



FATF REPORT

Crowdfunding for Terrorism Financing

October 2023





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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Abbreviations and Acronyms

Acronym	Definition
ACPR	Autorité de Contrôle Prudentiel et de Résolution
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
ATM	Automated Teller Machine
BTCT	Bitcoin Token
CEP	Counter-extremism Project
CRAAFT	Collaboration, Research, and Analysis Against the Financing of Terrorism
EUR	Euro
FATF	Financial Action Task Force
FI	Financial Institution
FinTech	Financial Technology
FIU	Financial Intelligence Unit
FSRB	FATF-Style Regional Body
GIFCT	Global Internet Forum to Counter Terrorism
IMVE	Ideologically Motivated Violent Extremist
INR	Indian Rupee
IP	Internet Protocol
LEA	Law Enforcement Agency
ISIL	Islamic State of Iraq and the Levant
ML/TF	Money Laundering/Terrorist Financing
MVTS	Money or Value Transfer Services
NPO	Non-Profit Organisation
P2P	Peer-to-Peer
PPP	Public-Private Partnership
PPSP	Payment Processing Service Provider
QR code	Quick Response code
RCMP	Royal Canadian Mounted Police
RMVE	Racially Motivated Violent Extremist
SPL	Southern Poverty Law
STR	Suspicious Transaction Report
TF	Terrorist Financing
UK	United Kingdom
UN	United Nations
UN CTED	United Nations Counter-Terrorism Committee Executive Directorate
UNSCR	United Nations Security Council Resolution
URL	Uniform Resource Locator
US	United States
USD	United States Dollar
USDT	Tether
VA	Virtual Asset
VASP	Virtual Asset Service Provider
XMR	Monero

Executive Summary

Crowdfunding is a significant international market and experts expect that it will continue to grow and evolve over the coming years. Crowdfunding is an innovative fundraising solution, used by people from all over the world to fund legitimate ideas, projects or business ventures, but it can be exploited by bad actors. Terrorist actors have shown to be adaptable, and they take advantage of permissive environments to conduct their activities.

Although the majority of crowdfunding activity is legitimate, Financial Action Task Force (FATF) research has shown that the Islamic State of Iraq and the Levant (ISIL), Al-Qaeda and ethnically or racially motivated terrorist (EoRMT) individuals and groups have exploited it to raise money for terrorist financing (TF) purposes. The possibility of quickly and easily reaching a global audience can make crowdfunding an attractive method of fundraising for TF.

This FATF report is the FATF's first comprehensive international study on TF linked to crowdfunding. It draws on experiences from the FATF Global Network, industry experts, academia and civil society to build a deeper knowledge of the crowdfunding methods and techniques used by terrorists and to examine best practices in combatting this type of threat. It also builds on previous FATF Global Network reports on similar topics.

In this project, the definition of crowdfunding covers formal crowdfunding platforms and crowdfunding activities on social media, messaging applications or other dedicated websites. It also considers hybrid means of crowdfunding that combine digital and physical fundraising. The variety in possible crowdfunding methods means that multiple funding sources and financial intermediaries can be involved, wittingly or unwittingly, to crowdfund support for TF.

The report notes four main ways in which crowdfunding platforms can be abused for TF purposes, and in practice, terrorists and violent extremists rely on multiple methods to raise funds and may combine various techniques. For example, a terrorist may establish a fundraising campaign on a dedicated crowdfunding platform, share the campaign on social media, and request payment in virtual assets (VA).

- **Abuse of Humanitarian, Charitable or Non-Profit Causes** - Crowdfunding inherently relies on the goodwill of supporters to donate to a particular initiative. Humanitarian, charitable and non-profit causes can serve as effective covers for financial solicitation and are in some cases abused for TF purposes. This report identifies three ways in which this activity manifests: individuals (unaffiliated to a registered charity or non-profit organisation) launch a financial appeal for a humanitarian or social cause, but funds raised actually support a terrorism-related offence or actors. In other cases, a charity launches an appeal for funds but does not undertake the advertised humanitarian activity and diverts all or part of the funds to TF. Finally, there is also a risk that non-profit organisations (NPOs) crowdfunding for a legitimate purpose could become victims of extortion or skimming if they operate in high-risk environments controlled by terrorist groups.

- **Use of Dedicated Crowdfunding Platforms or Websites** - In 2022, there were over 6 million crowdfunding campaigns around the world.¹ The volume and variety of activity on crowdfunding platforms makes it difficult to detect illicit activity. Effective self-regulatory practices are important to help ensure activity on platforms are legal and do not contravene terms of service. Unfortunately, specialised platforms have emerged to provide services to individuals that have been banned from mainstream platforms. EoRMT individuals and groups have been found to use these platforms to raise money for various activities, some of which may be protected by law (e.g., fundraising for legal fees, to support political campaigns, pay membership fees and fund protests). These actors in particular may take advantage of crowdfunding for activities that promote hate or violence, but do not necessarily meet the threshold of terrorism.
- **Use of Social Media Platforms and Messaging Apps** - Social media sites and online messaging services enable users to connect with local or global communities, amplify their message and generate momentum for their causes. However, these sites are also integral to the success of a crowdfunding campaign and therefore tend to be used strategically by terrorist actors for TF purposes. These actors share campaign links or payment instructions with their followers, recruit supporters, share advice on how to avoid detection, and take advantage of features like encryption to transmit sensitive details. Sophisticated algorithms on social media also direct users to content based on their search history, which in the context of terrorism can play a role in reinforcing extremist beliefs and lead users to specific fundraising causes that they would not otherwise have been exposed to.
- **Interaction of Crowdfunding with Virtual Assets** - As digital forms of payment continue to evolve globally, the crowdfunding industry has also incorporated funding options tied to VA. While Bitcoin has been the most visible, other types of VAs such as privacy coins are increasingly noted and pose unique challenges for investigators. Anonymity enhancing services such as tumblers and mixers can also be used by threat actors to further conceal the origin and destination of funds linked to TF. However, the use of VA may also have some limitations for TF, as it is not always convenient to convert VA to fiat currency and the value of certain VA can fluctuate dramatically. The adoption of VA for TF crowdfunding campaigns can therefore vary and should continue being assessed by countries.

While certain jurisdictions and industry participants proactively implement measures to mitigate these risks, anti-money laundering and counter-terrorist financing (AML/CFT) regulation is not consistent across the globe. Donations-based crowdfunding, noted by countries across the Global Network to be the most vulnerable to TF abuse given its characteristics, often falls outside of AML/CFT regulations. One reason for this is that many countries do not systematically assess the risks related to crowdfunding activity and therefore comprehensive data about its misuse is still generally lacking. The diverse nature of the crowdfunding industry, the multiple crowdfunding models that are used, and the rapidly evolving nature of the payment

¹ Crowdfunding Statistics: Market Size and Growth. Retrieved from: www.fundera.com/resources/crowdfunding-statistics (accessed 29 September 2023)

technologies also help explain the different regulatory approaches that exist to date in different jurisdictions.

The report highlights the challenges that government authorities and stakeholders in the crowdfunding ecosystem encounter in detecting and deterring TF. Law enforcement agencies investigating suspected cases of TF linked to crowdfunding face challenges in proving the funds were used for terrorism-related offences. The complexity of crowdfunding operations, lack of data, and the use of anonymising techniques also complicate tracing efforts for law enforcement, reporting entities and supervisors. Intermediary platforms that offer crowdfunding services can have difficulty identifying TF activity on their sites because of limited training and TF expertise among their staff, and often lack reporting mechanisms to flag potential TF to the authorities. Efforts to take action to remove illegal content varies by company.

Countries reported examples of best practices to address these challenges, for example by improving understanding of the nature and scope of the national crowdfunding industry and including crowdfunding in their National Risk Assessment. Conducting outreach in the crowdfunding sector has also proved effective in improving identification and reporting of potential TF activity. Strong domestic and international information sharing mechanisms as well as public-private sector engagement is also at the basis of effective counterterrorism and AML/CFT efforts.

This report recommends that jurisdictions and all stakeholders involved in the crowdfunding industry identify and understand TF risks associated with this activity and have proportionate risk-based measures in place to mitigate potential abuses, in line with United Nations Security Council Resolution 2462. Due to the global reach of crowdfunding, countries should be aware of the cross-border nature of fundraising activity and guard against their jurisdiction being used to finance terrorism abroad. Countries should also take into account that the sector is evolving and therefore TF risks may change over time.

Public-private information sharing should also be a priority for countries, and they should engage in continuous outreach and awareness raising to private sector stakeholders. This practice improves detection of potential TF activity, fosters better mutual understanding of the industry and control mechanisms, and helps ensure that legitimate crowdfunding activity is not restricted. Given the link between crowdfunding and other financial and non-financial sectors, countries should fully implement the FATF Standards relevant to VA, NPOs and money or value transfer services, and avoid treating crowdfunding as a siloed sector. Finally, countries should ensure a multi-stakeholder approach that includes national authorities, private sector, civil society and academia when developing risk mitigation strategies related to crowdfunding, to ensure human rights due diligence and avoid hindering legitimate fundraising activity.

The report also includes a list of risk indicators to help public and private sector entities, and the general public identify suspicious activities related to crowdfunding.

