiaries who meet the high risk criteria.

- c. The bank must maintain a LSTTO database received from the Financial Services Authority issued by the Head of the Indonesian National Police based on the stipulation of the District Court of Jakarta Pusat.

## **FSA CIRCULAR LETTER NUMBER 47/SEOJK.04/2017 REGARDING THE AML AND CTF PROGRAMS IMPLEMENTATION IN THE CAPITAL MARKET SECTOR**

- 1.20 Regarding the implementation of the mandate of Article 68 of the Financial Services Authority Regulation Number 12/POJK.01/2017 concerning the Application of the Anti-Money Laundering and Counter-Terrorist Financing in the Financial Services Sector (State Gazette of the Republic of Indonesia Number 57/2017, Supplement to the State Gazette of the Republic of Indonesia Number 6035), it is necessary to regulate the implementation provisions regarding the application of anti-money laundering and counter-terrorist financing in the capital market sector.
- 1.21 FSP in the capital market sector is very vulnerable to the possibility of being used as a medium for money laundering and counter-terrorist financing. FSP in the capital market sector is possible to be the entrance of assets resulted from the criminal acts or constituting a terrorist financing into the financial system which can then be utilized for the benefit of terrorists. For example, for money launderers, these assets can be withdrawn as assets that appear legitimate and can no longer be traced to their origin. As for the perpetrators of the terrorist financing, these assets can be used to finance terrorist activities.
- 1.22 In this regard, it is necessary to improve the quality of the AML and CTF programs implementation based on a risk-based approach in accordance with general principles that apply internationally, and in line with the national risk assessment (NRA) and assessment sectoral risk (sectoral risk assessment/SRA).
- 1.23 Some of the main points of this regulation include:
  - a. Financial Service Providers in the capital market must implement the risk-based AML and CTF program as referred to in Article 2 through Article 5 of the Financial Services Authority Regulation Number 12/POJK.01/2017 concerning the Implementation of Anti-Money Laundering and Prevention of the Terrorist Financing Programs in the Financial Services Sector.
  - b. In the application of risk-based AML and CTF programs, FSP must refer to and consider risks as stated in the NRA and SRA. The risks listed in the NRA and SRA can develop and

experience changes. Therefore, the AML and CFT programs application owned by FSP in the capital market sector must be responsive to changes in risk.

## **FSA CIRCULAR LETTER NUMBER 37/SEOJK.05/2017 REGARDING AML AND CTF PROGRAMS IMPLEMENTATION IN THE NON-BANK FINANCIAL INDUSTRY SECTOR**

- 1.24 In connection with the mandate of the provisions of Article 68 of the Financial Services Authority Regulation Number 12/POJK.01/2017 concerning the Application of the Anti-Money Laundering and Counter-Terrorist Financing in the Financial Services Sector (State Gazette of the Republic of Indonesia of 2017 Number 57, Supplement to the State Gazette of the Republic of Indonesia Number 6035) , it is necessary to further regulate the guidelines for implementing anti-money laundering and counter-terrorist financing programs in the non-bank financial industry sector.
- 1.25 The growing complexity of financial products and services including its marketing (multi-channel marketing) as well as the increasing use of information technology in the financial services industry that has made FSP NBFI (Non-Bank Financial Industry) even more risky to be used as a means of money laundering and/or terrorist financing.
- 1.26 In this regard, it is necessary to improve the quality of the AML and CTF programs implementation based on a risk-based approach in accordance with general principles that internationally apply and in line with national risk assessment (NRA) and sectoral risk assessment ( sectoral risk assessment/SRA).
- 1.27 Several main points of this regulation include:
- a. The implementation of a risk-based approach for AML and CTF supports the FSP NBFI in implementing risk prevention and mitigation actions commensurate with the risks of ML and TF identified. The FSP NBFI subsequently can allocate its resources according to the risk profile faced by the FSP NBFI, manage internal control, internal structure, and implement policies and procedures to prevent and detect Money Laundering and Terrorist Financing.
  - b. In implementing a risk-based approach, the FSP NBFI must refer to and consider risks of national concern listed in the NRA and SRA. The risks listed in the NRA and SRA can develop and change, therefore the application of the AML and CFT programs owned by the FSP NBFI must be responsive to these risk changes.



## **FSA CIRCULAR LETTER NUMBER 38/SEOJK.01/2017 CONCERNING GUIDELINES FOR THE INSTANT BLOCKING OF CUSTOMER FUNDS IN THE FINANCIAL SERVICES SECTOR WHOSE IDENTITY LISTED IN LSTTO**

- 1.28 In connection with the mandate of Article 46 paragraph (4) juncto Article 68 of the Financial Services Authority Regulation Number 12/POJK.01/2017 concerning the Anti-Money Laundering and Terrorist Financing Programs Implementation in the Financial Services Sector of the State Gazette of the Republic of Indonesia Number 57/2017, Supplement to State Gazette of the Republic of Indonesia Number 6035, it is necessary to regulate the implementation provisions regarding the guideline for the instant blocking of the customers fund in the financial services sector whose identities listed in the list of suspected terrorists and terrorist organizations (LSTTO)
- 1.29 For preventing and handling the terrorist financing, the Head of the Indonesian National Police is given the authority to issue LSTTO based on the stipulation of the District Court of Jakarta Pusat, to then be submitted to FSP through FSA accompanied by a request for an Instant Blocking.
- 1.30 FSA delivers LSTTO and its amendment must be accompanied by a request from the Head of the Indonesian Police to the FSP for Instant Blocking for all funds owned or controlled, directly or indirectly, by individuals or corporations, through electronic letters.
- 1.31 Several main points of this regulation include:
- a. In addition to the instant blocking of the funds owned or controlled, either directly or indirectly by customers whose identities listed in LSTTO, the FSP submits a suspicious financial transaction report related to the terrorist financing to INTRAC no later than 3 (three) working days after recognizing the suspicious financial transactions related to the terrorist financing in accordance with Article 13 paragraph (1) of Law Number 9/2013 concerning Prevention and Eradication of Terrorist Financing Crimes.
  - b. The procedure for the submission of suspicious financial transaction reports related to terrorist financing refers to the regulation of Head of INTRAC regarding the procedures for submitting suspicious financial transaction reports and cash financial transaction reports to FSP.

## **REGULATION OF BANK OF INDONESIA NUMBER 18/9/PBI/2016 CONCERNING REGULATION AND SUPERVISION OF THE PAYMENT SYSTEM AND MONEY MANAGEMENT IN RUPIAH**

- 1.32 In order to encourage financial system stability and monetary stability, it is necessary to provide a smooth, safe, efficient and reliable payment system that contributes to the economy, monetary stability, and financial system stability by taking into account the expansion of access, consumer protection and national interests;
- 1.33 In order to encourage the maintenance of financial system stability and monetary stability, it is also necessary to have a money management (in Rupiah) that is able to meet the community's needs in sufficient nominal amounts, suitable types of fractions, on time, and in conditions worthy of circulation and safe from counterfeiting throughout the territory of the Unitary Republic of Indonesia by taking into account aspects of consumer protection and national interests.
- 1.34 It is necessary to support the policies implementation in the field of payment systems and the money management by healthy money service activities with good governance and compliance with laws and regulations;
- 1.35 The payment mechanism for implementing the Payment System includes:
- c. Interoperability among providers;
  - d. Clearing and fund settlement mechanism;
  - e. Establishment of standards for the operation of the Payment System including safe and reliable system standards;
  - f. Fund settlement by using an existing fund account at the central bank;
  - g. Application of risk management, consumer protection, and anti-money laundering and terrorist financing (AML CTF);
  - h. Types and fees of payment system services; and
  - i. Requirements and procedures for submitting a request for a liquidity facility in Bank Indonesia's Payment System services.
- 1.36 The mechanism for organizing Money Service Activities includes, among others:
- a. Governance ;
  - b. Application of the precautionary principle;
  - c. Application of consumer protection; and
  - d. Application of anti-money laundering and terrorist financing (AML CTF).

**REGULATION OF BANK OF INDONESIA NUMBER 19/10/PBI/2017 REGARDING THE APPLICATION OF ANTI-MONEY LAUNDERING AND TERRORIST FIANANCING FOR NONA-BANK PAYMENT SYSTRM SERVICES PROVIDERS AND NON-BANK CURRENCY EXCHANGE BUSINESS ACTIVITIES (CEBA)**

- 1.37 The rapid development of technology and information systems continues to encourage various innovations in the field of payment system services and business activities in foreign exchange.
- 1.38 These innovations result in more complex products, services, transactions and business models that increase the risk of money laundering and/or terrorist financing in the payment system services sector and foreign exchange exchange business activities.
- 1.39 The increased risk needs to be balanced with the increase in the quality and effectiveness of anti-money laundering and/or counter-terrorist financing implementation by using a risk-based approach in accordance with general principles that internationally apply;
- 1.40 Harmonization and integration of regulations regarding the application of anti-money laundering and/or counter-terrorist financing are needed in implementing payment system service and foreign exchange exchange business activities;
- 1.41 Several main points of this regulation include:
  - a. The Provider must ensure that service users act for themselves or for the benefit of the Beneficial Owner. In case the service users act for the benefit of the Beneficial Owner, the Provider is required to identify and verify the Beneficial Owner's identity. In case the service user is a Corporation, the Beneficial Owner must be determined based on the majority share ownership in the Corporation.
  - b. In case the Provider conducts business relations with service users and/or carries out transactions originating from high risk countries (published by the Financial Action Task Force on Money Laundering (FATF) for counter measures, the Provider is required to take enhanced due diligence (EDD) by asking for confirmation and clarification from relevant authorities.
  - c. Handling of a list of suspected terrorists and terrorist organizations and a list of funding for the proliferation of weapons of mass destruction.

**JOINT REGULATION OF THE CHIEF OF SUPREME COURT OF THE REPUBLIC OF INDONESIA, THE MINISTER OF FOREIGN AFFAIRS OF THE REPUBLIC OF INDONESIA, THE CHIEF OF THE INDONESIAN POLICE, THE HEAD OF THE INDONESIAN COUNTER-TERRORISM AGENCY AND HEAD OF INTRAC CONCERNING THE INCLUSION OF THE PEOPLE'S AND CORPORATIONS' IDENTITIES IN THE LIST OF SUSPECTED TERRORISTS AND TERRORIST ORGANIZATIONS.**

- 1.42 Prevention efforts are significantly important for facing the threat of any terrorist crime and activity that supports acts of terrorism.
- 1.43 Whereas one of the attempts to prevent terrorist financing set out in Law Number 9/2013 concerning the Prevention and Eradication of Terrorist Financing is carried out through the inclusion of the people's and corporations' identities in the list of suspected terrorists and terrorist organisations and the blocking of funds belonging to people or corporation listed in the list of suspected terrorists and terrorist organizations.
- 1.44 Whereas Law Number 9/2013 concerning the Prevention and Eradication of Terrorist Financing Crimes has not stipulated in detail the procedures for the inclusion of the identities of people and corporations in the list of suspected terrorists and terrorist organizations, and the blocking of funds belonging to persons or corporations immediately listed. suspected terrorist and terrorist organization.
- 1.45 The source for determining identity of an individual or corporation in the list of suspected terrorists and terrorist organizations comes from the Government of the Republic of Indonesia and the United Nations.
- 1.46 Several main points of this regulation include:
- a. The scope of this Joint Regulation includes the inclusion or renewal of the inclusion of the people's and corporations' identities in the list of suspected terrorists and terrorist organizations; extension of the inclusion of the people's and corporations' identities in the list of suspected terrorists and terrorist organizations; the elimination of the inclusion of the people's and corporations' identities in the list of suspected terrorists and terrorist organizations.
  - b. Instant blocking of funds belonging to an individual or corporation listed in the list of suspected terrorists and terrorist organizations is carried out on all funds owned or controlled, directly or indirectly, by an individual or corporation based on a list of suspected terrorists and terrorist organizations.

- c. In the case of the asset-freezing, which automatically results in LSTTO set based on article 12 A, paragraph 2 of Law 5/2018, where the list of terrorist organizations based on the court decision contained in LSTTO is used as a reference in the criminalization related to people related to terrorism organizations.

**CIRCULAR OF THE HEAD OF INTRAC NUMBER 5/2016 CONCERNING GUIDELINE FOR IMPLEMENTING INSTANT BLOCKING AND FUNDS BELONGING TO AN INDIVIDUA OR CORPORATION WHOSE IDENTITY LISTED IN LSTTO.**

- 1.47 In the context of preventing acts of terrorism pendanan, based on Article 27 of the TF Law, the National Police of the Republic of Indonesia is given authority to issue LSTTO based on the decision of the District Court of Jakarta Pusat.
- 1.48 The Indonesian National Police submits the LSTTO and any amendments to Government agencies and the Financial Transaction Reports and Analysis Center (INTRAC) as the Supervisory and Regulatory Agency must be subsequently submitted to post services as the providers of the current accounts, mortgages, goods and/or other services and professions.
- 1.49 LSTTO Submission by the National Police of the Republic of Indonesia as referred to in number 2 must be accompanied by a request for an instant blocking of all funds owned or controlled, directly or indirectly, by an individual or corporation.
- 1.50 Post services as providers of demand deposits, mortgages, goods and/or other services, and professions must immediately block all funds owned or controlled, directly or indirectly, by people or corporations based on LSTTO that the Head of the Indonesian National Police has issued based on the stipulation of the District Court of Jakarta Pusat.
- 1.51 Several main points of this regulation include:
  - a. INTRAC submits LSTTO as well as any amendments to the post services as the providers of giro services, mortgages, other goods and/or services, and professions both through letters and GRIPS reporting applications.
  - b. In case the identity of an individual or corporation listed in the LSTTO matches with the database of service users, the post services as the provider of giro services, mortgages, other goods and/or services, and the profession will immediately block all funds owned or controlled either directly or indirectly, by the person or corporation concerned.
  - c. Blocking is necessarily done as long as the identity of the individual or corporation is listed in LSTTO.

**REGULATION OF THE HEADT OF COMMODITY FUTURES TRADING REGULATORY AGENCY NUMBER 4/2017 CONCERNING GUIDELINE FOR IMPLEMENTING THE INSTANT BLOCKING BY FUTURES BROKERS OF FUNDS OWNED AND CONTROLLED BY THE INDIVIDUAL OR CORPORATION WHOSE IDENTITY LISTED IN THE LIST OF SUSPECTED TERRORISTS AND TERRORIST ORGANIZATIONS.**

- 1.52 Whereas based on the provisions of Article 28 paragraph (3) of Law Number 9/2013 concerning Prevention and Eradication of Terrorist Financing, Service Providers determined as Reporting Parties by statutory regulations concerning the prevention and eradication of money laundering, must carry out the instant blocking to all funds owned and controlled, directly or indirectly, by an individual or corporation based on the List of Suspected Terrorists and Terrorist Organizations issued by the Head of the Indonesian National Police based on the decision of the District Court of Jakarta Pusat.
- 1.53 Whereas the futures broker company has been set as a reporting party based on the legislation on the money laundering prevention and eradication and obliged to carry out the blocking.
- 1.54 Based on article 28 paragraph (3) of law number 9/2013 concerning the prevention and eradication of terrorist financing (Law on Presidential TF Regulation) and its implementing regulations state that financial service providers (FSP) and authorized institutions are designated as reporting parties by statutory regulations related to the money laundering prevention and eradication, and any other institutions authorized to block funds belonging to each individual, must immediately block all funds owned or controlled, directly or indirectly, by an individual or corporation based on the list of suspected terrorists and terrorist organizations (LSTTO) issued by the head of the Indonesian National Police based on the stipulation of the District Court of Jakarta Pusat.

