

Client Alert

Qatar and the United States Take Coordinated Action Against Terrorist Financiers

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In a first of its kind, Qatar used its new financial sanctions regime to designate multiple Gulf-based terrorist financiers in a joint action with the United States. The bilateral sanctions measures were announced by Qatar and the United States against seven individuals and one entity based on activities that provided financial support to Hizballah in violation of U.S. and Gulf Cooperation Council (GCC) terrorist designation regimes.

Why is this particular set of designations so significant?

First, it shows that Gulf countries have put aside differences and committed to combating the financing of terrorism in the Gulf region. This joint bilateral action by Qatar and the United States designates persons who are based in Qatar, Bahrain and Saudi Arabia, and whose actions have additional implications for Kuwait, UAE and Turkey. The U.S. Treasury press release states that the Government of Bahrain took concurrent action with Qatar and the U.S., including the freezing of Bahraini bank accounts, and the referral of three individuals to their prosecutor's office. This is the kind of joint action that needs to be taken in order to deal with financiers who are part of cross-border terrorism financing cells operating in the Gulf.

Second, the designations address terrorist financiers who were not previously designated by the U.N. Security Council. At first glance this may not seem significant, given that every country is required to maintain its own national designations regime in accordance with FATF principles. But in practice, many countries prefer to let the U.N. take the lead, and only designate under their national regimes when their actions become obligatory once the U.N. has acted. This is not the case here. The joint action with the United States shows that Qatar is comfortable taking a leadership role in combating terrorism financing, and that it is willing to follow the evidence and designate networks responsible for financing terrorism across international boundaries. The designations may later be taken up by the Terrorist Financing Targeting Center (TFTC), a multilateral body co-chaired by the U.S. and Saudi Arabia that encourages joint action among the GCC members. The TFTC has proven successful over the course of several rounds of joint designations, by providing GCC consensus on sanctions, and regional uniformity on asset freezes and travel bans since its founding.

Third, Qatar's new targeted financial sanctions regime has now been tested in practice and has yielded creditable results in complex circumstances. FATF will judge Qatar's AML/CFT regime during the Fourth Round of mutual assessments, and the recent actions should provide valuable insights for FATF to consider under the effectiveness component of the assessment. The joint designations demonstrate more than technical compliance with the FATF recommendations, and show a mature AML/CFT regime that operates effectively to achieve desired outcomes.

What does this mean for businesses in Qatar?

First, it should be pointed out that all of the Gulf countries are taking seriously the FATF requirements. If there was ever a time when AML/CFT regulation was thought to inhibit capital investment, such notions have long since vanished. The efficacy of an AML/CFT regime is now a selling point to attract companies that do not wish to invest where they may face financial or reputational harms owing to a lax regulatory environment. Qatar's demonstrated ability to counter illicit finance should prove beneficial on a business level, and add to the attractive platform that Qatar provides to international businesses looking for an optimal location to base their operations in the Gulf.

Second, all businesses, especially those already based and operating in Qatar locally or in the Qatar Financial Center, should view this recent designations action as a signal that Qatar takes its laws and regulations seriously, and will enforce them rigorously. Companies should heed this message and become more deeply familiar with the governing regulations. It is a good time for companies to tune-up their compliance policies and procedures, and to consider updating training programs and company policies in response to changes in the laws and governing regulations since 2020.

Third, companies that are doing or have done business with any of the designated parties (see: <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20210929>) should deliberate carefully regarding any possible risk exposure and seek legal advice. Companies should immediately ensure that their sanctions review processes include the newly-designated individuals and entity, and determine whether they have any prior, existing, or contemplated business activities with any of those or related parties that need to be reviewed.

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