Introduction

Background

1. Digital technologies continuously drive changes in the way we interact with the global financial system. Technological innovations in financial products and services offer important economic opportunities and are essential for promoting development, financial inclusion, increasing efficiency of transactions and improving safety in the financial system. However, new financial technologies are also at risk of being misused, including for financing terrorism.² While such technologies are largely used for legitimate activities, criminal actors can also leverage them for their own purposes. These actors and violent extremists thrive online, where they can connect anonymously across borders and solicit support for their causes, including financial support.
2. Crowdfunding activity has grown in recent years and experts expect that it will continue to rise. Some estimates have valued the global crowdfunding market at USD 17.2 billion in 2020 and note that it is expected to reach USD 34.6 billion by 2026.³ In 2022, there were over 6 million crowdfunding campaigns around the world.⁴ Events around the world have demonstrated that certain crowdfunding activities (those related to donation-based crowdfunding platforms, or fundraising through social media platforms and messaging apps) have also been exploited for illegal purposes by various types of threat actors. Previous Financial Action Task Force (FATF) research has shown that soliciting donation through online crowdfunding is a known method of terrorism financing (TF), with analysis included in the report on Emerging Terrorist Financing Risks (FATF, 2015), the report on Ethnically or Racially Motivated Terrorist Financing⁵ (EoRMFTF) (FATF, 2021), and relevant inputs included in the regular updates produced by the FATF on the financing of the Islamic State of Iraq and the Levant (ISIL), Al-Qaeda, and their affiliates.
3. Additionally, European Union (EU) 2022 Terrorism Situation and Trend Report (Europol, 2022) has noted that some violent extreme right-wing groups have shifted to online methods for funding, including crowdfunding.⁶ Case studies of crowdfunded support for terrorism related activities have also been identified as part of a joint Asia Pacific Group on Money Laundering (APG) and Middle East and

² UN (2022), *Delhi Declaration on countering the use of new and emerging technologies for terrorist purposes*: www.un.org/securitycouncil/ctc/sites/www.un.org.securitycouncil.ctc/files/ctc_special_meeting_outcome_document.pdf

³ Global Crowdfunding Market Research Report. Retrieved from www.marketdataforecast.com/market-reports/crowdfunding-market

⁴ Crowdfunding Statistics: Market Size and Growth. Retrieved from: www.fundera.com/resources/crowdfunding-statistics (accessed 29 September 2023)

⁵ FATF (2021), *Ethnically or Racially Motivated Terrorist Financing*, www.fatf-gafi.org/publications/methodsandtrends/documents/ethnically-racially-motivated-terrorism-financing.html,

⁶ European Union (2022), *Terrorism Situation and Trend Report*, www.europol.europa.eu/cms/sites/default/files/documents/Tesat_Report_2022_0.pdf

North Africa Financial Action Task Force (MENAFATF)⁷ (2019) report titled Social Media and Terrorism Financing. In response to these evolving risks, and noting the current gaps in risk mitigation,⁸ the United Nations (UN) Security Council called on all Member States to assess and address the potential risks associated with, inter alia, crowdfunding platforms.⁹ The Delhi Declaration (2022) of the Council's Counter-Terrorism Committee further reinforced this message.¹⁰

4. Digitally enabled fundraising technologies can therefore be exploited by various types of terrorist organisations in a number of different ways. In addition, in many countries crowdfunding platforms may also fall outside of the regulatory framework for anti-money laundering and combatting the financing of terrorism (AML/CFT), which can leave them more vulnerable to exploitation by terrorists seeking to raise funds.
5. While research conducted by the FATF and FATF-Style Regional Bodies (FSRBs) has noted risks and highlighted TF cases associated with crowdfunding, as cited above, the methods and techniques have not yet been subject to a comprehensive international study. This is especially true for online fundraising activity that intersects with new financial technologies, which is a rapidly evolving area. Deeper knowledge about the nature of the risks associated with crowdfunding would enable the FATF Global Network to adapt risk-based approaches and enforcement efforts to better prevent, detect, investigate, prosecute, and counter TF-related activity involving crowdfunding.

Objectives

6. This report's primary objective is to build deeper knowledge of the methods and techniques used by individual terrorists, terrorist organisations and violent extremists, through crowdfunding, to finance all types of terrorist activity. In doing so, this report will also build a common understanding of the different types of crowdfunding activities, placing focus on the ones that pose the highest TF risk.
7. This work aims to help competent authorities (including jurisdictions not directly affected by terrorist acts or TF or violent extremism, but possibly vulnerable in relation to the crowdfunding process) develop a better understanding of the nature of this activity. It also aims to assist the international community in finding the appropriate regulatory balance to encourage financial inclusion and innovation while effectively mitigating TF risks, without unintended consequences on this

⁷ APG/MENAFATF (2019), *Report on Social Media and Terrorist Financing*, www.apgml.org/methods-and-trends/news/details.aspx?pcPage=1&n=1142_FINAL-TM-SF-en.pdf

⁸ UN Counter-Terrorism Committee Executive Directorate (CTED) (2022), Thematic summary assessment of gaps in implementing key countering the financing of terrorism provisions of Security Council resolutions, www.un.org/securitycouncil/ctc/sites/www.un.org.securitycouncil.ctc/files/cted_2022_cft_gaps_assessment_final.pdf

⁹ UN (2019), Security Council Resolution 2462 (para 20 (d))

¹⁰ UN (2022), *Delhi Declaration on countering the use of new and emerging technologies for terrorist purposes*, www.un.org/securitycouncil/ctc/sites/www.un.org.securitycouncil.ctc/files/ctc_special_meeting_outcome_document.pdf

industry or on those who use these platforms for legitimate fundraising purposes, including Non-Profit Organisations (NPOs).

8. By offering a more granular understanding of the ways in which crowdfunding activity is exploited for TF and/or violent extremism purposes, this report highlights policy gaps, new vulnerabilities and emerging typologies that should be considered by FATF Global Network members looking to strengthen their respective AML/CFT frameworks, as well as the FATF working groups.

Methodology

9. Experts from Canada and Spain co-led the project team with support from the FATF Secretariat. The project team consisted of experts drawn from 12 members of the FATF Global Network and one observer.¹¹
10. The findings in this report are based on:
 - A review of existing literature and open-source material on this topic, including reports by the FATF, FSRBs, and FATF members and observers.
 - Responses to a questionnaire sent to the FATF's Global Network. Forty delegations provided information on a variety of topics including risk indicators and case studies of crowdfunding for TF.
 - Discussions and insights shared by FATF members and observers, academia, think tanks and the private sector at the FATF's Joint Experts Meeting in India (April 2023) and the Seminar on Countering Terrorist Financing hosted by Spain (September 2023).
 - Written input from the private sector and NPO Global Coalition on FATF.
11. This report uses the terms “terrorism” and “violent extremism” and refer to actors mentioned in FATF reports such as those on the financing of ISIL, AQ and Affiliates and EoRMT. Previous FATF reports and case studies provided by delegations show that crowdfunding has been used to fund internationally designated terrorist groups under United National Security Council Resolution (UNSCR) 1267, as well as nationally designated violent extremist groups and individuals under UNSCR 1373. Some of the crowdfunding activities of the latter may not fall under the definition of terrorism, and may even be legal and protected by law in some jurisdictions, e.g., raising money for legal fees or a political campaign.
12. While this report focuses on TF, many of the risks identified in this report were also identified by jurisdictions as being relevant for AML efforts.

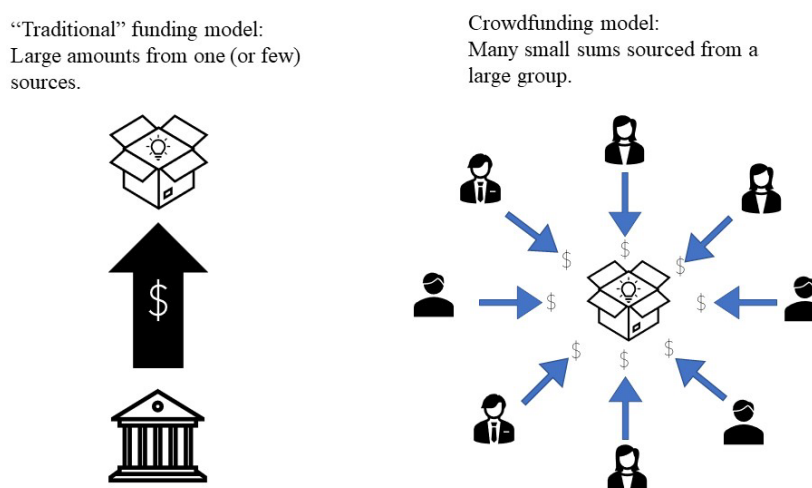
¹¹ Canada, the European Commission, France, Greece, India, Italy, Japan, Philippines, Spain, Türkiye, the United Nations (CTED), and the United States.

Scope & Definitions

Defining Crowdfunding

13. As the FATF noted in 2021,¹² crowdfunding is an entirely legitimate way of soliciting and obtaining funding and the vast majority of crowdfunding is legitimate.
14. Crowdfunding helps raise money to finance personal, commercial, non-profit, non-governmental, or other initiatives. It can be used for a variety of purposes, including disaster relief, supporting community causes and organisations, political campaigns, funding start-up businesses, supporting creative endeavours, and generating investments.

Figure 2.1. Traditional fundraising vs. Crowdfunding



15. While the key to traditional fundraising consists of asking for a sum from a limited set of sources, in crowdfunding, the "crowd" funds the idea or project through an online platform, i.e., the internet, social media and other means of communication used to connect people who can contribute relatively small amounts to the business idea, project, charity or charitable purpose.
16. Online crowdfunding encompasses three key elements: a contributor who gives money digitally, recipients who receive money digitally, and a payment method to transfer the money from donor to recipient.¹³ The appeal of crowdfunding over traditional financing mechanisms is that it allows the applicant to reach out to a

¹² FATF (2021), *Ethnically or Racially Motivated Terrorism Financing*, www.fatf-gafi.org/en/publications/Methodsandrends/Ethnically-racially-motivated-terrorism-financing.html

¹³ Reimer, S. and Redhead, M. (2021), *Project CRAAFT: Following the Crowd: Clarifying Terrorism Financing Risk in European Crowdfunding*, www.projectcraaft.eu/research-briefings/following-the-crowd

large mass of potential donors. Even small individual contributions can add up and have a significant impact.