**REGULATION OF THE HEAD OF INTRAC NO. 2/2017 CONCERNING IMPLEMENTATION GUIDELINES FOR THE INSTANT BLOCKING OF FUNDS BELONGING TO PEOPLE OR CORPORATIONS WHOSE IDENTITY IS IN THE LIST OF THE MASS DESTRUCTION WEAPON PROLIFERATION FINANCING**

- 1.55 Joint Regulation of the Minister of Foreign Affairs of the Republic of Indonesia, Head of the Indonesian National Police, Head of Indonesian Financial Transaction Reports and Analysis Center, and Head of Nuclear Power Supervisory Agency Number 4/2017, Number 1/2017, Number 9 /2017, Number 5/2017 concerning Inclusion of People's or Corporations' Identities in the List of Mass Destruction Weapons Proliferation Financing, and Instant Blocking of the

People's or Corporations' Funds Listed in the List of Mass Destruction Weapons Proliferation Financing, gives authority to INTRAC to determine the inclusion of the identity of an individual or corporation in the list of Mass Destruction Weapons Proliferation Financing recommended by the ministries that organize government affairs in the foreign sector.

- 1.56 INTRAC submits list of funding for the Proliferation of Weapons of Mass Destruction and any amendments to the authorities and the Supervisory and Regulatory Agency
- 1.57 Furthermore, INTRAC as the Supervisory and Regulatory Agency submits a list of Mass Destruction Weapons Proliferation Financing and any changes to it as a provider of demand deposits, providers of other goods and/or services, and professions.
- 1.58 Submission of a list of Mass Destruction Weapons Proliferation Financing by the INTRAC is accompanied by a request for the instant blocking of all funds owned or controlled directly or indirectly, by the individuals or corporations.
- 1.59 Funds as referred to in this Circular are all assets or movable or immovable assets, both tangible and intangible, obtained in any manner, and in any form, including in digital or electronic format, ownership evidences, or association with all such assets or objects, including but not limited to bank loans, traveler's checks, bank-issued checks, money transfer orders, shares, securities, bonds, bank drafts, and debt acknowledgment letters.



A photograph of a sunset over the ocean. The sun is low on the horizon, creating a bright orange glow and a reflection on the water. In the foreground, the wooden hull of a boat is visible, with several people sitting inside. One person in the foreground is making a peace sign. In the distance, another small boat is visible on the water, and a dark shoreline is on the horizon. The sky is a mix of orange, yellow, and blue.

## CHAPTER 2

# MAIN RISK ON NRA TF 2015 UPDATED

## CHAPTER 2 MAIN RISK ON NRA TF 2015 *UPDATED*

### A. MAIN RISK IN THE NATIONAL

#### MODES

1. 2015 to 2018, terrorist financing mostly occurred in Indonesia came from domestic sources.
2. The modes of funding have changed as explained in the 2015 NRA Terrorist Financing. Previously, funds mostly came from the results of acts of violence (robbery) and other crimes, but currently, funds came from sources.
3. In the 2015 - 2018 period, the modes of terrorist financing consisted of:

#### I. Fund Collection Stage (*Collecting*)

##### Donation To the Terrorist Group



**HIGH RISK**

##### Description

- Donations are collected from members of terrorist groups not directly identified in relation to terrorist groups.
- Donations are given directly to terrorist groups in relatively small amounts and tend to be made in cash.
- The majority of funding sources come from legal results.
- Donations are collected under a certain guise (charity) to attract sympathizers outside the group members

### **Pendanaan Sendiri (Self-Funding)**



**HIGH RISK**

#### **Description**

- The source of self-funding funds comes from business results, salaries/income and proceeds from the sale of the property of members of terror groups.
- The majority of self-funding actors obtains money from the results of business activities/trading/sales and money obtained in cash.
- The e-commerce (market place) development has made it easier for members and sympathizers of terrorist groups to conduct business activities in the form of selling merchandise online for raising funds for terrorist financing.

### **Financing through Social Media**



**HIGH RISK**

#### **Description**

- The terrorist groups use social media to communicate and spread the invitation for raising (collecting) funds (donations) to the wider community both located at home country and abroad.
- The use of social media for fundraising can be affiliated with certain NPOs used as a cover but the receipt of funds tends to be directed to the perpetrator's personal account.

- The ease of creating social media accounts by utilizing anonymous/fake/other people's accounts allows the use of social media to spread the invitation for raising funds and more frequently used
- Social media is used to spread radical understanding and the invitation for collecting funds (donations) more quickly, widely and inexpensively replacing teaching activities on behalf of the NPO as explained in a result of the 2015 NRA TF.
- The use of encrypted social media such as Telegram has been proven to be used by the terrorists to deliver messages for carrying out attacks, recruitment, fundraising and other operational activities.

**• CASE STUDY**  
**TERRORIST FUND COLLECTION STAGE**

**1. Donation to the Terrorist Group**

- Members of the MIT Terrorist Group Provide Funding Assistance**

On the orders of the MTR, HZ provided logistical assistance by opening an account on behalf of his wife RWI at the Bank Hijau aimed at collecting donations from members of the MIT group led by Santoso alias Abu Wardah, to assist Santoso's struggle in his escape in the mountains of Poso District in the form of food and equipment used for training on the mountain, with a total of Rp.49,600,000..

- Terrorist Group Leader BN Allegedly Perpetrators of Attack on North Sumatra Police Headquarters <sup>1</sup>**

On Sunday, June 25, 2017 there was an attack at the Regional Police Headquarters (Mapolda) of North Sumatra. The Indonesian National Police Chief Gen. Tito Karnavian said, the alleged perpetrators were linked to the terrorist group Jamaah Ansharut Daulah (JAD) who had direct contact with Bahrut Naim, a militant group of ISIS terrorists (Islamic State of Iraq and Syria) living in Syria.

Based on the police investigation, the Medan terrorist was also linked to a suicide bombing in Kampung Melayu, Jakarta in mid-May 2017. In early June 2017, the Special Detachment 88 Indonesia team arrested three people for allegedly planning a bombing in Medan. One of the perpetrators is RA (32 years). This Medan-born man was arrested Tuesday (6/6/2017) in Medan. The police suspect that RA is a member of the Medan-based Jamaah Ansharut Daulah terrorist group. He allegedly joined the group and planned terrorist actions by surveying the Mobile Brigade Command Headquarters of North Sumatra. RA allegedly received donations for raising funds on behalf of Baitul Mal. He used the XX Bank account on behalf of the name of the third party who was also a Kampung Melayu suicide bomber in Jakarta.

In collecting the funds there is one JAD member who acts as assistant treasurer on behalf of WS. WS was also appointed as treasurer of Baitulmal Al Islah whose duty is to collect funds donated by the members throughout Indonesia using the bank accounts used, namely:

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<sup>1</sup> <https://www.voaindonesia.com/a/kelompok-pimpinan-bahrut-naim-diduga-pelaku-penyerangan-polisi-/3917191.html>



**• CASE STUDY**  
**TERRORIST FUND COLLECTION STAGE**

- Bank Biru ATM on behalf of the AS (Kampung Melayu suicide bombers); The funds in this account are for Da'wah and Social matters such as helping members affected by disasters.
- Bank Hijau ATM on behalf of DD; The funds in this account are used for orphans and the poor.s
- Bank Hijau ATM on behalf of the AS; The funds in this account are used to collect funds from donors, if collected, the fund was used to buy a house.
- Bank Kuning ATM on behalf of ASS; The account is used to collect donations from women.

**2. Self Funding (Pendanaan Sendiri)**

- **Sale of Property and Assets for Financing the Trips (Becoming a Foreign Terrorist Fighter)<sup>2</sup>**

NNG facilitated 7 people including himself at his own expense by selling his house in East Jakarta and selling for Rp590,000,000 paid by the buyer by transferring from the buyer's Bank Merah account to NNG's Bank Biru's account. Then the money was added to the proceeds from the sale of home furniture, motor vehicles, and the results of selling women's clothing, totaling Rp33,200,000. The total funds will be used to finance 7 people including NNG in the form of tickets and e-visas.

- **Self-taught & Use Personal Funds to Make Bombs<sup>3</sup>**

EY, a suspected terrorist in the Jamaah Ansharut Daulah (JAD) network in Bekasi, is known to have electronic capabilities and cell phone repairs. EY is based on information about learning how to assemble bombs from social media by viewing shows from YouTube, Twitter to obtain information on bomb making. The National Police Headquarters has then collaborated with the National Cyber and Crypto Agency (BSSN), Ministry of Communication and Information, to delete 1,600 accounts containing terrorist content.

EY also saw news about bombs in Syria, Iraq and Sri Lanka. The incident triggered him to make a bomb "mother of satan" which is high-explosive and deadly. Based on the EY network, police found two high-explosive pipe bombs

<sup>2</sup> Infomasi dikutip dari dokumen *White Paper* pendanaan terorisme 2017

<sup>3</sup> <https://tirto.id/ey-diduga-belajar-otodidak-pakai-dana-pribadi-untuk-buat-bom-dxey>

**• CASE STUDY**  
**TERRORIST FUND COLLECTION STAGE**

and all the raw materials for making bombs. EY is known to meet the need for funds to buy explosives by himself (self-funded) from the proceeds of selling and repairing electronic tools. The proceeds are also sufficient to finance his group, the Bekasi and Lampung JAD networks. EY is the owner of a cell phone shop who also serves as the amir (leader) of JAD Bekasi. EY has been arrested on Jalan Raya Kalimalang, East Jakarta.

**3. Funding Through Social Media**

**• The Use of Social Media For the Invitations to Raise Funds for Terrorist Actions**

BA at the beginning of June 2016 had the idea to make a bomb by selling narcotic drugs delivered through his Facebook account inbox on behalf of BA and the Facebook account Dust Jihad and forwarded to HB's Facebook account. Then BA accommodated funds amounting to Rp.32,800,000 from friends on Facebook as capital for the manufacture of the methamphetamine drugs to be sold to earn as much money as possible for making bombs on terrorist acts.<sup>4</sup>

**• Suspected Terrorists Arrested in Riau Serving as Funder<sup>5</sup>**

The Special Detachment 88 Indonesia Anti Terror Police arrested suspected AZ terrorists in Rohil Regency, Riau in August 2017. Based on the interrogation, this 27-year-old man was suspected of being a fundraiser. AZ admitted that he raised funds for 2 years in Riau Province with the mode of charity funds through Instagram. The authorities have blocked the Instagram AZ. From the collection of funds through Instagram, AZ is known to have quite a number of members (2,000 people). Officers have secured several ATM passbooks allegedly used by AZ to hold the charity fund.

**• Alleged Abu Harkam Terrorist Tracked Through Social Media<sup>6</sup>**

The suspected terrorist with the initials AM was successfully arrested by the Special Detachment 88 Indonesia Anti Terror Police in March 2019, in Berau Regency, East Kalimantan. AM was successfully tracked by the Detachment 88

<sup>4</sup> Infomasi dikutip dari dokumen *White Paper* pendanaan terorisme 2017

<sup>5</sup> <https://news.okezone.com/read/2017/08/15/340/1756688/terungkap-terduga-teroris-yang-ditangkap-di-riau-berperan-sebagai-penyandang-dana>

<sup>6</sup> <https://tirto.id/terduga-teroris-abu-harkam-terendus-melalui-media-sosial-djWV>

• **CASE STUDY**  
**TERRORIST FUND COLLECTION STAGE**

team through social media through talks at Facebook and some social media accounts. As the Detachment 88 examined further, it was discovered that AM was actively communicating with suspected Sibolga network terrorists. In the conversation AM planned to become a lone-wolf actor targeting the police and anyone who insulted ISIS. The police suspect that AM has been exposed to radicalism by the Jamaah Ansharut Daulah (JAD) group and ISIS. AM was arrested in Sibolga and his colleagues were also arrested on behalf of AA and TT. AA and TT were suspected of financing AM to disperse bombs with explosives weighing approximately 300 kg.

## II. Funds Transfer Stage (Moving)

### Cash-Carrying



**HIGH RISK**

### Description

- Hand to hand transactions are still relatively high for terrorist financing actions, since they do not leave a trace of ownership.
- Cash is also often used in donations, both giving to individuals and to certain groups, directly or indirectly.

- Cash is easily carried in and out of the country and exchanged into other currencies; to meet the needs of terrorists.
- The difficulty of checking the individuals and groups' cash-carrying hidden and smuggled at home country and abroad through legal and illegal channels, with various values, using couriers and exploiting the weaknesses of the country's border points monitoring makes this cash-carrying a very high risk for financing terrorism.



### Use of Non-Bank Licensed Fund Transfer Services (FTS)



**HIGH RISK**

### Description

- The use of non-bank licensed fund transfer services to move terrorist funds is considered high risk since it is easy (walk in customer/without an account), fast service, can reach far to remote areas through various domestic organizing agents.

- In addition, the internationally authorized FTS services are also widely distributed in various parts of the world, including in countries with high risk for terrorist financing cases.
- The terrorist financing with a small nominal value (according to profile) using FTS services not licensed by banks whose names have never been listed in the list of suspected terrorists and terrorist organizations makes FTS licensed non-bank difficult to identify whether the transaction is related to terrorism financing or not.

### Use of Banking Services



**HIGH RISK**

### Description

- The broad reach of banking services to remote areas with very diverse types of products makes the transfer of terrorist funds using banking services the most widely used option.
- Saving account is the most widely used banking product since it can be used to collect donations from investigators and transfer them to other parties.

- The use of family accounts, third party accounts, as well as accounts purchased or borrowed for transactions has become a way for perpetrators to avoid tracking.
- With a small nominal transaction and also the source of funds that can come from legal results, the perpetrators of terrorist financing continue to choose banking services as a means of transferring terrorist funds.

### CASE STUDY

#### TERRORIST FUND TRANSFER STAGE

##### 1. In cash

AX received Rp.800,000 in cash from the AG on the orders of BA who was a member of the terrorist group Mujahidin Indonesia Timur (MIT) for the purpose of purchasing BOMB-making materials to be exploded in the Pantangolemba, Poso-Central Sulawesi. In addition, AX also held money from members of the Makassar MIT group using his account at Bank XXX on behalf of WW in the form of the deposits of IDR 10,000,000, IDR 5,000,000 and IDR 3,000,000.<sup>7</sup>

<sup>7</sup> Infomasi dikutip dari dokumen *White Paper* pendanaan terorisme 2017

## CASE STUDY

### TERRORIST FUND TRANSFER STAGE

#### 2. Through a Non-Bank Licensed Fund Transfer Provider (FTS)

- In 2016 AJ asked the AP to send money through non-bank licensed FTS to SM using the name of a Filipino citizen with a total amount of Rp150,000,000 for the purchase of firearms to be used in the shooting and bombing incidents in Thamrin, Jakarta.<sup>8</sup>
- In January 2017, there was a transfer of 10,000 USD (IDR 133 million) to a number of recipients of funds in the Philippines through non-bank licensed FTS in Indonesia with the AP as the sender, allegedly a member of Jemaah Anshar Daulah/JAD from Banten (JAD is a pro-ISIS group in Indonesia ). M ordered the AP to receive the money to be sent in cash from an unknown person (Mr.X) in a city in East Java. All communication between M, AP and Mr. X were done through a personal Telegram account. In February 2017, the transfer activity of 25,000 USD (IDR 333 million) occurred from the non-bank licensed FTS in Indonesia to a number of recipients in the Philippines. AP re-carried out the delivery according to M's instructions, where AP received money from the unknown in Bogor, West Java. In March 2017, M informed AP that 20,000 USD (Rp266 million) had arrived in Indonesia from Syria. M asked AP to contact a Telegram account named MU suspected of being a member of JAD in Syria, to find out the location of the money withdrawal. MU then instructed AP to take the money in Bekasi, West Java, from an anonymous person and then send the money to a number of contacts in the Philippines.<sup>9</sup>

#### 3. Through Banking Services

- Around March 2016 the BN ordered the MK to accept money transferred to the Blue Bank account owned by the MK's wife (PA) in the amount of Rp. 6,000,000 and asked him to transfer the money using that account to the Green Bank account on behalf of AH in the amount of Rp. 800,000 in June to the Green Bank account on behalf of DA in the amount of Rp. 2,700,000 at the end of June in the amount of Rp. 2,000,000, and at the beginning of July, all of which was used for the suicide bombing at Surakarta Police Station.<sup>10</sup>

<sup>8</sup> Infomasi dikutip dari dokumen *White Paper* pendanaan terorisme 2017

<sup>9</sup> <https://www.indopress.id/article/nasional/Indonesia-filipina-suriah-jalur-komunikasi-dan-pendanaan-isis-asia-tenggara>

<sup>10</sup> Infomasi dikutip dari dokumen *White Paper* pendanaan terorisme 2017

CASE STUDY TERRORIST FUND TRANSFER STAGE	
<ul style="list-style-type: none"> <li>AS was recognized to use ATM for withdrawing money and purchasing explosives-making equipment, the source of which comes from operating results. AS was involved in the saucepan-bombing in Kampung Melayu Jakarta. In the case of AJ (the Thamrin bomb case), AJ and the RS were recorded as carrying out transactions using Internet Banking &amp; ATM to conduct interbank transfers.<sup>11</sup>.</li> </ul>	

### III. Funds Using Stage

#### Purchase of Weapons and Explosives



**HIGH RISK**

#### Description

##### OPERATIONAL NEEDS

- Weapons (both sharp weapons and firearms) and explosives are the main assets for terrorists to be able to carry out their actions.
- The procurement of firearms (including ammunition) is carried out by means of domestic purchases from the illegal weapons dealers and or through the firearms assembly.
- The purchase of weapons is also carried out overseas, for example, from the Philippines, where weapons purchased are then smuggled into Indonesian territory. Smuggling and weapons-carrying are carried out through unofficial border routes such as in Maluku, North Sulawesi, Aceh, North Sumatra, Riau Islands and North Kalimantan.
- Gradual purchase of explosives from local chemical stores both directly and online. The lack of restrictions and supervision over the purchase of chemicals increases the risk of making explosives by terrorists.