Models and Methods of Crowdfunding

17. The main types of crowdfunding identified in literature and in legislation by national jurisdictions are the following:
 - **Lending-based crowdfunding:** Interested parties invest in the projects of the promoters, granting loans or facilities with the aim of recovering their money with interest and obtaining a return on their investment, as would be the case with a traditional loan.
 - **Equity or investment-based crowdfunding:** Interested parties, in exchange for their financial contribution, acquire ordinary or preferential shares, bonds or other participative securities.
 - **Reward or Pre-Sale based crowdfunding:** The investor contributes funds to the promoter with the aim of receiving a non-monetary benefit in the future.
 - **Donation-based crowdfunding:** The investor contributes funds without the intention of receiving anything in return. This type of crowdfunding can be split into the following:
 - **Physical Donations** i.e., Operations involving in-person solicitation and donations, such as those obtained through fundraising events, cultural movements, religious or other associations. They traditionally have involved handling of cash. However, new technological solutions are increasingly enabling physical activities to blend with digital ones, resulting in physical solicitation but with digital funding methods. For instance, in-person solicitation and funding can be complemented by digital tools (e.g., Quick Response (QR) codes) directing people to payment instructions, websites or electronic accounts, including virtual assets (VA).
 - **Digital Donations** i.e., Exclusively digital operations involving online solicitation followed by donations through dedicated crowdfunding platforms, social networks, private or self-managed websites, payment processors, or other online channels. Funds can be obtained quickly and directly using electronic means of payment and financial technologies. These activities reach a global audience and remove any geographical restrictions on fundraising.
18. These different models can also be grouped based on the type of return they offer their users:
 - **Non-financial return models**, where the return to participants may range from either nothing (donation) to goods or services (reward-based model), and
 - **Financial return models**, where participants expect a financial return either in the form of revenues or securities (equity-based funding), or interest on loans (debt-based funding). This includes crowdfunding real estate ventures in which funds collected from individual investors are used to invest in real estate, generating income for investors.

19. Of the different forms of crowdfunding, donation-based crowdfunding was identified by FATF Global Network members as most likely to being exploited for TF or violent extremism purposes. Unlike other forms of crowdfunding, receiving a financial return, loan or reward is less relevant when the intent of a campaign is to fundraise for an illegal activity, like terrorism. All the case studies provided by jurisdictions for this study involve donation-based crowdfunding, therefore this type of crowdfunding will have a greater weight in this report.

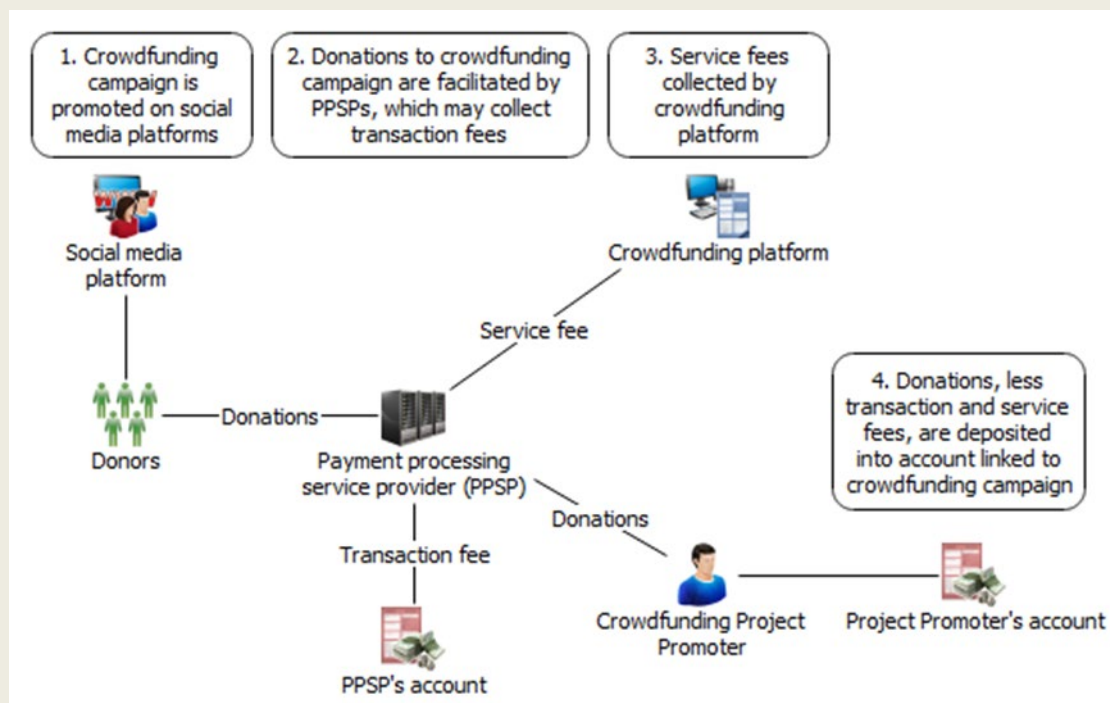
Key Roles and Actors in Crowdfunding

20. While crowdfunding models can vary, the key actors involved in a crowdfunding campaign are usually as follows:
- **Project Promoter:** Any natural or legal person seeking funding through a crowdfunding campaign. The promoter proposes projects that require funding by setting up a campaign on a dedicated platform or organising it on a social media network, website or other digital application.
 - **Investor:** Within investment or lending-based crowdfunding models, an investor is any natural or legal person who grants loans or acquires negotiable securities or instruments eligible for crowdfunding. They are responsible for financing the proposed project. They may be experienced investors with proven knowledge and training, or they may be inexperienced investors.
 - **Donor:** Within donation-based crowdfunding models, a donor is any natural or legal person who grants a donation to the crowdfunding campaign
 - **Backer:** In the context of reward-based crowdfunding, a backer is any natural or legal person that pledges to pay a sum of money in support of a project, with the expectation of receiving a reward if the campaign is successful.
 - **Intermediary Organisation:** Any natural or legal person that brings together project promoters and investors/donors through an online platform or other means. Intermediary organisations can, therefore, be split into:
 - Crowdfunding platforms, as regulated in many jurisdictions.
 - Social networks, which enable the solicitation of funding or donations for certain projects or purposes. In some instances, they may contain integrated payment mechanisms. In such cases, social networks engage in activities analogous or complementary to crowdfunding platforms themselves.
 - Cultural, religious or other types of associations, which, through the creation of their own websites, solicit or collect funds from a wide network of supporters, thus acting as crowdfunding platforms.
 - Payment gateways and electronic payment processors: Many crowdfunding platforms use third party payment processors to facilitate the flow of funds from donors, investors and backers to project promoters.
21. It should be noted that crowdfunding stakeholders also often intersect with other sectors of the economy, such as financial institutions (FIs), which may ultimately provide banking or transaction services to any of the actors involved in the crowdfunding ecosystem.

Understanding Digital Crowdfunding Payment Mechanisms

22. Given the broad range of activities that can fall under the term “crowdfunding”, it is important to examine in more detail the nature of financial flows and payment mechanisms that are possible.
23. Many, if not most, of the crowdfunding platforms that currently exist use third-party payment processors to provide the infrastructure for the completion of payments involved in a crowdfunding project. Depending on their location, these entities may be subject to AML/CFT obligations and may be reporting entities. In a basic scenario, transfers of money and payments are required for:
 - getting money from donors to the project promoter, which involves moving money from bank accounts, credit cards, or electronic wallets to the account(s) established by the project owners.
 - paying the crowdfunding platform for its services.
 - paying transaction fees to the payment processor that provides enabling financial infrastructure.
 - helping merchants process payments for donations:
 - authorisation (approving the sale) - payment processing service providers (PPSPs) connect merchants to payment networks to authorise the transaction.
 - settlement (getting money into the merchant account) - PPSPs connect merchants to payment networks to settle the transactions. They may also provide the technology, hardware, and services that enables the merchant to accept a variety of payment methods, including credit cards, debit cards, digital e-wallets and bank-to-bank transfers.