<sup>11</sup> <https://kumparan.com/@kumparannews/saksi-sempat-beri-2-atm-ke-perekrut-pelaku-bom-thamrin>

## Terrorist Group Members Mobility & FTF Trips



**HIGH RISK**

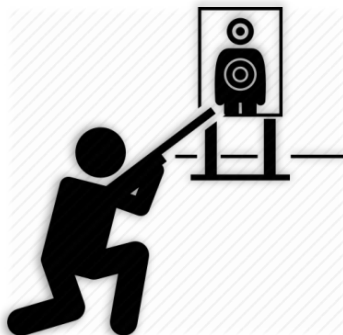
### Description

#### OPERATIONAL NEEDS

- Terrorists need funds for their mobility (transportation) from one place to another for the purpose of propaganda/radicalization, recruitment of personnel, training, and also attacks which require funds for the procurement or use of transportation services by land, sea and air.
- This mobility can be self-funding or provided by group members.

- This mobility is also included to eliminate traces (escape) so as not to be caught by law enforcement apparatus both before and after the attack.
- The biggest use of mobility funds for members of terrorist groups is the departure of personnel to become foreign terrorist fighters (FTF) in the form of purchasing transportation tickets for departures and/or returning to and/or from conflict countries, and arranging travel documents, which mostly self-funding, it is also possible to be funded by the group.

## War Training



**HIGH RISK**

### Description

#### OPERATIONAL NEEDS

- Training becomes an important element for terrorist groups for the purpose of training the physical, mental and tactics of terrorists before an attack.

## War Training

## Description

- Although some types of training can now be provided through social media in the form of videos, pictures and writings for example to make bombs or assemble firearms, the terrorists still need physical warfare training to maintain their fight tactics in the form of both attack and to self rescue.
- This terrorist war tactics training is often carried out in secret in a closed place (for example in forest and mountain areas) difficult to reach by law enforcement officials and the population residents all of which require funds for the equipment, logistics (consumption) and also transportation to the training area which tends to be difficult to reach.

## Compensation for the Family of Terrorists

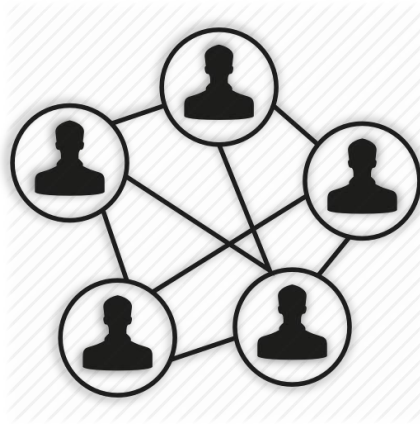


**HIGH RISK**

## Description

### OPERATIONAL NEEDS

- To maintain their network, the terrorist groups need to support the families of terrorists continuously.
  - Compensation provide the education guarantees for terrorist children, guarantees of living (the necessities of life) of terrorist widows and also provide shelter facilities for families of terrorists who all need substantial funding.
- This compensation can be channeled through official NPO services or humanitarian social groups/organizations which, although not directly related to acts of terrorism, are actually related.
  - This family compensation can also be an intermediary for the funds from the terrorist group to his family and otherwise returning to the terrorists.



**HIGH RISK**

### OPERATIONAL NEEDS

- This is in the form of the coordination of the terrorist groups, for the purpose of maintaining and developing a wider terrorist network.
- This is funded to maintain the availability of terrorist group personnel while maintaining communication between fellow domestic and foreign networks.

- These needs are generally funded in a long-term and consistent manner both from domestic sources in the form of donations from sympathizers and delivered from the the affiliated terrorist groups abroad to the domestic groups.
- These terrorist network management needs such as logistics (food, clothing, medicines, equipment, shelter, communication facilities and others) including the provision of compensation to the families of terrorists in order to continue to get support from fellow group members.

### **CASE STUDY** **STAGES OF THE USE OF TERRORIST FUNDS <sup>12</sup>**

#### **1. Purchase of Weapons and Explosives**

S instructed DN to purchase weapons by sending money from donations from supporters of the terrorist group Eastern Indonesian Mujahideen (MIT) to the Philippines using a non-bank licensed FTS remittance service provider: on 05-03-2015 amounting to Rp5,000,000 and on 03-26-2015 amounting to Rp16,150,000. DN then left for the Philippines to pick up the weapons purchased with a travel cost of Rp. 2,000,000.

<sup>12</sup> Infomasi dikutip dari dokumen *White Paper* pendanaan terorisme 2017



**CASE STUDY**  
**STAGES OF THE USE OF TERRORIST FUNDS <sup>12</sup>**

**2. FTF Departure Financing**

AP facilitates group departure for 12 (twelve) times, using the Red Bank platinum ATM belonging to each group representative whose ATM contents are used to purchase flight tickets for departure to Syria and the Philippines and to pay for electronic visas via transfers totaling Rp.468,376,080.

**3. Terror Training Financing**

AT directs SU to transfer funds through the Blue Bank account on behalf of WA to the Red Bank of Rp. 2,000,000 for the purposes of MD military training and also transfers to a Yellow Bank account on behalf of AZ several times amounting to Rp3,000,000 each. In addition, based on AT's instructions, SU was asked to send funds to MD and members in Tamanjeka Poso for the purpose of buying handycam in the amount of Rp2,500,000.

**4. Family Financing for the Terrorist Members**

Distributing money to the wives of members left by their husbands who died from being shot by the police, imprisoned, fled since they were on the Police Wanted List (DPO) or who joined a terrorist group in Poso

**5. Terrorist Network Building**

BS ordered HD to make small cells to carry out acts of terror. They have used funds given by the sympathizers. The funds are to finance the formation of new cells.

**TERRORIST PROFILES**

1. In the 2015 NRA TF document, both individual and non-individual profiles have been identified as subjects of terrorist financing actors. In the 2015-2018 period, the profile of terrorism financing actors experienced a shift where previously students were at high-risk for actively supporting terrorist financing through the support of their abilities/ expertise in IT technology and other academic expertise, but currently the profile has shifted to the traders/entrepreneurs/businessmen to provide financial support with the following details:

**Terrorist Profile**

**Merchants/Entrepreneurs  
/Businessmen**



**HIGH RISK**

**Description**

- The use of e-commerce (market place) to sell merchandise is proven to have made it easier for many parties including terrorists and sympathizers to sell their merchandise to get money.
- Since the profile of the trader/entrepreneurs/businessmen obtain money from the results of legal activities so that his financial transactions will look normal without any suspicion from the reporting party so in this case the reporting party really need the additional information in finding TF transactions.

2. The 2017 White Paper research has analyzed the increasing risk profile of traders/entrepreneurs/businessmen in terrorist financing activities and the the self-funding the terrorists carried out tends to be be legitimate activities (operations/trading results).
3. The high profile of traders/entrepreneurs/businessmen as perpetrators of terrorist financing has actually begun to be seen in the 2015 NRA. At that time, the perpetrators of terrorist financing collected funds through several trading activities such as textile business, lathe workshop business, internet cafe, computer equipment, telecommunications (credit) and clothing, but at that time there were not as many as the 2015-2019 period where the use of e-commerce or online sales became an alternative choice that made it easy for traders to market their merchandise.
4. Funds from business activities obtained by the perpetrators of terrorist financing and sympathizers are then used for their own interest or donated to terror groups either in small amount of cash or by bank transfer.

**CASE STUDY**  
**STAGE OF TERRORIST FUNDS USE**

**1. Mobile Milk Seller Becoming Saucepan Bombing Terrorist Funder<sup>13</sup>**

One of the suspects in the saucepan bomb terror case in Pandawa Park, Arjuna Village, Cicendo District, Bandung City, West Java is a mobile milk seller. His name is SO. The Police explained that SO funded terror at Bandung Pandawa Park. SO is a mobile milk seller who can fund terrorist acts for Rp2 million. In addition, SO is a person entrusted by the YC family where YC is a suspect who brought a saucepan bomb to Pandawa Park. YC is incorporated into the JAD group. They both are traders, their work results are used to carry out acts of terror.

**2. Suspected Terrorists in Sukoharjo are Dawet Ice and Fried Snacks Seller<sup>14</sup>**

The Special Detachment 88 Indonesia Anti Terror Police Team arrested a suspected terrorist in Sukoharjo, Central Java, on Tuesday, May 14, 2019. The man named AG was arrested around his in-law's house. Everyday AG is known to sell dawet ice and fried foods at home. While his wife helps the family economy by selling merchandise online.

**3. Kebab Seller Suspected a Terrorist Leader<sup>15</sup>**

The residents on Jalan Suhud Hidayat, Utama Jaya village, Adiarsa Timur Village, Karawang Timur District, Karawang Regency, West Java, were shocked when Police officers dressed in black with headgear and long-barreled weapons blocked the road and surrounded the shop houses where AR works as a kebab seller on Wednesday (3/4/2019) night. Besides selling kebabs AR also has gallon water businesses. The arrest of AR by the Special Detachment 88 Indonesia Anti Terror Police was assisted by a number of units in the Regional Police in intensifying the arrest of a number of JAD members suspected of being involved in a number of acts of terrorism. The National Police remain to pursue a number of other members.

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<sup>13</sup> [https://news.okezone.com/read/2017/03/13/337/1641606/terungkap-pedagang-susu-keliling-jadi-penyandang-dana-teror-bom-panci Nomor Putusan Perkara: 750/Pid.Sus/2017/PN Jkt.Tim](https://news.okezone.com/read/2017/03/13/337/1641606/terungkap-pedagang-susu-keliling-jadi-penyandang-dana-teror-bom-panci-Nomor-Putusan-Perkara:750/Pid.Sus/2017/PN-Jkt.Tim)

<sup>14</sup> <https://nasional.tempo.co/read/1205437/terduga-teroris-di-sukoharjo-jualan-es-dawet-dan-gorengan/full&view=ok>

<sup>15</sup> <http://www.tribunnews.com/nasional/2019/04/05/pedagang-kebab-diduga-pimpinan-terduga-teroris>

**CASE STUDY**  
**STAGE OF TERRORIST FUNDS USE**

**4. Jemaah Islamiyah (JI) Terrorist Group Have Palm Oil Business To Build The Khilafah <sup>16</sup>**

Based on the arrest of the leader of the terrorist group Jemaah Islamiyah (JI) by the Police (June 2019), JI is known to have oil palm plantations in Kalimantan and Sumatra. The results of the oil palm plantation business are used to meet the daily operational needs of the groups in the form of salaries, including sending members of the recruits to Syria as much as six batches for military training. The oil palm plantation business is broadly aimed at strengthening the JI group's economy in Indonesia to financing their need to establish the Khilafah state in Indonesia. The group also conducts regeneration to strengthen military capabilities such as intelligence, cyber and bomb assembly.

5. Non-individual profiles in the form of CSOs or NPOs in the 2015-2018 period are no longer at high risk but are medium because in this period, several important regulations are available that govern the definition of NPOs (so that authorities can easily determine whether organizations can be referred to as NPOs/terror groups in Indonesia or not). The regulatory rules regarding the procedure for receiving donations for NPOs and the new regulations that give strict authority to the authorities have been made to dissolve NPOs and ban the organizations. According to the results of the assessment, NPOs are no longer at high risk for financing terrorism but rather to medium risk according to the results of the 2017 White Paper.
6. However, given the risks of Indonesian NPO to TF currently in the middle level, this means that NPOs in Indonesia still need to be monitored, supervised and educated about preventing terrorist financing to avoid the return of NPOs being at high risk. One form of supervision that the Ministry of Home Affairs as the supervisor and regulator of NPOs needs to carry out is the risk-based approach for the supervision, education and monitoring of more than 400,000 NPOs in Indonesia by the year 2019.

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<sup>16</sup> <https://tirto.id/polisi-jamaah-islamiyah-berbisnis-sawit-untuk-bangun-khilafah-ednU>

## **FINANCIAL INSTRUMENTS AND PRODUCTS**

1. The 2015 NRA TF document notes the types of transaction instruments identified as high risk as a means of the terrorist financing in the form of cash and savings accounts and in the 2017 White Paper it is emphasized that cash and savings accounts are still often used as instruments and products for terrorists transactions. This finding is currently in accordance with the facts of terrorist cases that have occurred.
2. Since in the 2015-2018 period the cash and savings accounts are still widely used for financing terrorism activities, both of them are considered still at high risk with the following explanation:

### **TRANSACTION INSTRUMENT**

#### **Cash**



**HIGH RISK**

### **Description**

- The use of cash as a terrorist financing instrument appears to be widely used since money is practical, directly usable and easily transferred without any trace of ownership.
- Cash is proven often used since the funding sources come from legitimate business results and also from the contributions of other parties collected directly.
- Cash is used to pay directly and easily for various needs of perpetrators of terrorism both operational and organizational.

## Financial Product

### Saving Account



**HIGH RISK**

## Description

- Savings accounts are mainly used to hold, store and distribute funds to terrorists.
- Savings accounts are practically having derivative products such as ATM cards, internet banking, deposits via CDM which the transactions can be carried out in a less face-to-face, 24/7 and can be done anywhere reaching all regions in Indonesia.
- Savings accounts are widely used by the terrorists since their profiles as traders/entrepreneurs/businessmen, generally do not attract suspicion (because it is non-high-risk profile).

- Funds transacted in terrorist financing perpetrators' savings accounts are generally transactions not in huge amount and the source of origin comes mostly from legitimate proceeds (salaries or operating results) so that this complicates the terrorist identification process both operational and organizational.

## CASE STUDY

### TERRORIST FINANCING USING CASH MONEY INSTRUMENTS AND BANK ACCOUNT

#### 1. TERRORIST FINANCING CASE RELATED TO EASTERN INDONESIA MUJAHIDEEN (MIT) - Included in LSTTO.

- HF is a leader of the Takfiri group of the Indonesia's ISIS which provides support for the Eastern Indonesia Mujahideen (MIT) group through the possession of illegal weapons and explosives. HF is known to have several accounts indicated to be opened by those concerned to mix money sourced and carries out business with money intended to fund terrorist activities. There is also the receipt of money from the parties in Iraq through a non-bank licensed FTS, then some funds are sent to the parties in the Philippines to purchase firearms.
- Based on the account opening application documents, it is known that HF works as an entrepreneur. It was further informed that the HF's wife was identified as

having received financial assistance from an XYZ foundation (NPO services) suspected of being related to the terrorist financing, through the Mujahideen family solidarity program.

The following is an identification of the flow of funds in several accounts owned by HF:

Scope	Description	Source of Fund	Fund Transfer	Use of Fund
Domestic	Bank Account A	Transfers of incoming funds through cash deposits, transfers via ATM, internet banking and Mobile Banking with a total value of Rp75,533,457,-	Transfers to other parties including HF's wife with a total value of Rp23,460,000,-	To carry out business activities/ business.
			Transfer to parties who work as foreign exchange traders in the amount of Rp10,000,000,-	
			Transfer to the Travel Bureau (travel) amounting to Rp.9,099,000.-	It is suspected that the transaction is for the purchase of travel tickets
	Bank Account B	Transfers of incoming funds through cash deposits and transfers via ATM from parties who have individual profiles with a total value of Rp.508,737,500	Transfers to other parties 59 times in total with a nominal value of Rp171,680,932,-	Transfers to Travel Bureaus and purchases of Handy Talky (HT) products for operational purposes. Cash withdrawals are also carried out in several areas at high risk for the terrorist financing.
	Bank Account C	There are incoming transactions through book-entry, cash deposit, and transfer via ATM with a total value of Rp.511,213,585, There is an underlying transaction for payment of herbal products.	Transactions are done in a pass by manner in making cash withdrawals through tellers and withdrawals via ATM with a total value of Rp.436,130,000,	The type of the outgoing transaction was not identified amounting to Rp12,227,011.

- Several recipients of funds in the Philippines were identified as having affiliations with the families of members of the radical terrorist movement and based on



analysis, the destination areas of the funds sent were vulnerable to terrorist movements, particularly against local Philippine separatism. Based on the results of the investigation, it was identified that HF became a suspect in a terrorist financing case for an act of terror in 2016 and was convicted by the District Court of Jakarta Timur.

## **REGION**

1. The 2015 NRA TF document has published an area assessment for the terrorist financing, which based on 2015 NRA data, a number of regions in the country have been mapped as the high risk areas for the terrorist financing. According to the 2015 NRA results, it was found that the DKI Jakarta province was the area most at high risk for the terrorist financing.
2. In the 2015-2018 period, Jakarta was proven to remain a high-risk region for the terrorist financing as evidenced by the many terrorist financing cases that occurred in the DKI Jakarta province with the following details:

### **High Risk Area**

#### **DKI Jakarta Province**



**HIGH RISK**

### **Description**

- DKI Jakarta Province DKI Jakarta is a province and the capital city of Indonesia. As the government and business centre, it is also the most populous city in Indonesia largest population.
  - As the capital city, DKI Jakarta has the highest rate of economic growth compared to other regions.
  - As a populous city, it is easy for terrorists/groups to raise money for terrorist financing either by offering products or merchandise, service businesses, formal and informal employment, and obtaining donations under the guise of humanity.
- Besides being a high-risk region for fundraising, this region is also often the target of terrorist attacks since there are government buildings, Presidential Palace and

High Risk Area	Description
	foreign representative offices that nationally and internationally have an important role.

- DKI Jakarta Province as a high-risk area for terrorist financing is also proven through the total number of suspicious transactions related to terrorism in the report for the 2015-2018 period. DKI Jakarta ranked first as the region where the transactions indicating the terrorist financing occur.

CASE STUDY TERRORISM FINANCING IN JAKARTA
<p><b>National Police: Bekasi JAD Leaders as the Terrorist Funder for DKI Jakarta and its Surrounding Areas<sup>17</sup></b></p> <p>The suspected terrorist EY was arrested on Wednesday, May 18, 2019 at 13.48 West Indonesian Time at the Jalan Raya Kalimalang gas station, Duren Sawit, Jakarta Timur. While his subordinate YM was arrested on the same day at 20.33 West Indonesia Time in Bojong Rawalumbu, Bekasi City, West Java. This group is known to have purchased a variety of explosives to be assembled into high-explosive bombs.</p> <p>The suspected terrorist EY was arrested on Wednesday, May 18, 2019 at 13.48 West Indonesian Time at the Jalan Raya Kalimalang gas station, Duren Sawit, Jakarta Timur. While his subordinate YM was arrested on the same day at 20.33 West Indonesia Time in Bojong Rawalumbu, Bekasi City, West Java. This group is known to have purchased a variety of explosives to be assembled into high-explosive bombs.</p> <p>Jakarta is also at high risk for the terrorist financing as seen from the IS case occurred in 2015. IS is known to have prepared themselves and families for a move to Syria. IS collects funds from in-laws, brother-in-law and people around him who live and work in Jakarta. Funds collected include:</p>

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<sup>17</sup> <https://www.liputan6.com/news/read/3961564/polri-pimpinan-jad-bekasi-penyandang-dana-terorisme-jakarta-dan-sekitarnya>

CASE STUDY TERRORISM FINANCING IN JAKARTA
<ol style="list-style-type: none"><li>1. IS's own funds amounting to Rp. 270,000,000;</li><li>2. Funds from FK (Mother-in-Law) in the amount of Rp. 60,000,000;</li><li>3. Funds from KF (Brothers) in the amount of Rp. 10,000,000;</li><li>4. Funds from Dwi JW (brother-in-law) of Rp. 300,000,000.</li></ol>



## B. EMERGING TF THREAT

The new threat (emerging threat) referred to here is a new mode of financing terrorism. It is still rare but has the potential to occur frequently in the future. From the cases occurred in 2015-2018, a number of modes of the terrorist financing that could become a new threat of financing terrorism (emerging TF threat) are:

### 1. TF USING ONLINE BASED CROSS BORDER PAYMENT INSTRUMENTS

Currently, the use of cross-border payment facilities continues to increase, since the world is already interconnected in various economic activities both at the state and population level. By its definition, cross border payment is a payment in which the financial institution of the payer and the recipient is domiciled in a different country whose mechanism can be done online or off-line. Off-line cross-border payment facilities include debit cards, credit cards, electronic money (prepaid cards) brought into foreign countries, including the use of fund transfer providers. While online cross-border payment facilities includes e-banking and e-payment.

There is a fundamental difference between e-banking/internet banking and e-payment. Electronic banking (e-banking), more popular called as internet banking is the activity of transactions, payments, and other transactions via the internet with the media website of the bank equipped with a certain security system. These internet banking services are regulated through the Financial Services Authority Regulation No.38 /POJK.03/2016 concerning the Implementation of Risk Management in the Use of Information Technology by Commercial Banks. The internet banking service is to answer the wishes of banking customers who want faster service (no face to face with bank officers), safe, comfortable, inexpensive and available at all times (service 24 hours, 7 days a week). Because this service is widely used, according to several terrorism financing cases occurred in Indonesia, there are quite a lot of terrorist funding modes involving the use of internet banking to send or receive funds from and to many parties (internet banking is included in

banking services). However, the increasingly stringent supervision of banks regarding the prevention of terrorist financing, the financing modes then develop into other products considered "as comfortable as internet banking" but the supervision is not as strict as internet banking.

The use of e-payment/electronic payment, or better known as online payment in the context of cross border payments in some terrorist financing cases, is evidence that terrorist groups continue to look for an alternative funding instruments that are fast, can reach abroad and most importantly have not attracted parties authority so that the terrorist financing process can be carried out without being detected.

E-payment is a system that provides a means of payment for services or goods done through internet media (online). E-payment is used by a company by cooperating with a number of banking institutions. E-payment arises when the use of e-commerce increased and makes some people also develop new products that can create a smooth e-commerce transaction process. Since we can only use this e-commerce system online, the supporting products must also be online-based so that an online payment facility called e-payment emerges. Several forms of e-payment began to appear including e-wallet (in Indonesia e-wallet began to be widely used), e-cash, electronic checks, smart cards and others but unfortunately the sophistication of this online payment facility emerged as an alternative way to transfer cross border terrorist funds (cross border) whose case details can be explained as follows.

#### **CASE STUDY**

##### **EMERGING THREATS ON ONLINE-BASED CROSS BORDER PAYMENT UTILIZATION TO SEND TERRORIST FUNDS TO INDONESIA**

###### **Saucepan Bomb Terrorist Using Online-Based Cross Border Payment to Send Funds Cross-Country**

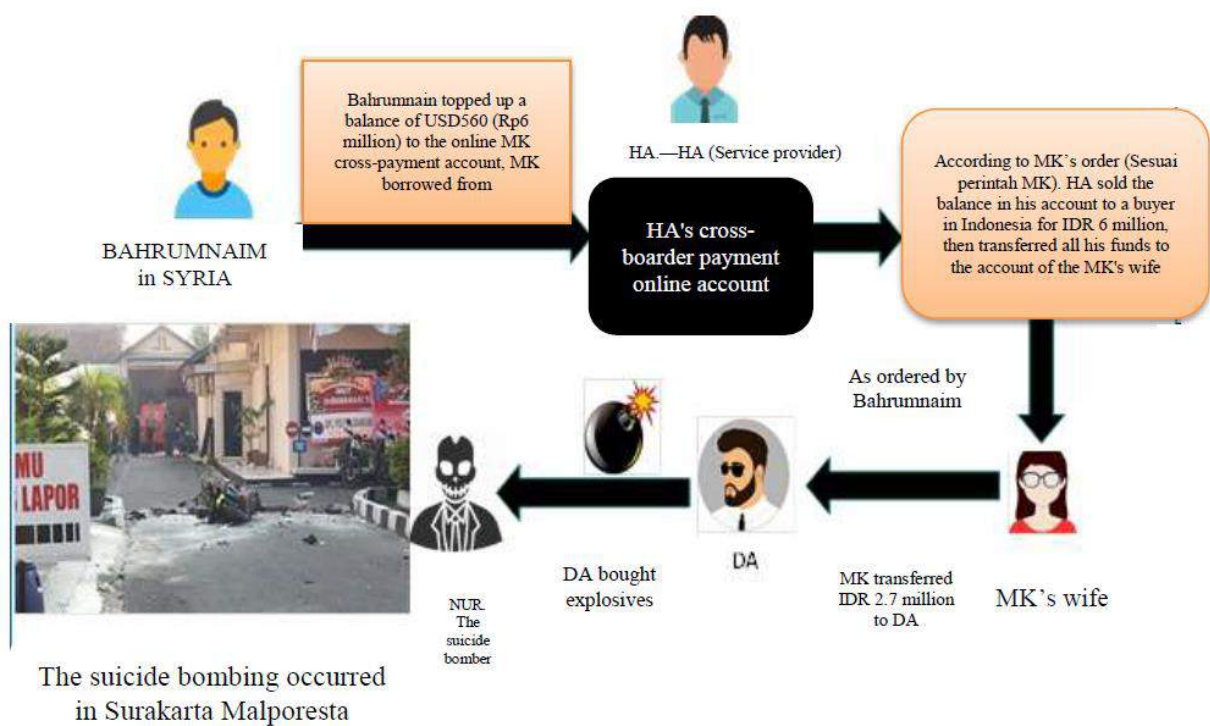
This case was taken from the decision of the East Jakarta District Court, Case No. 107/Pid.Sus/2017/PN.Jkt.Tim on behalf of the Constitutional Court related to the suicide bombing at Mapolresta Surakarta in 2016.

- MK is a farmer who lives in the Sumedang area, West Java and has been sentenced to 5 years in prison for being proven legally and convincingly guilty of committing the terrorist crime and terrorist financing.
- Based on the court ruling, MK actively communicated via Telegram group chat with several members of the BA network terrorist who at that time (according to information) BA was in

**CASE STUDY**  
**EMERGING THREATS ON ONLINE-BASED CROSS BORDER PAYMENT UTILIZATION**  
**TO SEND TERRORIST FUNDS TO INDONESIA**

Syria. Through the Telegram, according to BA's direction, a bombing will be carried out at the Surakarta City Police Headquarters (Mapolresta) whose implementation requires funds for the purchase of explosives.

- The required funds have been provided by BA in Syria but these funds must be able to be sent to Indonesia without being detected by the authorities.
- The ways to do their terrorist actions are as follows:
  - BA asked MK to provide an online cross border payment account with the balance will be topped up.
  - The MK then borrowed an online cross border payment account on behalf of HA, and then the balance was topped up by BA for USD560.
  - By order of MK, HA then sold the balance to buyers in Indonesia to acquire Rp6,000,000 to be transferred by HA to the account of MKt's wife. HA is a party that provides a sale and purchase balance service and transfer funds to the bank at the request of the service user.
  - After the Rp6,000,000 fund was transfered into the account of the MK wife, according to BA's order, MK then sent funds of via transfer to several parties, including Rp2,700,000 to DA to purchase explosives and assemble them into bombs then taken and exploded by the NUR at Mapolresta Surakarta.
- Fund flow schemes in this case are:



## 2. TF BY CARRYING CROSS BORDER CASH MOVEMENT (CBCM)

The cash-carrying to finance terrorists has been going on for a long time. Since cash does not leave a mark of ownership, it is preferable and easy for acts of the terrorist financing. Various attempts were made by terrorists to obtain cash which in the past mostly came from robbery/other crimes and then it has shifted. It currently comes from legal results, in the form of income from trading/business, salaries, or proceeds from selling property such as houses, land and property. Regarding the acquisition of cash, some terrorists deposit their cash into a bank account and then transfer it to several other domestic actors and some send it abroad mostly using overseas money transfer services (non bank licensed FTS).

However, with the strict supervision and monitoring in the banking industry and overseas remittance services nowadays, terrorist groups began to realize and try to find other alternatives so that terrorist financing transactions carried out by their groups are not easily tracked by the security authorities. In addition to the new threat of using online-based cross border payments for terrorism financing transactions today, it turns out that the threat of

carrying cross-border cash using couriers to finance terrorists (both carrying money in and out) begins to re-emerge as the latest threat.

Carrying cash across borders using couriers has long been known in the case of narcotics transactions, where money is carried through formal channels under the guise of money changers, making declarations so that everything looks reasonable or the carrying of money is below the threshold with different couriers or the cash-carrying through informal means by smuggling money by couriers, the same thing began to emerge in the case of the terrorist financing.

The fact that carrying cash across national borders seems to indicate that for members of terror groups included in the list of law enforcement officials, being fugitive, banned lists and so forth, the use of formal transaction facilities is unlikely to be done since it will actually disclose their whereabouts. Thus, the use of carrying money physically through informal channels across national borders using couriers is considered to be far safer, particularly if the cash comes from proceeds of crime or international terrorist groups.

Regarding this, strengthening the security of informal border lines and cooperation in monitoring formal channels cannot be negotiated anymore. If not, the crimes potentially to occur within the country. It will be even higher, including in this case the terrorist crimes.

<b>CASE STUDY</b> <b>THREATS OF CROSS BORDER CASH-CARRYING</b> <b>FOR THE TERRORIST FINANCING</b>
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<b>MA as the Brain of ISIS Group Financing in Southeast Asia</b> <sup>18</sup>
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<p>Malaysian militant MA is said to be a weapons expert and also a source of money in the terrorist group. According to the information, since 2014, the former lecturer at the University of Malaya in Malaysia has received more than 500 thousand Malaysian Ringgit, or around Rp 1.5 billion, which came from donations from ISIS militants and sympathizers. Intelligence sources said the funds were channeled to MA through cash-carrying couriers and secret methods since he fled to the southern Philippines three years ago. The couriers, mostly Malaysians and Indonesians have flown to Tawau before using illegal routes to Mindanao. In Mindanao the couriers will leave a bag of cash in the designated area to be taken by other militants, who will then hand over the money to MA. Instructions for transferring money will be sent via the Telegram where this has been banned by the</p>
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<sup>18</sup> <https://www.liputan6.com/global/read/3042442/pria-malaysia-ladang-uang-isis-jadi-buron-polisi>



**CASE STUDY**  
**THREATS OF CROSS BORDER CASH-CARRYING**  
**FOR THE TERRORIST FINANCING**

Government of Indonesia. This modus operandi was designed to prevent MA arrest by security forces. According to security forces, MA has used couriers to receive funds and even brought cash to the southern Philippines since 2010.