Box 2.1. Financial Flows in a Donation-Based Crowdfunding Campaign on a Social Media and Crowdfunding Platform

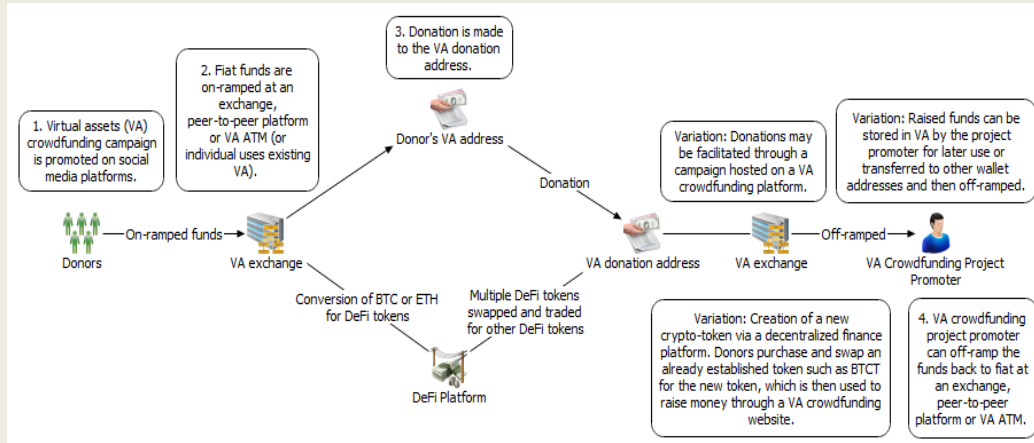


Source: Canada

24. Donation-based VA crowdfunding platform services allow fundraisers to donate VA directly from their VA wallets to wallets associated with the crowdfunding campaign. The basic scenario includes individuals on-ramping fiat currency (exchanging fiat currency (such as euros) for VA) through a virtual asset service provider (VASP) such as VA exchanges, peer-to-peer (P2P) exchanges/marketplaces¹⁴, or a VA Automated Teller Machine (ATM), then donating to the campaign's VA wallet address. Individuals who already possess VA will not use any on-ramp and will simply transfer to the campaign's VA wallet address. Once transfers are made to the campaign wallet, the fundraiser can off-ramp the VA back to fiat currency through one or more VASP or otherwise hold it in VA wallets for later use. A variation on VA crowdfunding involves the creation of a new VA token. In this scenario, donors purchase the crowdfunder's new VA token with an established VA or token such as Bitcoin Token (BTCT), which the campaign creator eventually exchanges for fiat currency using one or more VASP.

¹⁴ P2P platforms can include exchanges or marketplaces, which facilitate transactions between users and may be captured as VASPs under the FATF Standards. These platforms are different from P2P transactions which are VA transfers conducted directly between users, without the use or involvement of a VASP or other obliged entity (e.g., VA transfers between two unhosted wallets whose users are acting on their own behalf). Such P2P transactions do not deal with P2P exchanges or marketplaces. See FATF (2023), [Virtual Assets: Targeted Update on Implementation of the FATF Standards on VAs and VASPs \(fatf-gafi.org\)](#), p.32.

Box 2.2. Virtual Asset Fund Flows in a Donation-Based Crowdfunding Campaign on a Social Media Platform



Note: For more detailed information on the interaction of Crowdfunding for TF with VA, see section 5.4.
Source: Canada

25. Another example of how financial flows work in crowdfunding involves the use of financial technologies (FinTech). Multiple individuals, either as part of a network or cluster(s), open retail bank accounts on a FinTech platform to accept funds for a crowdfunding campaign. The accounts could be opened outside their jurisdiction of residence, using passport banking. The bank account details are published, often via social media, to raise awareness of a campaign. This can be done in a decentralised way to avoid concentration of transaction volume and value in one account. The campaign organiser either cashes out the collected funds and/or centralises them in a main crowdfunding account, for instance through a dedicated platform or specific bank. The individual(s) receiving the funds could then convert them from fiat currency to VA. The campaign organiser also has the option to transfer the funds to corresponding FinTech bank accounts in their home jurisdiction.
26. It is important to note that the crowdfunding industry will continue evolving along with innovations in the digital payments landscape, so the financial flow models described here should not be considered exhaustive.

FATF Standards and Crowdfunding Activities

27. The regulatory oversight of the crowdfunding industry globally is still fragmented, including as it relates to AML/CFT.
28. Depending on how they operate, the FATF Recommendations may apply to crowdfunding platforms and other social networks that conduct or engage in activities analogous to crowdfunding platforms themselves. Crowdfunding activity is not covered by the FATF Standards per se, however in some cases, a platform providing crowdfunding services may fall under the definition of FI. In general, donation-based crowdfunding platforms, which are the focus of this report, are administrative platforms that connect donors with fundraisers. They partner with payment processors, or money or value transfer services (MVTs) defined as FIs under the FATF Standards to provide a way to easily make a donation, and do not hold or manage the money at all. However, some investment-based crowdfunding platforms have permissions to manage the client's money themselves and are therefore responsible for accepting the money from the client, and delivering the money to a beneficiary.¹⁵ In cases where a crowdfunding platform is defined as a FI (e.g., platforms that offer services in fundraising through the sale of equity and securities), countries should ensure that it is appropriately licensed, registered and supervised for AML/CFT in line with the FATF Standards. Online crowdfunding activity may be facilitated by MVTs operators, which are subject to AML/CFT requirements under FATF Recommendation 14. Furthermore, if countries have assessed the crowdfunding sector as high-risk, they should take appropriate steps to mitigate the risks.
29. On the basis of questionnaire responses received in March 2023 from 40 members of the FATF Global Network, approximately 23% of respondent countries noted that they do not regulate crowdfunding within the scope of their AML/CFT regimes. A further 45% noted that they regulate crowdfunding activity within the scope of AML/CFT only when it is offering certain types of services, such as fundraising through the sale of equity or securities. Some jurisdictions regulate donation-based crowdfunding as well as equity or security crowdfunding, however not in the framework of AML/CFT legislation (8%).

¹⁵ Perzhanovskiy, N. (2021), *Transactions in Crowdfunding: Two Types of Money Flows to Explore*, www.lenderkit.com/blog/transactions-in-crowdfunding-two-types-of-money-flows-to-explore/ (accessed 23 August 2023)

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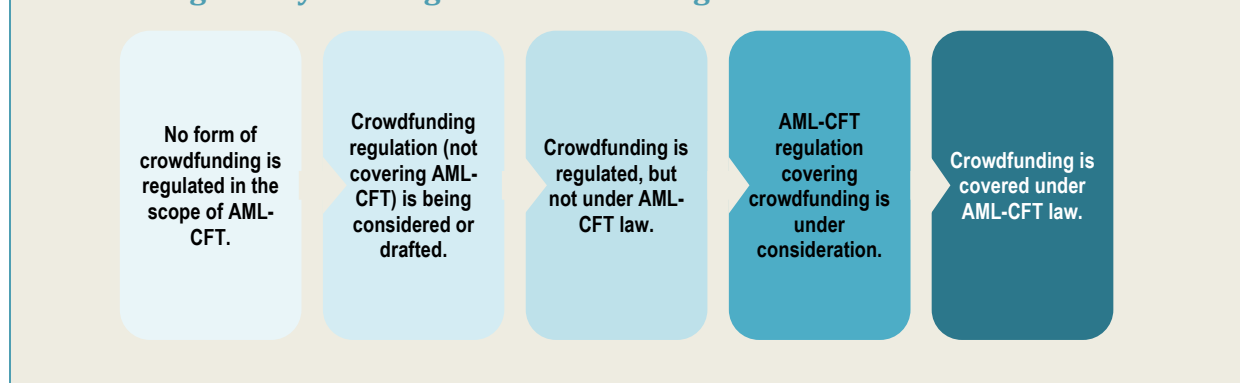
30. Only four jurisdictions in the Global Network regulate both investment and donation-based crowdfunding in the context of their AML/CFT frameworks¹⁶: France¹⁷, Monaco, Portugal and the United Kingdom (UK).¹⁸
31. In some cases, countries have reported that the lack of AML/CFT coverage is because the jurisdiction has determined that crowdfunding does not represent sufficient risk in that respective country. On the other hand, 28% of responding countries noted that they are currently in the process of proposing or passing legislation that will regulate all crowdfunding activity in the context of AML/CFT frameworks.
32. The diverse nature of the crowdfunding industry, the multiple crowdfunding models that are used, and the rapidly evolving nature of the industry help explain, at least in part, the different regulatory approaches that exist to date in different jurisdictions.
33. Further details on how crowdfunding activity is regulated in each jurisdiction is provided in Annex B.

¹⁶ As of November 2023, the transitional period of the European Crowdfunding Service Providers Regulation will expire, and the provisions will take effect in all EU Member States. This regime regulates investment and lending-based crowdfunding platforms and includes some checks to mitigate ML/FT risks. The European Commission's AML Package of legislative proposals includes proposals to extend AML/CFT requirements to crowdfunding intermediaries other than those covered by the European Crowdfunding Service Providers Regulation. This means that crowdfunding intermediaries such as donation-based crowdfunding platforms will become reporting entities for AML/CFT purposes. These proposals are currently under negotiation.

¹⁷ Upon the entry into force of the European Crowdfunding Service Providers Regulation, donation-based crowdfunding intermediaries will still be subject to AML/CFT French regulation. There are further proposals under negotiation in the EU which would expand the scope to other types of crowdfunding to address ML-TF risks in all types of crowdfunding.

¹⁸ In the UK, the regulatory framework encompasses investment and charitable donation-based crowdfunding.

Box 3.1. Regulatory Coverage of Crowdfunding Across the FATF Global Network



Avoiding Unintended Consequences

34. Crowdfunding is not covered by the FATF Standards per se, however many of the actors involved in the crowdfunding process are covered (e.g., MVTS providers and FIs). The FATF Standards also cover some PPSPs that perform any of the activities listed under the FATF definition of FI, and do not just provide software to enable transfers.
35. The FATF is mindful of possible unintended consequences resulting from incorrect implementation of its global standards. Crowdfunding is a legitimate financial activity. It is an example of an innovative and effective solution in payment that is essential for development, financial inclusion and economic opportunities across the world.
36. Consistent with the risk-based approach of the FATF Standards, jurisdictions should ensure any AML/CFT regulatory approach for crowdfunding activity applies tailored risk mitigation measures that do not impede legitimate activities. Any CFT measures should take into account potential impacts on sectors or groups that may face barriers in accessing traditional sources of capital, such as the non-profit sector entities operating in conflict settings. Countries are encouraged to consult the recommendations of the UN Special Rapporteur on the promotion and protection of human rights and fundamental freedoms while countering terrorism.¹⁹

¹⁹ UN (2023), International Human Rights Law Considerations For Counter-Terrorism Financing Regulation Of Crowdfunding, Virtual Assets, And New Payment Technologies, www.ohchr.org/sites/default/files/documents/issues/terrorism/sr/activities/2023-06-09-CFT-New-Payment-Tech-Position-Paper.pdf

Terrorism Financing and/or Violent Extremism Vulnerabilities associated with Crowdfunding

37. The inherent purpose of crowdfunding is to connect supporters with a particular cause and facilitate the transfer of financial resources between the donor/investor and the ultimate beneficiary. As the global payment and new technologies landscape continues to evolve, so do the mechanisms through which crowdfunding is possible (e.g., websites, specialised platforms, social media, messaging apps etc.).
38. Of all different forms of crowdfunding, donation-based crowdfunding was identified by FATF Global Network members as most likely to being exploited for TF or violent extremism purposes. All case studies provided by jurisdictions involve donation-based crowdfunding, and the abuse thereof, for purposes of financing terrorism or violent extremism.
39. Terrorist supporters and terrorist financiers may be motivated to raise funds through crowdfunding because it is a relatively quick and simple way to obtain donations from supporters across the world. The following TF-specific vulnerabilities associated with crowdfunding activity have been identified by the FATF Global Network:
 - The diverse landscape of organisations involved in facilitating crowdfunding can create a lack of accountability for who is responsible for CFT measures. This is especially the case when there is also an absence of regulatory framework imposing due diligence standards.
 - Information on clients and transactions can be fragmented between the entity that provides the crowdfunding interface and any payment service providers or money transmitters that facilitate the movement of funds.
 - There can be a lack of transparency related to the natural persons behind the crowdfunding campaign, especially if the fundraising is undertaken in the name of a legal entity.
 - The real purpose of a fundraising campaign may be different than the stated objective. Funds collected through a crowdfunding campaign may be used, in full or in part, for purposes other than those publicly advertised.
 - It is difficult to ascertain whether the source of funds of the donor is legitimate and to combat the possibility of obscuring illicit origin during the collection process.
 - The person ultimately receiving the funds may be different from the promoter of the project (especially for the crowdfunding of gifts or charitable activities).
40. Whilst these vulnerabilities are known, it should be noted that there are also limitations of using crowdfunding for TF. Crowdfunding is inherently public-facing and can attract more attention or scrutiny than other fundraising approaches. Terrorist financiers and supporters may take this into account when developing their campaigns or donating to them. Listed terrorist entities in particular may

disguise the true intent of a crowdfunding campaign to avoid drawing the attention of private or public authorities.²⁰

41. Crowdfunding campaigns may also fail due to the inability of project promoters to attract support from their networks, or from due diligence efforts of crowdfunding platforms, payment processors and others when accounts are deemed to violate the terms of service and are deactivated.

²⁰ FATF (2021), *Ethnically or Racially Motivated Terrorism Financing*, www.fatf-gafi.org/en/publications/Methodsandrends/Ethnically-racially-motivated-terrorism-financing.html

Typologies of Abuse

42. Terrorist groups and violent extremists use various financing techniques to achieve their operational goals. Generally, those techniques are influenced by the environment and context in which they and their prospective supporters are based.
43. The typologies of abuse identified below highlight the ways in which crowdfunding, particularly donation-based crowdfunding, has been misused across the FATF Global Network's membership. It is important to note that these typologies are not mutually exclusive. They can be combined by terrorists and violent extremists to achieve specific fundraising goals based on the nature of their operational tempo, financing needs, other financing streams, geographic location, and risk tolerance. For instance, if a terrorist entity is already subject to high scrutiny and law enforcement disruption efforts, it may opt for financing strategies that are less public-facing than crowdfunding. In the case studies below, it is notable to see how crowdfunding is often combined with other forms of financing.
44. While the nature of terrorist and violent extremist groups is listed where possible, the volume of information available was not sufficient to conclude that any one particular typology is more likely to be exploited by certain types of terrorist/violent extremist groups over others. Similarly, the prevalence of these typologies in the overall context of terrorism financing schemes remains an information gap internationally.

Abuse of Humanitarian, Charitable or Non-Profit Causes

45. FATF Global Network delegations flagged fraudulent humanitarian appeals as a typology observed in crowdfunding for TF, often in the absence of a registered charitable organisation. In this typology, individuals purport to be raising funds for charitable purposes, such as providing social or medical support or building infrastructure projects. Funds may also be solicited under the cover of community activities, such as false sporting events.²¹ However, the funding is instead used to benefit terrorist or violent extremist causes and individuals, such as ISIL members or their networks.
46. Funds can be raised via social media or formal donation crowdfunding platforms by ill-intentioned individuals, such as persons fraudulently soliciting support for humanitarian aid, intending for the ultimate beneficiary to be a terrorist or violent extremist cause. The campaign promoters themselves may also be affiliated with a terrorist group.

²¹ Hall, R. (2019) *Isis suspects in Syrian camp raise thousands through online crowdfunding campaign* www.independent.co.uk/news/world/middle-east/isis-syria-camp-al-hol-paypal-telegram-online-crowdfunding-a9021006.html, Independent (accessed 28 September 2023)

Box 5.1. Case Study: Risks of Anonymity in Humanitarian Donations

In 2020, Germany published a sectoral assessment of TF through the abuse of NPOs, which found that developments in Germany's non-profit sector allow funds to be raised more flexibly, for instance through online platforms and crowdfunding initiatives. This can lead to anonymity, making it more difficult for the authorities and potential donors to review the activities of relevant organisations. Germany has found that such an environment could be attractive to terrorist organisations, who could seek to exploit it. ISIL and Salafist organisations in Germany have been known to engage in crowdfunding activities, and there are cases of registered charities being used to fundraise for TF under the guise of collecting funds for the crisis region in Syria/Iraq.

Source: Germany

47. Alternatively, fundraising campaigns can be organised by, or affiliated to, sham charity organisations that are deemed by national authorities to be operating as front entities for terrorist groups. In other words, the organisation does not solely undertake humanitarian relief but is instead involved in illegal activity.
48. In an attempt to appear legitimate, the tactics used in this typology tend to mimic financing strategies that are employed by actual humanitarian organisations, for instance developing promotional videos, setting public funding goals, launching calls to action, and establishing websites or social media pages.
49. However, instead of providing support for humanitarian activities, the funds are collected to provide material support for terrorist group operations or funding to enable travel for so-called foreign terrorist fighters (e.g., airline tickets, logistical support, mobile communications, etc.). In some cases, only a portion of the funding may be diverted.²²

Box 5.2. Case Study: Funding of Travel for Terrorism Purposes

In 2013, an Australian national who was an alleged ISIL facilitator departed Australia for Syria. Prior to their departure, the individual solicited a significant amount of donations through an unregistered charity. The charity purported the funds would provide humanitarian assistance to Syrian war refugees. Through the fraudulent charity's Facebook page, donors were invited to make direct deposits and electronic transfers into the individual's personal bank account held with an Australian major bank. The account was closed by the Australian major bank after the individual publicly supported ISIL. The individual denied that the funds were used to support ISIL.

²² Europol (2021) *Three arrested in Spain for terrorist financing* www.europol.europa.eu/media-press/newsroom/news/three-arrested-in-spain-for-terrorist-financing

In 2021, the same individual was extradited to Australia and charged with six terrorism offences including entering Syria with the intention of fighting and being a member of the Syrian al-Qaeda affiliate, Jabhat al-Nusrah.

Source: Australia

Box 5.3. Financing of a NPO with Radicalised Board Members Under the Guise of Humanitarian Action

The stated purpose of NPO Y, a registered charity established in the Paris area, was to improve relations between young French people from different cultures and organise language trips. The organisation arranged humanitarian projects in underdeveloped countries, such as the construction of wells, cultural centres and schools. The three members of the organisation's board were on the database of flagged individuals on account of their close ties to the radical Islamist movement.

Analysis of NPO Y's financial behaviour disclosed an intent to conceal its actual activities through cash deposits, online kitty pools and flows from high-risk geographic areas. In the space of eighteen months, the organisation had collected in its French bank accounts:

- EUR 1 million from international payment service platforms;
- EUR 40 000 from crowdfunding and money collection websites;
- EUR 200 000 from cash payments;
- EUR 700 000 from cheques from individuals, non-profit organisations and businesses;
- Numerous transfers from individuals, non-profit organisations and businesses.

Over a hundred transfers from individuals totalled more than EUR 1 000 each, and many transactions came from bank accounts abroad, particularly in the Arabian Peninsula, as well as small third-party registered charities with social and humanitarian objectives. The frequency of these transactions showed that NPO Y might be the clearing house, having set up a system of intermediaries responsible for establishing a fundraising network.

At the same time, France's Financial Intelligence Unit (FIU) was made aware of the behaviour of a small, registered charity (NPO Z), suspected of diverting funds for the benefit of NPO Y. The stated purpose of NPO Z was collection of clothing, school and other supplies for humanitarian purposes in Africa. In 2018 it received a total of EUR 30 000 from individual and business donors, EUR 6 000 of which was in cash and EUR 2 000 in transfers from construction firms belonging to its head, Mr A. Virtually all the funds received by NPO Z were transferred to NPO Y's account. Mr A also made a private donation of EUR 5 000 to NPO Y. NPO Y received donations from a number of NPOs that might also have been acting as fundraising intermediaries. Judicial proceedings are still ongoing, and it is not known if any of the funds raised were used for the stated purposes of NPO Y and Z.