Terrorists from various countries joined in organizations that promote physical violence, namely The Islamic State of Iraq and Syria (ISIS) and in Southeast Asia metamorphosed into The Islamic State of Indonesia and the Philippines (ISIP), based in Marawi, Mindanao. The involvement of Indonesian and Malaysian terrorists in sending money to Mindanao was revealed after the authorities had succeeded in uncovering the role of MA. In 2014 money was collected from various parties in an amount of RM500,000 (US \$ 158,373) to be supplied to the ISIP struggle in Marawi. After carrying out their duties, the Indonesian and Malaysian terrorist couriers returned to their respective countries. They sent money manually (carrying cross-border cash) due to the strict supervision of the money transfer process through information technology facilities.

An aerial photograph of a city street, likely in Manila, Philippines, showing a large crowd of people gathered on the road. The street is flanked by tall buildings, including a prominent skyscraper with a glass facade and a building under construction with a blue crane. The sky is clear and blue.

## CHAPTER 3

# TERRORISM FINANCING MITIGATION SUCCESS

## **CHAPTER 3 TERRORISM FINANCING MITIGATION SUCCESS TAKEN BY THE STAKEHOLDERS FOR THE 2016-2018 PERIOD**

### **A. TF MITIGATION TAKEN BY THE STAKEHOLDERS FOR THE 2016-2018 PERIOD**

Handling of the terrorist financing in Indonesia cannot be done partially (unilaterally) but must be comprehensive under the coordination of the ML Committee chaired by the Coordinating Minister for Political, Legal and Security Affairs, in the 2016-2018 period has succeeded in initiating the birth of several mitigation policies against the risk of financing terrorism with the following details:

#### **1. MINISTRIES AND AGENCIES**

##### **a. COORDINATING MINISTRY OF POLITICAL, LAW AND SECURITY (KEMENKO POLHUKAM)**

<b>NO</b>	<b>Mitigation Achievement</b>
1	Having facilitated and coordinated the relevant ministries and institutions in handling terrorism and terrorist financing and conducted supervision and control through strengthening coordination with related ministries and institutions.
2	Having synchronized terrorism countermeasures between ministries and related institutions, particularly in supervising and controlling the works done by the Densus 88 Team of the National Police, National Intelligence Agency, Counter-Terrorism Agency, and the Directorate of Terrorist Crimes of the Attorney General's Office.
3	In 2016-2018, MINISTRY OF POLITICAL, LAW AND SECURITY has succeeded in synergizing the theoretical countermeasures team with 36 ministries and institutions along with the local government, particularly National Intelligence Agency (called the Satgas Keris Solo Raya).
4	In 2018, synchronization and synergy in the West Nusa Tenggara and Central Sulawesi provinces were successfully done, then in 2019-2020 there are additional priority areas, namely East Java and Counter-Terrorism Agency through the Deradicalization program.



**b. NATIONAL COUNTER-TERRORISM AGENCY (BNPT)**

NO	Mitigation Achievement
1	Having carried out coordination among ministries and related institutions in preparing social media identification which has the potential to be misused for TF (2018)
2	Counter-Terrorism Agency has established radical site criteria in the context of counter propaganda and counter radicalism through Regulation of Head of the Counter-Terrorism Agency No. 34/2014 concerning Guidelines for Monitoring the Propaganda of Radical Ideology of Terrorism, some of the criteria are: spreading incitement, defamation, anti NKRI, the limited interpretation of jihad, takfiri, the invitation to violence.
3	<p>Several rules and regulations have been prepared, including:</p> <ul style="list-style-type: none"> <li>• Decree of Head of Counter-Terrorism Agency No: Kep-35/K.BNPT/02/2017 concerning the Formation of Counter Terrorist Financing (CTF) Team T.A 2017;</li> <li>• Decree of Head of Counter-Terrorism Agency No: 46/2018 concerning the Establishment of Counter Terrorist Financing (CTF) Team AS.A 2018;</li> <li>• Decree of Head of Counter-Terrorism Agency No: 21/019 concerning the Establishment of Counter Terrorist Financing (CTF) Team AS.A 2019;</li> </ul>
4	<p><b>Achievements:</b></p> <p><b>A. LSTTO recommendations</b></p> <ul style="list-style-type: none"> <li>• In 2017 33 individuals and 6 entities were recommended to LSTTO</li> <li>• In 2018, 14 individuals and 3 entities were recommended to LSTTO;</li> <li>• In 2019, 1 individual and 1 entity were recommended to LSTTO</li> </ul> <p><b>b. CTF Team Work Results</b></p> <ul style="list-style-type: none"> <li>• In 2018, 9 cases have been handled and 8 initiated by investigators;</li> <li>• CTF Team: In 2017, 11 cases have been handled and 8 of them were initiated by investigators;</li> </ul> <p><b>c. Social Media Handling</b></p> <ul style="list-style-type: none"> <li>• In 2018, identification of social media that has the potential to be misused for TF to meet the National Strategies.</li> </ul> <p><b>d. Deradicalization and Counter Radicalization</b></p> <ul style="list-style-type: none"> <li>• Having established and promoted the website damailahIndonesiaku.com as an effort to counter radicalization of terrorists</li> <li>• Having de-radicalized ex-terrorists outside prison including the families of terrorists</li> </ul>

**c. STATE INTELLIGENCE AGENCY (BIN)**

No	Mitigation Achievement
1	An investigation against radical terror groups (ISIS and Al Qaeda support groups) through coordinated human intelligence and signal intelligence and joint operations with Special Detachment 88 AT National Police (law enforcement) and Immigration and Customs (cross border) are also carried out to deepen targets related to the departure of the foreign terrorist fighters (FTF).
2	The State Intelligence Agency currently has a derivative unit of deradicalization and counter-radicalization, whose main function is to carry out activities of de-radicalization and counter-radicalization, coordination, and cooperation with ministries/agencies for the handling of FTF, inmates and ex-inmates, etc. Deradicalization is given to the prisoners exposed to radicals. Counter radicalization: carried out in a radically affected community in the form of fostering and loyalty of the Unitary Republic of Indonesia. All institutions have synergy in combating terrorism through the deradicalization and counter-de-radicalization programs between Counter-Terrorist Agency and Special Detachment 88.
3	Regarding social media, monitoring and deepening have also been carried out through special task forces conducting deepening operations on social media-based radical terror cells/groups. Departing from social media-based intelligence (operational results), several actions have been taken against radical terror cells/groups that plan terrorist acts.
4	Having carried out an intelligence operation to minimize the movement and development of unregistered NPOs suspected of funding terrorism and conduct investigations (supervision) in coordination with Special Detachment 88 AT Polri (law enforcement). The meantime was an attempt to make NPOs unregistered so they would not develop in terrorist operational networks.

**2. LAW ENFORCEMENT APPARATUS**

**a. SPECIAL DERACHEMENT 88 AT POLICE**

No	Mitigation Achievement
1	Having succeeded in encouraging changes in the terrorism law number 15/2003 to law number 5/2018.

No	Mitigation Achievement
2	Having developed a regional assignment unit from 16 task force areas to 34 task force areas centered at the National Police Headquarters, as well as the addition of the terrorist task force personnel of the Special Detachment 88 AT Police.
3	Dealing with the latest developments in the mode and typology of funding for terrorism, the Special Detachment 88 AT Police has and continues to increase the capacity of investigators in a variety of national and international training.
4	<p>Achievements:</p> <p>a. The success of handling cases, specifically the terrorist financing</p> <ul style="list-style-type: none"> <li>• 2015: 18 cases of the terrorist financing investigations</li> <li>• 2016: 11 cases of the terrorist financing investigations</li> <li>• Year 2017: 12 cases of the terrorist financing investigations</li> <li>• 2018: 6 cases of the terrorist financing investigations</li> </ul> <p>All of the cases handled were transferred to the Attorney General's Office</p> <p>b. Development of the Investigation of Terrorism Cases on the Utilization of INTRAC Intelligence Reports</p> <ul style="list-style-type: none"> <li>• The disclosure of the Hendro Fernando case</li> </ul> <p>There is a flow of funds from the terrorist network in Indonesia to the terrorist network in Marawi. In handling the case the Special Detachment 88 AT the National Police has carried out law enforcement efforts based on reports from the INTRAC analysis.</p>

**b. DIRECTORATE OF TERRORISM AND TRANSNATIONAL CRIMES OF THE ATTORNEY GENERAL OF INDONESIA**

No	Mitigation Achievement
1	Having developed a special unit of terrorism into the Directorate of Terrorism and Transnational Crime whose duties and functions are to further strengthen the institution.
2	<ul style="list-style-type: none"> <li>• In 2015, 53 terrorist cases have been handled, 9 of which are the terrorist financing cases.</li> <li>• In 2016, 104 terrorist cases have been handled, 10 of which were terrorist financing cases</li> <li>• In 2017, 158 terrorist cases have been handled, 26 of which were the terrorist financing cases.</li> </ul>



No	Mitigation Achievement
	<ul style="list-style-type: none"> <li>In 2018, 357 terrorist cases have been handled, 4 of which were terrorist financing cases.</li> </ul>
3	The National Police has proposed a draft regulation regarding the protection of investigators, public prosecutors, judges and correctional officers for handling terrorism cases.
4	An increase in the capacity of public prosecutors in various joint training with law enforcement apparatus and INTRAC both at home country and abroad as well as the improvement of the coordination and title of terrorist financing cases.
5	The synergy between Detachment 88 Anti-Terror and the Directorate of Terrorism and Transnational Crimes of the Republic of Indonesia Attorney General's Office has been carried out in efforts to tackle terrorism and terrorist financing under the coordination of Counter-Terrorism Agency.

**c. SUPREME COURT OF THE REPUBLIC OF INDONESIA**

NO	Mitigation Achievement
1	Trials of terrorism and terrorist financing cases have been carried out specifically, especially in the District Court of Jakarta Barat and coordinating with relevant ministries for the smooth running of the trial.
2	An increase in the capacity of judges has been carried out in the form of both national and international training in handling terrorist cases and terrorist financing.
3	Regulations that have been established governing discipline and internal supervision for judges to improve professionalism. Regulation of Supreme Court Number 8/2012 concerning judges in carrying out their duties and handling complaints.

### 3. SUPERVISORY AND REGULATORY AGENCY

#### a. INDONESIAN FINANCIAL TRANSACTION REPORTS AND ANALYSIS CENTER (INTRAC)

No	Mitigation Achievement
1	<p>INTRAC has mitigated by issuing several regulations including:</p> <ul style="list-style-type: none"> <li>• Head of INTRAC Regulation Number 06/2017 concerning Application of Principles to Recognize Service Users for Financial Planners</li> <li>• Regulation of the Head of INTRAC Number 7/2017 concerning the Application of the Principle of Recognizing Service Users for Other Goods and/or Services Providers</li> <li>• Regulation of Head of INTRAC Number 10/2017 concerning Application of Principles to Recognize Service Users for Advocates</li> <li>• Regulation of Head of INTRAC Number 11/2017 concerning the Application of the Principle of Recognizing Service Users for Land Deed Making Officials</li> <li>• Regulation of Head of INTRAC Number 17/2017 concerning the Application of the Principle of Recognizing Service Users for Post Services.</li> </ul>
2	<p>In 2015 the INTRAC had initiated the formation of the Counter Terrorist Financing (CTF) Summit in handling the Criminal Act of the terrorist financing which also became the first CTF Summit activity. The CTF Summit is routinely held once a year to discuss and explain the development of terrorism in the Southeast Asian region and the results of cross-country research undertaken. Until now, 4 CTF Summit activities have been held that have produced RRA documents</p>
3	<p>The Public Perception Index on ML and TF has been carried out in 2016–2018 to assess public understanding as well as educate the public about AML CTF.</p>
4	<p>In 2018 INTRAC has given 9 recommendations related to the Updated ISIL (Daesh) and Al-Qaida Sanctions List and Blocking Assistance Requests based on the List of Suspected Terrorists and Terrorist Organizations submitted through Letter of Head of INTRAC.</p>
5	<p>In 2018 the INTRAC has carried out eight times the implementation of the assistance of law enforcement in handling ML cases including in the provinces of North Sumatra (2x), East Java (3x), West Java, Aceh and Papua</p>
6	<p>As an attempt to follow up on FATF recommendations, in 2018 the INTRAC was in collaboration with the Indonesian delegation to attend international meetings related to FATF activities, including:</p> <p>a. February 17--24, 2018 in France to attend the FATF Plenary Meeting;</p>

No	Mitigation Achievement
	<ul style="list-style-type: none"> <li>b. May 1-4, 2018 in South Korea to attend the FATF Trein Joint Expert Meeting and Risk Assessment Workshop</li> <li>c. Date 24-29 June 2018 in France to attend the FATF Plenary</li> <li>d. July 20-28 2018 in Nepal to attend the APG Annual Meeting</li> <li>e. September 2-8, 2018 in South Korea to attend the APG on ML Regional Pre-ME Workshop</li> <li>f. 14-19 October 2018 in France to attend FATF Plenary</li> <li>g. December 3-5 2018 in Russia to attend the APG Typologies Workshop.</li> </ul>

**b. OTORITAS JASA KEUANGAN (OJK)**

No	Mitigation Achievement
1	<p>FSA has mitigated by issuing a number of regulations in which some norms govern financial service providers to prevent the use of financial service providers as a means of earning for the terrorist activities. Some of these regulations are:</p> <ul style="list-style-type: none"> <li>• FSA Regulation Number 12/POJK.01/2017 regarding the Implementation of Anti-Money Laundering and Counter Terrorist Financing Programs in the Financial Services Sector;</li> <li>• FSA Circular Letter Number 32/SEOJK.03/2017 regarding the Implementation of Anti-Money Laundering and Counter Terrorist Financing Programs in the Banking Sector;</li> <li>• FSA Circular Letter Number 47/SEOJK.04/2017 regarding the Implementation of Anti-Money Laundering and Counter Terrorist Financing Programs in the Capital Market Sector;</li> <li>• FSA Circular Letter Number 37/SEOJK.05/2017 regarding Guidelines for Implementing Anti Money Laundering and Counter Terrorist Financing Programs in the Non-Bank Financial Industry Sector;</li> <li>• FSA Circular Letter Number 38/SEOJK.01/2017 regarding Guidelines for Instant Blocking of the Customers' Funds in the Financial Services Sector whose Identities are Listed in the List of Suspected Terrorists and Terrorist Organizations.</li> </ul>
2	<p>In the regulation, FSA has asked financial service providers to mitigate risks related to preventing terrorism financing, including by doing:</p> <ul style="list-style-type: none"> <li>• Maintaining a list of suspected terrorists and terrorist organizations;</li> <li>• Classifying Prospective Customers, Beneficial Owners, or Walk in Customers (WIC) listed in the list of suspected terrorists and terrorist organizations as</li> </ul>

No	Mitigation Achievement
	<p>Prospective Customers, Customers, Beneficial Owners, or Walk in Customers (WIC) who high risk;</p> <ul style="list-style-type: none"> <li>• Refuse transactions, cancel transactions, and/or close business relationships with prospective customers or the customers listed in the list of suspected terrorists and terrorist organizations;</li> <li>• Identifying and regularly ensuring the name of the customer who has the same name and other information on the customer with the name and information listed in the list of suspected terrorists and terrorist organizations;</li> <li>• Doing Instant Blocking if there are similar names and information to the name listed in the list of suspected terrorists and terrorist organizations;</li> <li>• Reporting transactions that involve individuals or corporations whose identities are listed in LSTTO as suspicious financial transaction related to Terrorists Financing.</li> </ul>
3	<p>The policies and regulations published by FSA for financial service providers as mentioned above, aim to prevent the use of the financial services sector as a means of moving in financing terrorism by restricting the financial space of suspected terrorists and terrorist organizations and also to prevent funding from other parties given to the suspect terrorists and terrorist organizations.</p>