Source: France

50. In addition to appeals for fraudulent humanitarian causes, a risk also exists that funds raised in legitimate crowdfunding campaigns may be used for operations in high-risk environments. In those contexts, NPOs may unintentionally become victims of extortion, skimming or other coercive efforts by terrorist groups or violent extremist entities attempting to acquire resources. Such TF risks may vary by virtue of NPO types, activities or characteristics.²³

Use of Dedicated Crowdfunding Platforms or Websites

51. Dedicated crowdfunding platforms are those that provide an application, software or otherwise enable crowdfunding activities as their primary purpose. There are different models of raising funds through these platforms. For instance, donation-based crowdfunding platforms can enable one-time donations or also provide subscription-based fundraising models in which patrons are able to regularly contribute funds at a set interval (e.g., monthly) to their chosen campaigns or recipients. The focus of these websites and applications may be varied, as some cater to a broad range of individual and community causes, while others cater to specific niche audiences, industries or initiatives.
52. While estimates vary, there are well over 1 400 crowdfunding platforms globally.²⁴ In addition to mainstream platforms offering crowdfunding services, it is possible for users to build their own crowdfunding platform or website, with the help of online applications or open-source code. Other specialised crowdfunding platforms have also emerged to offer services to groups and entities which have been banned from mainstream platforms due to abuses of their terms of service.²⁵ For instance, Hatreon was originally created in support of far-right users who had been banned from mainstream crowdfunding sites for violating terms of service.²⁶ Hatreon suspended its activities in 2017 given inability to secure payment processing for its services, but it still maintains a landing page that encourages users to subscribe to be notified should it become active again. Open-source reporting suggests that certain platforms who have chosen to continue hosting campaigns for users that have been de-platformed from mainstream sites have received financial gifts for doing so.²⁷
53. Some countries have indicated an increase in reporting pertaining to the use of crowdfunding platforms by ethnically or racially motivated violent terrorist (EoRMT) groups, also referred to as ideologically or racially motivated violent

²³ FATF. (2023). [Public Consultation on the FATF Best Practice Paper to Combat the Abuse of Non-Profit Organisations \(fatf-gafi.org\)](https://www.fatf-gafi.org/publications/consultations/Pages/2023-08-23-Public-Consultation-on-the-FATF-Best-Practice-Paper-to-Combat-the-Abuse-of-Non-Profit-Organisations.aspx)

²⁴ Finances Online (2023), *80 Crowdfunding Statistics You Must See: 2023 Platforms, Impact & Campaign Data*, www.alternatives.financesonline.com/crowdfunding-statistics/ (accessed 23 August 2023)

²⁵ Southern Poverty Law (SPL) Center (2021), *Funding Hate: How Extremists Like The Ones Who Attacked The Capitol Are Making Money Off The Internet*, www.splcenter.org/news/2021/04/01/funding-hate-how-extremists-ones-who-attacked-capitol-are-making-money-internet

²⁶ Hicks, W. (2017), *Meet Hatreon, the New Favorite Website of the Alt-Right*, www.newsweek.com/hatreon-alt-right-richard-spencer-andrew-anglin-white-nationalism-white-644546, Newsweek

²⁷ Bergengruen, V. (2023), *How Extremists Raise More than \$6 Million on Crowdfunding Sites*, <https://time.com/6251612/extremism-crowdfunding-report/>, TIME (accessed 27 September 2023)

extremist (IMVE or RMVE) groups or individuals. The range of grievances for EoRMT varies, but in recent years has often been linked to anti-authority, ethno-nationalist sentiment, anti-coronavirus vaccination movements, and various conspiracy theories. In such cases, crowdfunding has been used to pay membership fees, support various political campaigns, protest activities and pay legal fees. Crowdfunding models used in these scenarios tend to be subscription-based.

Box 5.4. Case Study: Crowdfunding Payments for Legal Defence

In 2021, the leader of Australian neo-Nazi group National Socialist Network (not a proscribed terrorist organisation) used social media, digital currency and a crowdfunding platform to elicit funds to support their legal defence in relation to assault and affray charges. An encrypted messaging app was used to make an appeal for Monero (XMR) donations and supporters were instructed to create a personal VA wallet and use a credit card or stored value card to purchase XMR from a Seychelles-registered digital currency exchange. Funds were also raised in both cash and micro-donations via the crowdfunding platform.

Source: Australia

54. It may be difficult to distinguish between funding that enables violent extremism/terrorism versus funding that supports certain EoRMT actors who act as “influencers” for causes that may be hate-motivated, but not necessarily reach a legal definition of terrorism. In some jurisdictions, financial support for these activities is not illegal, and may be protected by law.

Box 5.5. Case Study: Crowdfunding for Violent Extremists Linked to Terrorist Actors

Crowdfunding was used for the “Defend Europe” campaign in 2017 by the “Identitarian Movement Austria”, an organisation deemed a violent extremist group. In 2016, members of the group were alleged to have been involved in acts of violence, including an arson attack on an accommodation centre for asylum seekers. The group used the American crowdfunding website “Wesearchr”, which is considered a platform heavily used by certain violent extremists for illicit crowdfunding purposes. Around the time of the campaign, Europe was facing a so-called refugee crisis, where masses of migrants aiming to reach Europe were crossing the Mediterranean and being picked up at sea by rescue ships, who would then disembark them in European harbours where they would claim for asylum. To prevent these efforts, the “Defend Europe” campaign used crowdfunding to rent a ship that would pick up migrants before they could be rescued and bring them back to their harbours of embarkment, to prevent them from seeking asylum. The full extent of their activities is unknown but the Leader of the “Identitarian Movement” is alleged to have had contact with the assailant responsible for the attack in Christchurch, New Zealand, and received donations valuing over EUR 1 500 from him.

Source: Austria

55. Anecdotally, the potential use of crowdfunding sites based on the dark web has also been noted as potential sources of TF; however limited official information is currently available on this issue.
56. Overall, the ease and appeal of using a dedicated crowdfunding platform in the context of TF may depend on the nature of the terrorist or violent extremist campaign, and how likely it is to come under scrutiny from authorities or the crowdfunding platform itself. Terrorist actors may seek to use multiple forms of financing techniques or platforms to diversify their sources of funds. This can also mean being more intentional or strategic with their crowdfunding efforts.

Box 5.6. Case study: Use of Crowdfunding by Alleged Islamic State Financier

In July 2023, following an investigation led by the Royal Canadian Mounted Police (RCMP), Khalilullah Yousuf was charged with terrorism-related offences for allegedly being part of an international network of ISIL supporters who used online and encrypted messaging platforms to provide recruitment and financial support to ISIL. The investigation revealed that Yousuf made and disseminated pro-ISIL propaganda on social media for the purposes of radicalising and recruiting people to the terrorist group. It is alleged that Yousuf also conspired with an overseas member of ISIL to commit terrorist attacks against foreign embassies in Afghanistan, as well as providing propaganda and research related to attacks conducted in Afghanistan against foreign nationals. Working with other co-conspirators, Yousuf created multiple fundraising campaigns on a crowdfunding platform, pretending to collect money for charitable causes.²⁸ Other financial intermediaries and VA were also used to collect and transfer the proceeds. Yousuf was charged with:

- Providing, making available property and services for terrorist purposes, contrary to Section 83.03 of the Criminal Code of Canada,
- Participation in activity of terrorist group, contrary to Section 83.18 of the Criminal Code of Canada and,
- Facilitating terrorist activity, contrary to Section 83.19 of the Criminal Code of Canada

International cooperation was crucial in allowing the RCMP to uncover the full extent of illicit activities and identifying key individuals involved in the scheme. The criminal investigation is ongoing and before the courts. A criminal complaint against Yousuf as well as three other individuals was also brought forward in the United States.

Source: Canada

²⁸ According to a US Department of Justice press release (15 December 2022), “defendants collected and transferred approximately USD 35 000 through cryptocurrency and other electronic means to Bitcoin wallets and accounts they believed to be funding ISIS”. [Office of Public Affairs | Four Defendants Charged with Conspiring to Provide Material Support to ISIS | United States Department of Justice](#) (accessed 6 October 2023)

Use of Social Media Platforms and Messaging Apps

57. Social media sites and messaging apps enable users to connect with local or global communities, amplify their message, and generate momentum for their causes. Based on market growth assessments,²⁹ social media is also a key driver behind the expansion of the crowdfunding industry. The use of social media is an integral component for the success of crowdfunding campaigns and can be exploited by terrorist actors who deliberately leverage social media as part of their crowdfunding strategies to reach a maximum number of potential donors.
58. The use of social media networks and messaging apps may involve Uniform Resource Locator (URL) sharing, whereby users share web links redirecting potential donors to third party crowdfunding websites or platforms where they are able to finance a specific campaign. Similarly, they may also use social media and messaging apps to share payment instructions to be completed through MVTS or bank-to-bank transfers, such as e-mail money transfers.
59. Some social media sites and messaging apps offer encrypted messaging services to secure conversations and documents, which can be exploited by terrorists and violent extremists to share financial data, campaign information and donation instructions to their networks. The encryption features help avoid detection by competent authorities. Certain messaging applications even allow for “self-destruct” messages that only last for a desired time limit, leaving no trail for tracking.³⁰
60. Other types of crowdfunding campaigns on social media may involve proprietary fundraising campaigns, whereby donors have the opportunity to donate to causes, projects and organisations directly through the social media platform. The fundraising campaign and payment features are integrated on the social media site and users can donate without leaving the platform. This includes in-platform instant messaging applications or in-app gift donation features, which can ultimately be redeemed for cash. The United Nations Counter-Terrorism Committee Executive Directorate (UN CTED) noted in 2022 that fundraising loopholes on social media also include “super chat” features that allow users to make donations during live streams or the ability to monetise alongside terrorist content.³¹
61. Social media platforms also employ sophisticated algorithms that direct users to particular content or channels based on their individual preferences and browsing histories. In the context of terrorism, violent extremism, and radicalisation, the concern is that algorithms lead at-risk users to content or connections that tends to

²⁹ Fortune Business Insights (2023), Crowdfunding market Size, Share and COVID-19 Impact Analysis, By Type (Equity-based, Debt-based, Blockchain-based, and others), By End-user (startups, NGOs and Individuals), and Regional Forecast 2023-2030, www.fortunebusinessinsights.com/crowdfunding-market-107129

³⁰ APG/MENAFATF (2019), *Report on social media and Terrorist Financing*, <https://apgml.org/methods-and-trends/news/details.aspx?pcPage=1&n=1142>

³¹ United Nations Counter Terrorism Committee Executive Directorate (UN CTED) (2022), *Tech sessions: Highlights on “Threats and opportunities related to new payment technologies and fundraising methods”*, www.un.org/securitycouncil/ctc/news/cted%E2%80%99s-tech-sessions-highlights-%E2%80%99Cthreats-and-opportunities-related-new-payment-technologies-0

reinforce individual prior beliefs.³² These algorithms and artificial intelligence-powered tools can identify prospective donors and direct them to specific funding causes they would not have otherwise been exposed to.