**c. BANK OF INDONESIA (BI)**


NO	Mitigation Achievement
1	<p>Bank Indonesia has issued policies, legislation, guidelines for non-bank licensed FTS and non-bank CEBA, namely:</p> <ul style="list-style-type: none"> <li>• Regulation of Bank of Indonesia (RBI) No.14/23/PBI/2012 concerning Funds Transfer;</li> <li>• RBI No.14/2/PBI/2012 concerning Amendments to PBI No.11/11/PBI/2009 concerning the Implementation of Card-Based Payment Instrument Activities;</li> <li>• RBI No.18/20/PBI/2016 concerning Non-Bank Foreign Exchange Business Activities;</li> <li>• RBI No.18/9/PBI/2016 concerning the Arrangement and Supervision of Payment System and Management of Rupiah Money;</li> <li>• RBI No.18/40/PBI/2016 concerning the Implementation of Payment Transaction Processing;</li> <li>• RBI 19/10/PBI/2017 concerning the Application of Anti-Money Laundering and Prevention of the terrorist financing for Non-Bank Payment System Service Providers and Non-Bank Foreign Exchange Business Providers;</li> <li>• RBI No. 19/12/PBI/2017 concerning the Implementation of Financial Technology;</li> <li>• RBI No.20/2/PBI/2018 concerning Amendments to PBI No.19/7/PBI/2017 concerning the Carrying of Foreign Banknotes (UKA) in and out of Indonesian Customs; and</li> </ul>



NO	Mitigation Achievement
	<ul style="list-style-type: none"> <li>• RBI No.20/6/PBI/2018 concerning Electronic Money.</li> </ul> <p>In addition, Bank Indonesia also issued guidelines for Non-Bank Payment System Service Providers and Non-Bank Foreign Exchange Business Providers in preventing terrorism financing, namely:</p> <ul style="list-style-type: none"> <li>• Sectoral Risk Assessment (SRA) ML and TF in the Non-Bank CEBA and Non-Bank FTS sectors;</li> <li>• Guidelines for the Implementation of Risk-Based PPT APU for Supervisors and Organizers of Non-Bank CEBA and Non-Bank FTS;</li> <li>• Risk Based Tools for Supervisors and Organizers of Non-Bank CEBA and Non-Bank FTS;</li> <li>• Guidelines for Blocking Terrorist Lists and Guidelines for Blocking Proliferation Lists (Updated);</li> <li>• Guidelines for Handling Unlicensed Non-Bank CEBA;</li> <li>• Supervision Framework;</li> <li>• Guidelines for Supervision of Payment System Service Providers;</li> <li>• Sanction Monitoring Guidelines including Monitoring Systems; and</li> <li>• Letter No.20/271/DKSP/SRT/B dated May 24, 2018 concerning Notification related to the Prohibition of Foreign Banknotes Recirculation (UKA) in the Ten Thousand Dollar Singapore Dollar (10,000 SGD).</li> </ul>
2	<p><b>The achievements made by Bank Indonesia are as follows:</b></p> <ul style="list-style-type: none"> <li>• In 2019 the Anti-Money Laundering and Counter-terrorist financing Fulfillment Group was formed in the organizational structure of Bank Indonesia;</li> <li>• Having expanded the Memorandum of Understanding between (i) Bank of Indonesia and Bangko Sentral Ng Pilipinas; and (i) Bank of Indonesia and Bank of Thailand in the framework of implementing PPT APU implementation. The modalities in the MoU include: (1) policy dialogue; (2) exchange of data and information; and (3) capacity building;</li> <li>• Application of E-Licensing for Paymeny System Providers, Non-Bank CEBA, Non-Bank FTS, and Foreign Banknotes-Carrying since 2018;</li> <li>• The application of QR Code innovation on the licensed Non-Bank CEBA and Non-Bank FTS logos to make it easy to identify between licensed and unlicensed providers from Bank of Indonesia;</li> <li>• Business Process of the UKA- Carrying is the UKA export and import activity in and out of Indonesian Customs which is only carried out by Authorized Bodies with a nominal equivalent of &gt; Rp1 billion. This regulation aims to prevent ML, obtain statistical data on the acquisition of UKA and control of counterfeit UKA, and strengthen information systems related to cash;</li> <li>• Having collaborated with the Director General of Customs and Excise - Ministry of Finance related to the carrying out of UKA through 3 (three) integrated systems, namely the Bank of Indonesia's e-licensing, Indonesia National Single Windows (INSW), and Custom Excise Information System and Automation (CESA). As of May 2019 there were 20 Licensed Bodies (8 Banks and 12 Non-Bank CEBA). Based on monitoring data, for the Licensed Agency in the working area of the KPw Province of DKI Jakarta, the nominal approval for UKA imports in Quarter IV/2018 reaches Rp 20 Trillion (the realization is Rp 13 Trillion or 66%). Whereas for exports it was agreed to be IDR 16 Trillion while the realization was IDR 7 Trillion (46%);</li> </ul>

NO	Mitigation Achievement
	<ul style="list-style-type: none"> <li>• Application of Risk-Based Approach (RBA) both in the assessment of risk profiles, supervision and inspection of BI and implementation by organizers. The APG Assessor Team has acknowledged that the supervision conducted by Bank Indonesia is proportional and has a deterrent effect;</li> <li>• <i>Joint audit with INTRAC and K/L related to Non-Bank CEBA and Non-Bank FTS;</i></li> <li>• Controlling unlicensed Non-Bank CEBA and Non-Bank FTS illegally coordinate with the Indonesian Police and related K/L. The APG Assessor Team has admitted that controlling Non-Bank CEBA is not licensed and Non-Bank FTS illegal is "the most significant sanction";</li> <li>• Imposing sanctions (administration and revocation of licenses) for Non-Bank CEBA and Non-Bank FTS which are not compliant and violate the provisions;</li> <li>• In 2017, KPwBI Bali cooperated with the Police to control the Bitcoin ATM;</li> <li>• Programmed capacity building for BI supervisors throughout Indonesia as well as Non-Bank FTS and Non-Bank CEBA through coordination meetings, workshops and coaching clinics;</li> <li>• Provision of expert information on Funds Transfer and Money Exchange in the criminal cases handled by the National Police, Prosecutors' Office and Courts;</li> <li>• Formulation and implementation of the 2017–2019 AML and CTF action plan for Bank of Indonesia with 100% achievement. The implementation of the strategy or pillars of the Bank of Indonesia's AML and CTF National Strategies consisting of the determination and application of a risk-based approach, PDG Policy Framework for SP and PUR, RBI for Regulation and Supervision and others; and</li> <li>• Prohibition for all Payment System Providers and Financial Technology Providers in Indonesia to process payment transactions via virtual currency.</li> </ul>

## B. MITIGATION TAKEN AGAINST THE LATEST METHODS OF TERRORISM FINANCING IN 2016-2018

### a. Collecting Fund Stage (Collecting)

Donation to Members of Terrorist Group	Mitigation
	<ul style="list-style-type: none"> <li>• State Intelligence Agency continues to carry out intelligence operational activities in the form of registered and unregistered NPOs suspected of conducting the terrorist financing</li> <li>• The government has made efforts to issue regulations for NPOs where terrorist organizations are banned/Non-NPOs.</li> <li>• Counter-Terrorism Agency has carried out counter narratives and counter propaganda.</li> </ul>
Self-Funding	Mitigation


	<ul style="list-style-type: none"> <li>• Counter-Terrorism Agency has conducted counter-narrative and counter-propaganda outreach activities to the community identified as radical teachings.</li> <li>• Counter-Terrorism Agency has carried out de-radicalization conducted outside prisons by targeting former prisoners, prisoners and families of terrorist.</li> <li>• Counter-Terrorism Agency has increased the deterrent capacity of the community and vigilance in media literacy through websites and social media, such as darmailah.com</li> </ul>
Funding through Social Media	Mitigation
	<ul style="list-style-type: none"> <li>• Counter-Terrorism Agency and State Intelligence Agency have coordinated with the relevant ministries to identify platforms and social media accounts that risk being misused for financing terrorism.</li> <li>• Counter Terrorism Agency and State Intelligence Agency have coordinated with the relevant ministries to set the procedures in case a social media account will be taken down as happened to shoutussalam.</li> <li>• Counter-Terrorism Agency together with the Ministry of Communication and Information has routinely conducted assessments of websites or social media exposed to radicals and indications of financing of terrorism</li> <li>• The Indonesian government has officially blocked the Telegram instant conversation service since Telegram can endanger national security for not providing SOP in handling terrorism cases. The Ministry of Communication and Information had asked the Internet Service Provider (ISP) to terminate access (blocking) of eleven Domain Name Systems (DNS) owned by Telegram.<sup>19</sup>.</li> <li>• The content recommended by Counter-Terrorism Agency to be blocked by The Ministry of Communication and Information amounts to 662 to date.</li> <li>• Currently, online propaganda media which is often proven to be a propaganda tool that affects individuals/groups of terrorist has been blocked, including namely, Shoutussalam, Al Muqawamah, Syamnews, <a href="http://bahrunnaim.com">bahrunnaim.com</a>, etc.</li> </ul>


<sup>19</sup> <https://www.bbc.com/Indonesia/trensosial-40606074>




	<ul style="list-style-type: none"> <li>• The Counter-Terrorism Agency/CTF Unit Task Force often monitors NPOs suspected of the terrorist financing.</li> <li>• The implementation of the deradicalization process by Counter-Terrorism Agency inside and outside prison as well as within the community includes fostering the Correctional Prisoners (WBP) related to terrorist crimes, the establishment of a former WBP surveillance system, their families and networks to avoid the recidivism process.</li> <li>• Counter-Terrorism Agency has carried out socialization of the danger of terrorism crime in educational institutions, houses of worship, mass media, social organizations and related Government agencies.</li> </ul>
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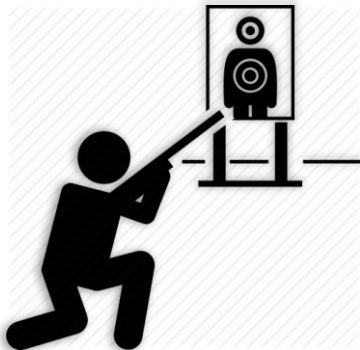
**b. Moving Fund Stage (Moving)**



Cash Carrying	Mitigation
	<ul style="list-style-type: none"> <li>• Cash-carrying is the result of self funding. Therefore the forms of migration that have been carried out by Counter-Terrorism Agency are as follows: <ul style="list-style-type: none"> <li>– Counter-Terrorism Agency has conducted counter-narrative and counter-propaganda outreach activities to the community identified as radical teachings.</li> <li>– Counter-Terrorism Agency has carried out de-radicalization conducted outside prisons by targeting former napites, prisoners and families of terror.</li> </ul> </li> <li>• Mitigation conducted by BI is: <ul style="list-style-type: none"> <li>– Since the enactment of RBI No. 20/2/PBI/2018 dated March 5, 2018 regarding Changes to RBI foreign cash carrying (UKA) in and out of Indonesian Customs, cash-carrying must be carried out by the Licensed Board and obtaining Bank Indonesia approval. The business process of carrying out cash is a cash export and import activity in and out of Indonesian Customs which is only carried out by an Authorized Agency with a nominal equivalent of Rp 1 billion.</li> <li>– This regulation aims to prevent ML, obtain statistical data on the acquisition of cash and control of cash money counterfeit, and strengthen information systems related to cash.</li> </ul> </li> </ul>

Cash Carrying	Mitigation
	<ul style="list-style-type: none"> <li>– This cash-carrying is carried out in collaboration with BI, Director General of Customs and Excise of the Ministry of Finance through 3 integrated systems namely BI e-licensing, INSW (Indonesian National Single Windows) and CESA (Custom Excise Information System and Automation).</li> <li>– Statistical data update: As of May 2019 there have been 20 Licensed Agencies (8 Banks and 12 Non-Bank CEBA). Based on monitoring data, for Licensed Agencies in the KPw working area of DKI Jakarta Province, as follows: Nominal approval for cash imports in Quarter IV/2018 reaches Rp 20 Trillion (realization of Rp 13 Trillion or 66%). Whereas for exports it was agreed to be Rp 16 trillion while the realization was Rp 7 trillion (46%).</li> </ul>
Use of Banking System	Mitigation
	<ul style="list-style-type: none"> <li>• FSA has asked FSP to maintain a list of suspected terrorists and terrorist organizations; to increase literacy on LSTTO</li> <li>• FSA has asked FSP to classify prospective customers, customers, beneficial owners, or walk in customers (WIC) who are listed in the list of suspected terrorists and terrorist organizations as prospective customers, customers, beneficial owners, or walk in customers (WIC) at high risk;</li> <li>• FSA has asked FSP to reject the transaction, cancel the transaction, and/or close business relations with prospective customers or customers listed in the list of suspected terrorists and terrorist organizations;</li> <li>• FSA has asked FSP to identify and periodically ensure the names of customers who have similar names and other information to the customers' names and information listed in the list of suspected terrorists and terrorist organizations;</li> <li>• FSA has asked FSP to block immediately if it is found the similarity of the customer's name and other information in the list of suspected terrorists and terrorist organizations;</li> </ul>

Cash Carrying	Mitigation
	<ul style="list-style-type: none"> <li>• FSA has asked FSP to report transactions involving individuals or corporations whose identities are listed in LSTTO reported as suspicious financial transaction related to the terrorist financing.</li> <li>• INTRAC has improved the results of the analysis related to TF banking transactions quickly and completely in order to facilitate the Special Detachment 88 AT Police.</li> </ul>
Use of Non-Bank Licensed Fund Transfer Providers (FTS)	Mitigation
	<ul style="list-style-type: none"> <li>• BI has issued PBI 19/10/ PBI/2017 concerning the application of anti-money laundering and counter-terrorist financing for non-bank payment system service providers and non-bank foreign exchange business activities providers. This RBI requires Non-Bank FTS to compile and implement AML and CTF programs strictly, including the implementation of CDD/EDD and risk-based approach (RBA).</li> <li>• BI has required FSP to make a ML and TF sectoral risk assessment (SRA) in the Non-Bank FTS sector as a guideline in implementing the RBA.</li> <li>• BI has issued guidelines on the application of risk-based TF ML for supervisors and Non-Bank FTS (and Non-Bank CEBA).</li> <li>• BI has used risk-based tools for Supervisors and Organizers of Non-Bank FTS (and Non-Bank CEBA), including RBA upgrade tools.</li> <li>• BI has published guidelines on blocking terrorist lists and on blocking proliferation lists (updated) to FTS and sharing LSTTO</li> <li>• Conduct capacity building program for non-Bank FTS supervisors, organizers and the wider community in order to increase public literacy.</li> </ul>

c. **Using Fund Stage (Using)**

Purchase of Weapons and Explosives	Mitigation
	<ul style="list-style-type: none"> <li>• Law enforcement apparatus have increased surveillance in the border regions, especially in Maluku, North Sulawesi and Aceh regions.</li> <li>• Law enforcement officials have been monitoring chemical shops throughout the region, especially to those making unusual purchases.</li> <li>• Law enforcement officials have collaborated with e-commerce parties.</li> <li>• The Supervisory and Regulatory Agency has provided risk-based approach guidelines for fund transfer organizers and Non-Bank CEBA especially in geographic areas with high risk TF such as Thailand and the Philippines.</li> </ul>
Mobility of Terror Members & FTF Departure	Mitigation
	<p>Law enforcement apparatus have collaborated with Angkasa Pura, State Intelligence Agency, BAIS, local police, Immigration including airlines that fly to the Middle East through coordinating meetings with Angkasa Pura to identify the offender.</p>
War/Terrorist Training	Mitigation
	<ul style="list-style-type: none"> <li>• Law enforcement officials have conducted socialization to the public regarding criminalization to those who carry out military training, military training or other training as stated in Law number 5/2018.</li> <li>• Counter-Terrorism Agency has increased the role of the community to report and prevent military training taking place in the surrounding environment.</li> </ul>

Compensation for Family of Terrorists	Mitigation
	<ul style="list-style-type: none"> <li>• Counter-Terrorism Agency has conducted counter-narrative and counter-propaganda outreach activities to the community identified as radical teachings.</li> <li>• Counter-Terrorism Agency has carried out de-radicalization conducted outside prisons by targeting former inmates, prisoners and families of terror.</li> </ul>
Network Building	Mitigation
	<ul style="list-style-type: none"> <li>• Counter-Terrorism Agency and State Intelligence Agency have coordinated through the terrorist task force (Polri) in the prevention and enforcement of terrorist and terrorist financing.</li> <li>• Counter-Terrorism Agency has taken a soft approach in the form of counter radicals and deradicalisation as well as a hard approach to action.</li> <li>• INTRAC has conducted an analysis of financial transactions related to TF both domestic and international cash flows and submitted the results of the analysis to the Special Detachment 88 AT Police for the purpose of detecting network links so that action can be taken.</li> </ul>





## **CHAPTER 4**

# **NPO RISK MANAGEMENT AGAINST TERRORIST FINANCING**



## **CHAPTER 4 NPO RISK MANAGEMENT AGAINST TERRORIST FINANCING**

### **A. Current Government Policies towards Indonesian NPO**

#### **1. Indonesian NPO Regulation**

As one of the widely known medium for community aspirations, civil society organizations or better known as non-profit organizations (NPOs) are important elements in the lives of the nation and state throughout the world. The birth of NPOs coming from the community and for the benefit of the community was proven to become a fleet in voicing the demands of the community to the Government. The ability of NPOs to embrace all levels of society at large, has proven to be its strength. Furthermore, NPOs have the ability to independently fund through direct collection of funds both from members and donations of the wider community (donations) so that their existence is purely the aspirations of people and free from government intervention.