Box 5.7. Case Study: Use of Social Media Platforms and Messaging Apps in a Crowdfunding Schema

An individual “A” participated in an international economic network playing different roles channelling funds, both his own and from third parties, to ensure the continuity of the ISIL terrorist organisation.

The investigative operation was carried out in July 2020 by Spain’s Guardia Civil. In searching the individual’s home, Spanish authorities found evidence of terrorist training and indoctrination materials relating to TF activities on his phone and computer. The individual was also found to be in contact with an ISIL member and another person accused in German proceedings of having knowingly and voluntarily financed ISIL.

The investigations showed how “A” used at least eight social media sites and messaging applications to contact a large number of individuals in order to manage a crowdfunding campaign to channel funds for TF purposes, and to radicalise younger generations through recruitment, training and sharing information about Jihad.

To channel the funds, “A” used two main circuits: MVTs and PPSPs. In addition, several apps were found in his mobile phone, including multiple Bitcoin wallets, which were found to have been used for receiving and channelling funds. Authorities also found several SIM cards.

The conviction was handed down by the Court in June 2022. The defendant was sentenced to two and a half years of imprisonment and a fine of EUR 1 300 for TF, and to three and a half years for terrorist training and indoctrination.

Source: Spain

Interaction of Crowdfunding with Virtual Assets

62. The attention to the misuse of VA in the context of terrorism financing has increased in recent years. However, it remains challenging to assess the true extent of this activity as compared to the use of fiat currency.
63. Out of 40 country questionnaire submissions assessed for this project, twelve delegations noted that they are seeing TF crowdfunding activity using VA, with detection of this activity increasing since 2020. There can be many reasons why terrorists or violent extremists seek to raise funds using VA as opposed to, or in addition to fiat currency. Some may favour VA for reasons of perceived anonymity,

³² RAND (2022), *How Extremists Operate Online*, www.rand.org/pubs/perspectives/PEA1458-2.html, p.9.

especially if anonymity enhancing services such as tumblers and mixers³³ are leveraged, making it more challenging to trace the origin and destination of funds. Others may show interest in VA as a means to diversify their existing funding streams and tactics.

Box 5.8. Case Study: Cyber-Enabled TF Fundraising Campaigns

In August 2020, the United States (US) Department of Justice announced the dismantling of three TF cyber-enabled campaigns, involving the al-Qassam Brigades, Hamas' military wing, al-Qaeda, and Islamic State of Iraq and the Levant (ISIL).

These three terror finance campaigns all relied on sophisticated cyber-tools, including the solicitation of VA donations from around the world. Each group used VA and social media to garner attention and raise funds for their terror campaigns. Pursuant to judicially authorised warrants, U.S. authorities seized millions of dollars, over 300 VA accounts, four websites, and four social media pages all related to the criminal enterprise.

Source: United States



64. FATF Global Network membership updates between 2019-2023 note an increase in ISIL and Al-Qaeda fundraising efforts in VA, including by soliciting donations to VA wallet addresses via social media. Donors can send VA from their personal VA wallet addresses to the VA wallet addresses associated with the TF campaign. Additionally, some crowdfunding platforms offer the ability for donors to make their donations using VA, which can be sent directly to the fundraiser's VA wallet. It is important to note that these steps can vary based on the situation:

- **Creation of Virtual Wallets:** Terrorist organisations create virtual asset wallets, which can either be hosted by VASPs or FIs, or be self-hosted. Self-hosted wallets are typically set up using anonymous or pseudonymous identities to maintain privacy and obscure the true identities of the individuals behind them.
- **Solicitation of Donations:** Through their online presence, including websites, social media profiles, online forums, encrypted messaging apps or dedicated crowdfunding campaigns, terrorist groups appeal to their target audience, often emphasising their ideological or humanitarian goals. They encourage individuals to contribute funds to support their activities, providing reasons

³³ Tumblers and mixers are services that use various methods to conceal the connection between the address sending virtual assets and the addresses receiving virtual assets. Depending on the products and services offered, these entities themselves may be VASPs.

and justifications for the financial support they seek and sharing account numbers or addresses of their virtual wallets to a wide audience, including sympathisers, supporters and potential donors. TF crowdfunding campaigns may use certain mechanisms to make it more difficult for law enforcement and others to trace transactions, including by creating new VA wallet addresses for each transaction or using voucher schemes, as described below. Terrorist groups may also provide instructions for donors on how to make transfers using VA, including ways in which donors can increase anonymity when sending VA to TF crowdfunding campaigns. They may also solicit donations in a specific VA or on a particular blockchain. For example, one industry participant identified that terrorist groups were increasingly using the TRON blockchain to raise funds, specifically soliciting funds in the stablecoin USD Tether (USDT).³⁴

- **Collection of Funds:** Interested donors initiate transactions by transferring funds to the shared VA wallet address numbers or VA wallet addresses provided by the terrorist group. These funds can come from various sources, such as individuals, sympathisers, or supporters who believe in the cause or wish to provide financial assistance.
- **Conversion or Utilisation of Funds:** Once the funds are collected in the VA wallets or Bitcoin addresses, terrorist groups may employ various services, such as mixers or non-compliant peer-to-peer exchanges or other VASPs, to obfuscate the transaction trail and enhance the anonymity of the funds. They then may choose to convert them into fiat currency, which will likely require involvement of a VASP, or use them directly for their operational needs.
- **Funding Terrorist Activities:** The collected funds are then used to finance a range of activities, including recruitment, training, procurement of weapons and supplies, logistical support, propaganda dissemination, and planning of terrorist attacks. The funds may also be directed towards supporting the families of deceased or imprisoned terrorists or providing humanitarian aid in an attempt to gain sympathy and support.

³⁴ TRM. (June 2023), *Illicit Crypto Ecosystem Report* www.trmlabs.com/report#Darknet-Marketplaces

Box 5.9. Case Study: Crowdfunding Via Anonymous Prepaid Vouchers

Based on a Suspicious Transaction Report (STR) submitted by an e-money company, TracFin (France's FIU) launched an investigation into a possible TF scheme involving anonymously purchased vouchers converted into VA. The investigation identified a new typology whereby offline and online crowdfunding mechanisms were used to collect funds to finance the escape of female members of ISIL detained in camps in North-East Syria.

In particular, a network of individuals was collecting donations through various offline collection points in France. These calls for donations were complemented by the use of digital tools, including promotion through social networks and encrypted messaging applications. Cash prepaid vouchers associated with a QR Code aiming at VA conversion was also used. Ultimately the assets were withdrawn in cash in the conflict zone.

The use of prepaid vouchers convertible into VA, and specifically the possibility to purchase them anonymously, presented a heightened TF risk as it made it very difficult for the FIU and Law Enforcement Agencies (LEAs) to identify buyers of these vouchers. In 2021, legislation at the national level was introduced to ban the use of anonymous e-money to buy VA and making it mandatory for VASPs to identify customers for all transactions.

The investigation found that EUR 250 000 from 63 donors were collected over the course of ten months. At the end of the judicial investigations, eight defendants were convicted of financing terrorism and, for some of them, participation in a terrorist association. The sentences handed down in June 2022 ranged from three years imprisonment to nine years imprisonment.

Source: France

65. Despite heightened public attention to these new payment technologies, there remain limitations with the use of VA for TF. For instance, it may not always be convenient for terrorist groups to convert VA to fiat currency, which may be a necessary step, depending on the desired use of the funds. Additionally, the volatility of the value of VA can introduce additional risks for terrorist groups or violent extremists, who may prefer to rely on more traditional forms of value such as cash. Hamas in April 2023 announced via an encrypted messaging channel that they would no longer fundraise Bitcoin in an apparent response to increased disruption of these types of donations using this type of VA.³⁵ It will be important for the FATF Global Network to continue monitoring how the use of VA for terrorist and violent extremist purposes evolves over time, including through assets that offer more privacy enhancing features.

³⁵ Reuters (2023), "Hamas armed wing announces suspension of Bitcoin fundraising", www.reuters.com/world/middle-east/hamas-armed-wing-announces-suspension-bitcoin-fundraising-2023-04-28/

Challenges and Considerations in Combatting Crowdfunding for Terrorism Financing

66. The vulnerabilities identified in Chapter 4 as well as the typologies of abuse detailed in Chapter 5 provide for a range of challenges and considerations in combatting the use of crowdfunding for TF. Some of these challenges affect all stakeholders, whilst others are particular to crowdfunding platforms, reporting entities that they partner with, and LEAs respectively. Since there is variance in how crowdfunding misuse is monitored across FATF Global Network, this section highlights the practical considerations raised by competent authorities in trying to counter the TF risk associated with crowdfunding to date.