However, the existence of NPOs is not entirely free from interests, since the parties who provide funding to NPOs, either directly or indirectly, are often those who have certain interests and wish to realize it through NPOs. In the context of the anti money laundering and terrorist financing (AML-CTF) regime, the independence of NPO funding actually raises risks that not only undermine the financial side where NPOs can become a means of money laundering through asset placement on behalf of NPOs, but furthermore NPOs can also be misused as a means of undermining the stability of the country's security through terrorist financing.

Regarding NPO's risk for terrorism financing activities, the world anti-money laundering agency, or better known as the Financial Action Task Force (FATF), in February 2012 issued recommendation No. 8 which specifically regulates NPOs to avoid misuse of terrorist financing. The recommendations include provisions in which every country in the world must review the adequacy of legal instruments against entities that can be misused for financing terrorism. Through this recommendation, each country is specifically expected to determine preventive and limiting measures for the Criminal Funding of Terrorism through the NPO sector.



In Indonesia, the provisions on NPOs are already stipulated in Law No. 17/2013 concerning CSOs, but the Law places more emphasis on administrative provisions or general governance of NPOs and does not yet regulate the prevention of the terrorist financing through NPOs. Even though Indonesia has Law No. 9/2013 concerning the prevention and eradication of the terrorist financing crimes and the Supreme Court Regulation (Perma) No. 13/2016 concerning procedures for handling criminal cases by corporations, it is deemed that there is still lack of provisions that specifically regulate the prevention of terrorist financing through NPOs.

It was only later in 2017 as a state commitment to protect the NPO sector in Indonesia, the Government has issued the latest CSO Law No. 16/2017 which contains the explicit definition of prohibitions and sanctions as well as the Government's authority to dissolve any CSO not in line with the basis of the Republic of Indonesia (Pancasila and the 1945 Constitution). With respect to these provisions to protect CSOs from inflows and outflows leading to terrorist financing activities, the Government then issued Presidential Regulation on Procedures for Donation Acceptance and Granting for CSOs in Preventing the terrorist financing in 2017. This Presidential Regulation clearly stipulated that CSOs that receive and distribute funds, must identify the sender and recipient of the funds so that the CSOs are not distorted funds for terrorist financing activities.

EXAMPLE OF NPO REGULATIONS IN INDONESIA
<p>The Ministry of Home Affairs asked the regional government to make regulations derived from PERPPU number two in 2017 concerning Amendments to Law Number 17 of 2013 concerning civil society organizations (CSO/NPO). Regional head's regulations, whether regents or governor regulations, to detect early civil society organizations that deviate from the Pancasila philosophy. The regional head's regulation will later serve as a legal justification for technical guidance on coordination, supervision and empowerment of community organizations.</p> <p>The regional head's regulation is expected to be able to strengthen the rules regarding social organization by combining with other supporting regulations, for example, the CSO Law and the law on handling social conflicts so that we have a better social security (<a href="http://tribunnews.com">tribunnews.com</a>-July 2017).</p>

## 2. Identification of NPO at TF Risk at ASEAN Plus Regional Level

At the ASEAN regional level in 2017, Indonesia together with ASEAN member countries including Malaysia, Philippines, Thailand, Brunei, Singapore and Australia and New Zealand agreed to conduct joint research to assess the risks of NPOs in the ASEAN and Pacific region

against terrorist financing in the hope of the outcome can be a joint guide in understanding the characteristics of the terrorist financing through NPOs and to be used as a guide (for each internal country) in mitigating the risk of the terrorist financing using NPOs. The research activity has been through the process of identifying, analyzing and evaluating NPO risks in the region. The activities are not only limited to communication, collaboration, data and information provision but also to build trust between fellow FIUs to be more proactive in sharing information in efforts to protect the region from the terrorist and terrorist financing crimes. Regarding this NPO-related research, although the risk assessment in the region against terrorist financing in 2016 (RRA 2016) assesses NPO as having a high risk, but fewer cases of NPO misuse have been recorded than expected. Investigators found that some terrorist financing cases were more directed at terrorist groups which could not be categorized as NPOs but rather directed at terrorist groups.

As the follow-up to the 2017 RRA on NPOs, in 2018 the NRA RRA Team re-conducted an assessment to identify an important subset of high-risk NPOs for member countries and other neighboring countries to recognize, particularly for financial service providers in detecting transactions NPO finances that indicate the terrorist financing. Some core points of the high-risk NPO subset in the ASEAN region plus NPOs are:

- More likely to be NPO services than NPO expressions.
- High use of cash
- Community contributions are the main source of funds
- Operating or delivering funds/goods to the high risk jurisdictions
- Supporting certain ethnicities or religions
- Having links with organizations operating in high-risk jurisdictions
- Located in a province or capital city rather than a rural or border area

The subset of redflag indicators has been published to the public including to the reporting party so that they are better at detecting NPO transactions that indicate the terrorist financing.

### **3. NPO registration in Indonesia**

In Indonesia, there is no legal obligation for the registration of NPOs. However, as a control measure, registration is needed so that NPOs can be considered for funding

assistance/grants from the Government or the private sector or for applying for bank loans. Registration is also needed so that an organization can be recognized as a foundation or association. Foundations and associations are legal entities of NPO, authorized by the Ministry of Law and Human Rights. Through this ministry, NPO data is centralized and relatively well organized. For non legal entity NPO, NPO obtains an operating license and supervised by the relevant Ministries (for example the Ministry of Religion or the Ministry of Education and Culture). Thus, the sharing coordination and information between different ministries are required for further refinement. The integration of the NPO database coordinated by the Ministry of Home Affairs is still in the process of being developed in accordance with Government Regulation No. 58 of 2016 and Law No.17 of 2013 concerning NPO. To handle cases of financing terrorism and/or terrorism involving the NPO sector, Indonesian authorities have formed a task force (Satgas) to handle NPOs as needed. This Task Force includes Supervisory and Regulatory Agency NPO (NPO ministry), law enforcement agencies and INTRAC.

#### **4. NPO Data Collection and Publication in Indonesia**

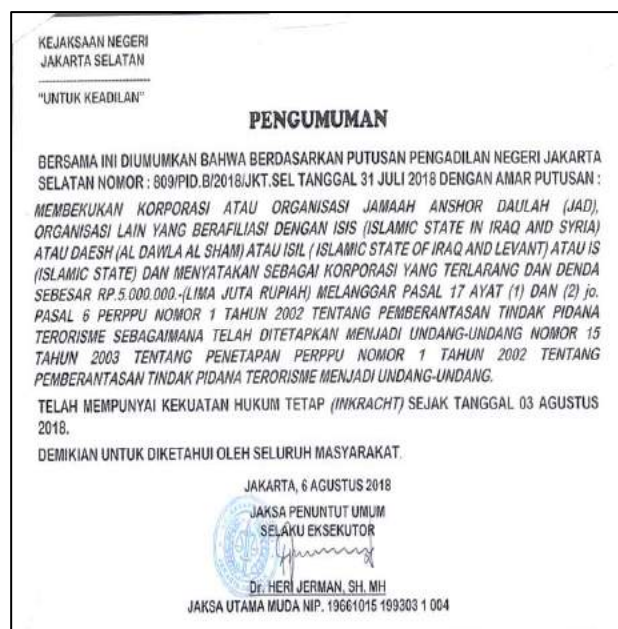
As a form of the Government's commitment in creating order, openness and easy access to NPO data in Indonesia to the public and stakeholders, the Ministry of Law and Human Rights, acting as an institution authorized to establish a legal entity NPO in Indonesia until 2019, has provided access publication via the web <https://ahu.go.id/pencarian/profil-yayasan> for Foundation-type NPO data and also <https://ahu.go.id/pencarian/profil-perngungan> for Association-type NPOs. In addition, the Ministry of Home Affairs, acting as a Special NPO Supervisory and Regulatory Agency registered but not incorporated until 2019, has provided access to publications through the web <http://polpum.kemendagri.go.id/data-ormas-active-2018/> for non foundation and association NPOs; while the Ministry of Foreign Affairs, which acts as a Supervisory and Regulatory Agency for foreign NPOs in Indonesia until 2019, has provided access to publications through the web [https://ingo.kemlu.go.id/ingo\\_list/index/3](https://ingo.kemlu.go.id/ingo_list/index/3). It is expected that through the availability of this access the community (stakeholders) can participate in observing and complaining in case there are NPOs activities leading to the terrorist financing.

## B. NPO Control

After the issuance of the latest CSO Law No. 16/2017 which clearly defines the meaning of NPO and expressly mentions prohibitions and sanctions as well as the existence of the Government's authority to dissolve, freeze and prohibit civil society organizations that are not in line with the basis of the Indonesian state (Pancasila and the 1945 Constitution), since the issuance of the Act the Government has taken action firmly 2 (two) NPOs considered not in line with the basis of the Indonesian state, with the following details:

### 1. Freezing and Prohibition of Jamaat Ansharut Daulah (JAD) Organization <sup>20</sup>

The judges in August 2018 have decided, freezed and declared the Jamaat Ansharut Daulah (JAD) as a prohibited organization due to terrorism. The JAD Chairman Zainal Anshori did not appeal the judge's decision. The judges set the freezing of JAD and sentence the organization to pay a fine of Rp. 5 million. The judge declared JAD as a corporation that facilitated acts of terrorism. JAD was proven legally and convincingly guilty. The Panel of Judges established and suspended JAD affiliated with ISIS (Islamic State in Iraq and Syria) or DAESH (Al-Dawla Ill-Sham) or ISIL (Islamic State of Iraq and Levant ) or IS (Islamic State) and declare it as a prohibited corporation. JAD is sentenced with Article 17 paragraph 1 and paragraph 2 juncto Article 6 Government Regulation in Lieu of Law Number 1/2002 Concerning Eradication of Terrorist Crimes as determined to be Law of the Republic of Indonesia Number 15/2003.



<sup>20</sup> <https://news.detik.com/berita/4142173/jad-jadi-organisasi-terlarang-dan-dibekukan-pengacara-tak-banding>





## **CHAPTER 5: CONCLUSION AND RECOMMENDATION**

## CHAPTER 5: CONCLUSION AND RECOMMENDATION

### A. Conclusion

As a form of commitment by the Indonesian state to meet Recommendation 1 on the preparation of national risk assessments and the updated national risk specifically regarding the terrorist financing, in 2019 the Indonesian NRA team has worked with all stakeholders to consolidate the results of all national risk assessments related to the terrorist financing in during 2015–2018 period with the aim of facilitating stakeholders to understand the risks of the terrorist financing in Indonesia during the period above-mentioned. Indonesia in 2019 has succeeded in compiling an updated report on the updated risk of the terrorist financing of 2015 with the following main points:

1. A description of the latest regulations and legislation that has been produced by the Government of Indonesia in terms of preventing the terrorist financing.
2. An explanation of the main risks of the updated 2015 NRA TF with details:
  - a. the terrorist financing modes
    - At the stage of the funds collection in the form of: Donations to terrorist groups, self-funding, funding through social media,
    - At the stage of the funds transfer (moving) in the form of: carrying cash, use of non-bank licensed fund transfer providers, use of banking products and services
    - At the stages of the funds using (using) in the form of: purchases of weapons and explosives, mobility of terrorist members & networks (including FTF), war training, family assistance of terrorists
  - b. Profile of high-risk perpetrators of the latest terrorist financing in the form of traders/entrepreneurs/businessmen,
  - c. Banking products in the form of savings accounts and transaction instruments in the form of the use of cash financial transactions were found to be at high risk of the terrorist financing.
  - d. The high-risk area for the terrorist financing is the DKI Jakarta province
  - e. The main threat abroad is related to foreign terrorist networks affiliated with terrorist groups or organizations in Indonesia, profiles of terror groups in Indonesia and terrorist financing from abroad.



- f. New threats TF (emerging threat) in the form of the use of cross-border payments online and cash carrying (CBCC)
3. Explanation of the success of the terrorist financing mitigation for the period 2016–2018 in the form of a description of TF mitigation measures in Indonesia both mitigation per each stakeholder and per mode of mitigation which also shows the Government's commitment in preventing and eradicating TF.
4. Explanation of Indonesian NPO risk management against the terrorist financing which contains a description of the Government's latest policy on Indonesian NPO, Identification of TPPO Risks at ASEAN Plus Regional Level, NPO registration, NPO data collection and NPO publication, NPO control and NPO subset are at risk for domestic NPO supervision by Supervisory and Regulatory Agency.

The results of this NRA risk assessment are expected to support stakeholders in Indonesia in carrying out tasks related to the prevention and eradication of the Terrorist Financing in Indonesia.

## B. Recommendation

Based on the results of the updated 2015 TF NRA, recommendations needed to reduce the level of the terrorist financing risk going forward based on the results of discussions with a team of TF prevention stakeholders are:

No	RECOMMENDATION	DOMESTIC	ABROAD
1	TF Supervision	Increasing the role of prevention and disruption between the Banking industry and the Non Bank Licensed Fund Transfer Operator (FTS) and the regulatory and supervisory agency for all terrorist financing transaction activities.	
2	TF Case Handling	Increased information exchange between INTRAC and related Ministries/Institutions	Increased exchange of information between Indonesia and other countries
		Increased coordination and synergy with the Ministries/Institutions in the	



No	RECOMMENDATION	DOMESTIC	ABROAD
		Counter Terrorism/Terrorist Financing Team	
3	<b>TF Prevention Cooperation</b>	Increased coordination, synchronization, supervision and control between Ministries/Institutions through ML committees in preventing and eradicating TF	Strengthening international cooperation in preventing and eradicating TF





## CHAPTER 6 ANNEXES



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### **A. Methodology**

#### **1. FATF Standard**

The preparation of the 2015 terrorism financing NRA has used a methodology adopted from FATF where risk is a function of (vulnerability + threat) x impacts with details in the form of:

- a. Threats are people or groups of people, objects or activities that have the potential to cause harm. In the context of TF, a threat is a person and a group of people related to transactions that aim to fund acts of terrorism.
- b. Vulnerabilities are things that can be utilized or support threats or can also be referred to as factors that describe the weaknesses of anti-money laundering/terrorism financing systems in the form of financial products or attractive services for the purpose of money laundering or terrorism financing. In the context of TF, vulnerabilities are things that become weaknesses in financial institutions that can be exploited by the threat of terrorism financing transactions.
- c. Impact (consequences) are the consequences or losses arising from criminal acts of money laundering and or financing of terrorism against institutions, economic and social broader, including losses from criminal acts and terrorism activities themselves. In the context of TF, the impact is a potential effect if a terrorist financing transaction carried out until an act of terrorism occurs.
- d. The formulation of risk assessment in the 2015 NRA follows the guidance of the IMF on "The Fund Staff's Approach to Conducting National Money Laundering or Terrorist Financing Risk Assessment" in section 7 explained that: "risk can be represented as:  $R = f[(T) (V)] \times C$ , where represents threat, represent represented vulnerability, and represent consequences ". Based on these guidelines, the formulation for conducting a risk assessment can be formulated as follows:

<b>Risk = f (Vulnerability, Threat and Impact)</b>
<b>Risk = (Vulnerability+ Threat) x Impact</b>

## **2. 2015 NRA Updating Process Updated**

### **a. Identification**

In updating the 2015 terrorism funding NRA, the team followed the FATF standard. The threat element becomes the most important object in assessing the risk of financing terrorism. The team examines domestic and foreign threats and the potential for new threats (emerging threats). The team carried out an identification process based on the many cases of terrorism funding that occurred based on handling in the field, the experience and expertise of the stakeholders in preventing terrorism funding from law enforcement, LPP as well as ministries and institutions.

### **b. Analysis**

In the updated NRA, the team conducted an analysis process based on various reports on the results of a terrorism financing risk assessment that was conducted during 2015-2018 in the form of the 2015 NRA terrorism funding results, Regional Risk Assessment results on TF 2016 and the results of the 2017 White Paper assessment as well as the assessment results the ASEAN plus regional project regarding external funding into the 2018 region to assess foreign threats against the various results of the assessment. The team then consolidated (merged) the highest threat level of terrorism funding in accordance with the level of frequency of occurrence of the threat in order to find the current mode which was considered still relevant to the threat to date. This analysis is intended to find the main risks of current TPPT. This paper on the consolidation of risk mode for the terrorist financing can be presented in the form of:

- **Collecting Fund Stage (Collecting)**

NRA TF 2015	RRA TF 2016	RRA NPO TF2017	WHITE PAPER 2017	TREND RISIKO	NRA UPDATED
	-	-	Donation to the Terror Group	Appearing after the 2015 NRA TF	Donation to the Terror Group
Through NPO (H)	Through NPO (H)	Through NPO (H)	Through NPO (M)	Down	Through NPO (M)
Criminal Results (H)	Criminal Results (H)	-	Criminal Results (M)	Down	Criminal Results (M)
SELF FUNDING (L)	SELF FUNDING (H)	-	SELF FUNDING (H)	Appearing after the 2015 NRA TF	SELF FUNDING (H)
-	Donation to the media sosial	-	Donation to the media sosial	Appearing after the 2015 NRA TF	Donation to the media sosial
-	-	-	Narcotics results (L)	Appearing after the 2015 NRA TF	Narcotics results

- **Moving Fund Stage (Moving)**

NRA TF 2015	RRA TF 2016	RRA NPO TF2017	WHITE PAPER 2017	TREND RISIKO	NRA UPDATED
Card payment methods (M)	-	--	-	Permanent	Card payment methods (M)
TRANSAKSI ONLINE / banking M-Banking/new payment method	-	-	-	Permanent	Online Transactions: I-Banking, M-Banking
DN Cash Carrying (M)	-	-	DN and LN Cash Carrying	Up	DN and LN Cash Carrying
-	Money Remittance (m)	-	Money Remittance (h)	Appearing after the 2015 NRA TF	Money Remittance (h)
Banking services (m)	Banking services (m)	-	Banking services (H)	Up	Banking services (H)

- **Using Fund Stage(Using)**

NRA TF 2015	RRA TF 2016	RRA NPO TF2017	WHITE PAPER 2017	TREND RISIKO	NRA UPDATED
Purchase of Weapons & Explosives(H)	Purchase of Weapons & Explosives(H)	-	Purchase of Weapons & Explosives(H)	Permanent	Purchase of Weapons & Explosives (H)
-	Mobility of Terror and FTF Travel Members(H)	--	Mobility of Terror and FTF Travel Members(H)	Appearing after the 2015 NRA TF	Mobility of Terror and FTF Travel Members(H)
-	War Training (H)	-	War Training (H)	Appearing after the 2015 NRA TF	War Training (H)
-	Compensation for Family of Terrorists(H)	-	Compensation for Family of Terrorists(H)	Appearing after the 2015 NRA TF	Compensation for Family of Terrorists(H)
-	Terrorist Salary (H)	-	Terrorist Salary (H)	Appearing after the 2015 NRA TF	Terrorist Salary (H)
-	Propaganda & Radicalization (H)	-	Propaganda & Radicalization (L)	Appearing after the 2015 NRA TF	Propaganda & Radicalization (L)
Terror Network Management (H)	Terror Network Management (H)	-	Terror Network Management (H)	Permanent	Terror Network Management (H)

### c. Evaluasi

Evaluation in this NRA is carried out in order to interpret the causes and triggers of the high main risks both due to causes from within and outside the country and in the view of law enforcement agencies, ministries and institutions as well as the LPP with the objective of knowing the causes and triggers of the risk will be able to help the stakeholders in finding appropriate priority action steps according to their respective tasks and functions.

## B. PESTEL Analysis

### 1. Expert Involvement

The team used the PESTEL Analysis to have a macro view of the findings of the previous analysis with the stakeholders in order to create the compatibility of the results obtained with the existing conditions/facts. The combination of the findings of the analysis with the opinions of the experts is also expected to produce TPPT risk mitigation appropriately. Experts involved in updating the NRA are the political, economic, social, technological and environmental and legal field experts who provide insight to enrich the conclusions and recommendations produced. Some PESTEL's findings include:

NO	FINDINGS BASED ON THE EXPERTS' VIEW
1	<p>The use of social media and internet web for TF shows an increase in risk, the use of social media and internet web affiliated with NPO has been proven to increase TF risk.</p> <p>In doing mitigation, the Counter-Terrorism Agency has routinely coordinated with Ministry of Communication and Information to supervise and determine which internet websites/social media should be closed/blocked since they are related to TF.</p>
2	<p>The use of cash for the terrorist financing transactions is still happening today since the Bali Bombing 1 incident both carried out domestically and abroad, deposited through Indonesian migrant workers (TKI) or taken by oneself and through couriers through legal and illegal channels.</p> <p>Mitigation of this matter is for tightening border control and monitoring in an integrated manner in coordination with all relevant stakeholders.</p>
3	<p>It is recognized that the use of non-bank licensed cash transfer services (PTD) for financing terrorism is classified as high risk. In the case of the Surabaya bombing and the Marawi case involving MA, as the link for the flow of funds from ISIS, was found to have sent funds using the services of Non Bank Cash Transfer Providers. The use of Non Bank FSP services is relatively easy and does not require difficult requirements, besides that Non Bank FSP services are widely available in various places</p> <p>Mitigation is carried out the same as the use of a savings account where financial service providers must do the screening and have a LSTTO database.</p>
4	<p>Narcotics which, although still low risk and only a few cases in Indonesia, need to get attention in the future, for vigilance because based on the map of the development of the ISIS network which is not much anymore in Syria and Iraq but has moved closer to Afghanistan; this is feared that ISIS will revive because</p>


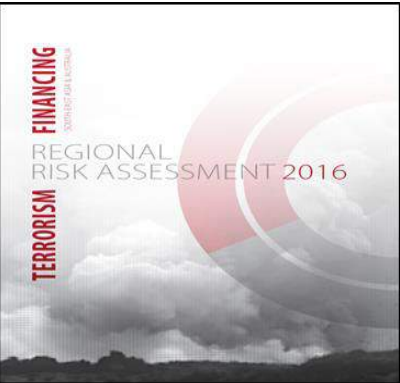




NO	FINDINGS BASED ON THE EXPERTS' VIEW
	according to BBC News (25 April 2019) profits from heroin production in Afghanistan are used to fund the Taliban and other terrorist groups such as Islamic State and Al Qaeda.
5	Anticipatory steps needed are terrorist inmates and narcotics prisoners are not placed in the same cell because the narcotics prisoners will be exposed to radical understanding in these cells.
6	<p>Savings accounts are at high risk for financing terrorism because having a savings account is easy and some banks only require a small initial deposit. In addition, the availability of derivative products from savings accounts such as ATMs and the use of internet banking is highly mobile, making it easier for terrorism financing actors</p> <p>Mitigation steps needed are:</p> <ul style="list-style-type: none"> <li>– <i>Effective screening is needed so that prevention can be carried out (disruption) before the perpetrators of the terrorist financing become customers.</i></li> <li>– Maximize the use of DTTOT by entering LSTTO into the bank database.</li> <li>– Conduct a risk-based approach to TF so that the risks assessed are in accordance with the bank's risk appetite.</li> </ul>


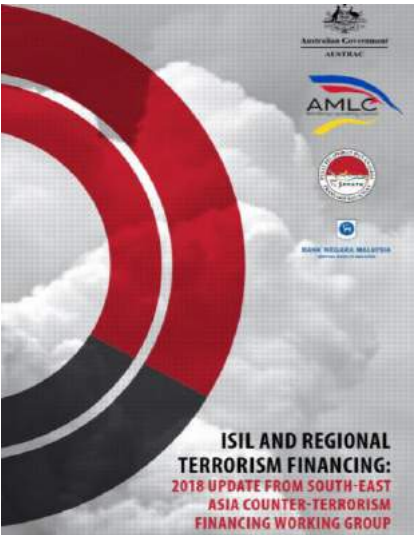
## C. Data Sources and Information for the Updated 2015 NRA

### 1. SOURCE OF DOCUMENTS

The update of the NRA TF was carried out by analyzing and analyzing all documents resulting from a national assessment of terrorism funding in Indonesia in the 2015-2018 period. Various documents used include:

No	Document	Description
1	 <p><b>2015 NRA TERRORIST FINANCING DOCUMENTS</b></p>	<ul style="list-style-type: none"> <li>• This 2015 NPT TF document is a national document on the Criminal Acts of Financing Terrorism in Indonesia, which was launched in October 2015 by the Coordinating Minister for Political, Legal and Security Affairs of the Republic of Indonesia.</li> <li>• This document was prepared using data for the 2011–2014 period</li> <li>• The recommendations and assessment results in this NRA document have been used as a reference by stakeholders in the preparation of prevention and eradication of the Terrorist Financing Criminal Acts in Indonesia</li> </ul>
2	 <p><b>RRA ON TF 2016 DOCUMENT</b></p>	<ul style="list-style-type: none"> <li>• This Regional Risk Assessment (RRA) document for financing terrorism is a joint assessment result with countries in the ASEAN region (Malaysia, Indonesia, the Philippines, Thailand, Singapore) plus Australia.</li> <li>• This document assesses the landscape of terrorism in the region, mode and emerging threats at the regional level as well as recommendations and priorities for action that must be taken immediately</li> <li>• In this TF NRA, one of the modes that is highly rated in this study is the use of NPOs for fundraising</li> <li>• The countries involved in preparing the RRA are Indonesia, Malaysia, Australia, Singapore, Thailand and the Philippines.</li> </ul>

No	Document	Description
3	 <p><b>RRA ON TF 2017 DOCUMENT</b></p>	<ul style="list-style-type: none"> <li>The RRA document for Terrorist Financing through the 2017 NPO was compiled on the follow-up to the 2016 TF RRA results in which NPOs are considered high risk for terrorist financing.</li> <li>This document describes NPO landscape in countries in the region, NPO cases related to TF, types of NPOs and high risk NPO operational areas and others</li> <li>This document was prepared involving the countries of Indonesia, Malaysia, Australia, Brunei Darussalam, Thailand, the Philippines and New Zealand.</li> </ul>
No	Dokumen	Keterangan
4	 <p><b>WHITE PAPER on TF 2017 DOCUMENT</b></p>	<ul style="list-style-type: none"> <li>The TF White Paper document on domestic terrorism networks related to ISIS is compiled and led by the Counter-Terrorism Agency in collaboration with stakeholders in preventing TF in 2017.</li> <li>This document is a response to changes in the international terrorism map due to events (Arab Spring and the emergence of ISIS) which have an impact on changes in the Indonesia's terrorism map.</li> <li>An important point raised in this document is the existence of the FTF phenomenon and the change in the mode of fund collection that has shifted from the use of NPOs to the use of social media.</li> </ul>

No	Document	Description
5	 <p data-bbox="440 905 786 999"><b>NPO INDICATOR/REDLAG DOCUMENTS ON THE TERRORIST FINANCING</b></p>	<ul style="list-style-type: none"> <li>• This document was prepared as a follow-up to the 2017 TF NPO RRA recommendations where member countries agreed that the reporting party needed to obtain guidance in the form of guidance redflags/indicators to facilitate the detection of suspicious NPO financial transactions related to TPPT.</li> <li>• This document contains a subset of NPOs at high risk of financing terrorism at the regional level. The NPO subset in this document contains the Primary Indicator and also the Secondary Indicator.</li> <li>• The preparation of this document involved Indonesia, Malaysia, Australia, Brunei Darussalam, Thailand, the Philippines, New Zealand and Singapore.</li> </ul>
No	Document	Description
6	 <p data-bbox="440 1696 786 1791"><b>SEACTFWG (ISIL AND REGIONAL TERRORISM FINANCING) DOCUMENT</b></p>	<ul style="list-style-type: none"> <li>• The 2018 ISIL and Regional Terrorist Financing document contains a mapping of ISIL/ISIS group funds and affiliates in the Middle East to their networks in the ASEAN region plus</li> <li>• This document also contains TF ISIS mitigation steps at the regional level.</li> <li>• This document was prepared involving the countries of Indonesia, Malaysia, Australia, Brunei Darussalam, Thailand, the Philippines, New Zealand and Singapore.</li> </ul>



## **2. FOCUS GROUP DISCUSSION (FGD) LATEST 2015 NRA**

In order to update the updated 2015 NRA TF, the internal and external NRA INTRAC update team (together with the stakeholders) has carried out a series of FGDs for the purpose of notification, equalization of understanding, coordination, data and information gathering, and joint analysis for updating the NRA. Some of the FGD arrangements that have been implemented include:

- a. First FGD Notification of NRA Updates for Internal INTRAC (Bandung, 14-16 February 2019)**



- b. Second FGD Announcement of NRA Update with All Stakeholders (Bogor, 20-23 March 2019)**



**c. Third FGD Update from each K L in order to update the NRA (Bandung, 1-4 May 2019)**



**d. Fourth FGD for the Implementation of NRA Updates with Stakeholders (Bandung 9-11 May 2019)**

As a final step on May 1, 2019 in the city of Bandung the team has jointly implemented a FGD in the context of updating the 2015 NPT TPPT that has succeeded in producing findings, agreements and recommendations in the framework of preventing and eradicating terrorism funding in Indonesia. In the implementation of this FGD, all stakeholders provided views, data and information both quantitative and qualitative before being analyzed together.



The stakeholders involved in the 2015 NRA update FGD include:

- **Law enforcer**
  - Investigators from the Detachment 88 AT police representative
  - Prosecutors from the representatives of the Directorate of Terrorism and Inter-State Criminal Acts of the Republic of Indonesia Attorney General's Office
  - Judge from Republic of Indonesia Supreme Court representatives
- **Ministries and Institutions**
  - Representative of the Ministry of Political, Legal and Security Coordinator
  - Representative from the State Intelligence Agency
  - Representatives from the National Counterterrorism Agency
  - Representative from the Ministry of the Interior
  - Representative from the Ministry of Law and Human Rights
  - Representative from the Ministry of Religion
- **Supervisory and Regulatory Agencies (LPP)**
  - Representative from INTRAC



- Representative from Bank Indonesia
- Representative of the Financial Services Authority

### 3. FGD PESTEL ANALYSIS FOR FINALIZATION OF NRA TF

In order to wrap up the findings that have been made together with stakeholders, the TF NRA update team felt it was necessary to wrap the findings through the opinions of experts in the TF field to get a more complete view from the national and international side. The TF expert presented in this PESTEL FGD was Mr. Ir. Pol. (P). Dr. Benny J. Mamoto, S.H., M.Sc. The description of FESFESTURE activities can be shown as follows:



#### D. Other References

Various data and information documents are used in the effort to update this 2015 terrorism funding NRA in the form of:

- Documents (reports)
- Decision file
- Oral opinions of stakeholders and experts
- Open source (internet web),

All of which are used in order to obtain complete and up-to-date data and information.

# **TOGETHER**

**We make Indonesia**  
**Free From**  
**Terrorist Financing**



**TEAM OF THE UPDATED NRA**

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