Challenges for Intermediary Organisations Providing Crowdfunding Services

67. By virtue of being a rapidly evolving industry operating across jurisdictions that have differing regulatory approaches, intermediary organisations that provide crowdfunding services face unique challenges in combatting the abuse of their platforms for TF and violent extremism purposes.

Lack of TF and Violent Extremism Expertise and Understanding

68. Many platforms facilitating donations through crowdfunding have relatively small departments responsible for ensuring the security and integrity of the platform (in some companies these are called Trust and Safety teams). Some companies now also use algorithms to support their work. The expertise of these departments varies by company; however, the focus tends to be on fraud prevention. Even if a crowdfunding campaign or user violates the terms of service, these departments may not have the expertise to detect that certain fundraising activity may be linked to TF.
69. As detailed in the EoRMTF report, and other TF reports by the FATF, detection of TF and violent extremism activity requires an understanding of the evolving terrorism threat landscape and the actors perpetrating it. With some forms of terrorism, detection may even be based on certain terminology or symbolism used, which would not necessarily be apparent to an average reader. Particularly within EoRMTF, terminology, symbols and even names of groups can evolve, merge and change over time. It is therefore vital for companies and national authorities to invest in continuing training for their staff or sector, to ensure review of campaigns goes beyond a surface-level reading of the text.
70. Once detected, the extent to which action is taken proactively to remove suspicious campaigns or donations primarily remains at the discretion of each company, based on its own internal policies and risk tolerance. However, the UN Security Council notes that “despite repeated public warning about the misuse of social media and crowdfunding platforms by terrorists for financial activities, neither the enforcement of terms of service nor the internal monitoring mechanisms based on these provisions seem to have significantly improved on these global platforms”.³⁶

³⁶ UNCTED (2022), *Tech sessions: Highlights on “Threats and opportunities related to new payment technologies and fundraising methods”*,

71. Finally, some delegations have noted a lack of effective information sharing mechanisms between the public sector and private entities involved in crowdfunding. Even if government agencies are aware that a certain crowdfunding campaign, user or virtual wallet may be linked to TF, they may not necessarily be able to share that information with the private sector. This means that the private sector may not be fully aware of the risks to mitigate them.

Lack of or Limited Reporting Mechanisms

72. Given that most intermediary organisations facilitating donation-based crowdfunding are not regulated in the scope of AML/CFT, and thus do not have reporting obligations, many also do not have sophisticated monitoring and/or reporting mechanisms like established FIs do.
73. Without established and continuous monitoring mechanisms, intermediary organisations are unable to fully scope out potential TF and violent extremism activity on their platforms, applications or websites. They may miss potential red flags in campaigns that are overtly or covertly raising money for activities related to terrorism or extremist violence.
74. Some companies do have Terms of Service that outline the expected use of the platforms or services provided. The nature of those terms vary across companies, as does the extent to which sufficient resources are provided to detect violations and take action. Some companies provide concrete examples of prohibited conduct on their website, but this does not always include explicit mention of terrorism or the financing of terrorist activities.³⁷ Other companies provide loose guidelines that result in a permissive environment for threat actors.

Operating in a Fragmented Payments Ecosystem

75. Client activity related to crowdfunding can be spread across numerous types of platforms and financial channels. This creates an environment of uncertainty about who is responsible for applying any due diligence measures. Some entities seem to hold the view that it is not their place to monitor for TF risks because they are only intermediaries to a transaction. For instance, while payment service providers are not crowdfunding entities themselves, they do enable the movement of funds tied to crowdfunding campaigns and may receive financial compensation for their services. This is compounded by the fact that depending on the regulatory framework, and which entities are subject to AML/CFT obligations, there may be limitations on the ability of crowdfunding platforms and payment processors to share information.

Challenges for Reporting Entities and Supervisors

76. While intermediary organisations face challenges of understanding the terrorism financing landscape and typologies, reporting entities (i.e., the FIs that they partner

³⁷ www.un.org/securitycouncil/ctc/news/cted%E2%80%99s-tech-sessions-highlights-%E2%80%9Cthreats-and-opportunities-related-new-payment-technologies-0
Counter Extremism Project (2020), *CEP Policy Paper Financing of Terrorism and Social Media Platforms*, p.5-7, www.counterextremism.com/sites/default/files/2020-12/CEP%20Policy%20Paper_Terrorist%20Financing%20und%20Social%20Media_April%202020%20FINAL%20EDIT.pdf

with) face challenges in following the origins of funds when crowdfunding has been facilitated through a dedicated platform or social media network.

77. The relative complexity and fragmentation of crowdfunding operations creates an opaque context for reporting entities to conduct due diligence. For example, it may be difficult to differentiate whether the funds received into an account were from legitimate donors and consistent with similar campaigns. The nature of fund flows could vary by type of crowdfunding campaign, for instance if donations were one-off as opposed to donations that occur at predictable intervals (e.g., subscription-based).
78. Reporting entities also have difficulties in tracing potentially suspicious crowdfunding transactions, given that payment references for some platforms (mostly social media platforms) do not always identify accounts where the payment was made.
79. Given that donations are often small scale and anonymous, reporting entities have also flagged difficulties in detecting suspicious fundraising campaigns or transactions amongst the largely legitimate crowdfunding activity.
80. Similarly, where countries have regulated the crowdfunding industry, supervisors have found challenges in keeping pace with the rapidly evolving nature of the sector, and the growing number and size of entities that operate within it. This type of information is important to provide appropriate outreach and regulatory support to mitigate any AML/CFT risks.

Challenges for Investigative Authorities and Prosecutors

81. As with many emerging technologies, both FIUs and LEAs also encounter general and technology-specific challenges when seeking to disrupt and investigate TF and violent extremism through crowdfunding.

Proving Intent

82. Transactions to TF-related campaigns can involve witting or unwitting donors. Witting donors are those who contribute to a crowdfunding campaign with knowledge of the purpose and potential outcomes of a campaign. They are aware of the intended use of the funds. Unwitting donors contribute to a crowdfunding campaign without knowledge of the illicit purpose, goals and potential outcomes. They are not aware that their crowdfunding donation would help support a terrorist group or activity.
83. Fundraisers may present false or incomplete campaign information, goals or beneficiaries to mislead donors into contributing to a fraudulent campaign that will ultimately not fulfil its stated purpose. Terrorists may exploit donor's sympathies (e.g., for victims of natural or humanitarian disasters) and exploit the lack of awareness amongst the general public to procure donations. Some crowdfunding platforms have dedicated Trust and Safety teams to target fraudulent campaigns, but distinguishing between legitimate and TF campaigns can be difficult for them and for the general public.
84. Additionally, certain crowdfunding services may not apply strong ID verification practices, making it easier for campaign organisers and beneficiaries of the fundraisers to remain anonymous. This creates hurdles for law enforcement investigative efforts.

85. Terrorist intent can be difficult to prove. In some countries, terrorist financing cases are investigated as economic crimes. During this project, FATF Global Network members have noted some cases where the nature and pattern of crowdfunding financial activities raised terrorism concerns, but the ultimate conviction was related to money laundering, fraud, forgery or other types of offences. It is therefore possible that the prevalence of terrorism financing indicators linked to crowdfunding could be underreported in official statistics, or it may be difficult to get a comprehensive picture if solely looking at the final outcomes of court cases.

Box 6.1. Case Study: Proving Intent of Terrorist Financing Through Crowdfunding Activity

In Finland, an intelligence gathering case related to crowdfunding was launched examining funds sent to Syria, which were collected under the guise of charity from people with no knowledge of terrorist related intent, based mainly in Finland but also abroad. Some of the funds were collected through crowdfunding platforms, and involved suspicious international transactions detected by Finnish authorities. The head of the charity travelled to Syria and took the donated money with him in cash. The total amount of money donated between 2014 – 2016 was almost EUR 400 000, of which tens of thousands is suspected to have been deposited in the head of the charity’s bank account.

While the investigation revealed terrorism concerns, the terrorism charges were ultimately dropped from the case, and it went through as a charity abuse investigation. The defendant was ultimately convicted of aggravated money laundering, accounting offence, registration offence, forgery and money collection offence.

Source: Finland

86. Tracking solicitation through various platforms to confirm whether funding was actually sent and used for terrorist activity is time consuming and authorities face roadblocks in getting access to the required information. Where funds are raised over crowdfunding, social media or messaging platforms, investigators may need to rely on additional information, such as records of conversations, to supplement and understand the flow of funds as well as the intent behind the funding. However, securing timely and complete responses from social media companies is often an obstacle. If appropriate evidence cannot be obtained, the ability to investigate and prosecute a case can be hindered.

Complexity of Operations

87. The complexity of the crowdfunding payment landscape increases the challenges for investigative and prosecution authorities. Crowdfunding transactions can involve several actors, e.g., social media platforms, payment processors, VA as well as FIs. Various digital payment methods are often used, allowing users to move funds quickly, and also allows for the use of pseudonyms or anonymous transactions, making it difficult to identify those involved. Digital fundraising

technology is complex and requires specialist expertise to investigate and track suspicious transactions.

88. Crowdfunding companies operate across borders and have a global reach. LEAs may experience difficulties in investigating financial transactions with cross-border elements when the crowdfunding platform or service provider is located abroad for the following reasons:
- The multiplicity of financial technologies and the diversity of their geographical presence, and the acceleration of terrorist organisations in exploiting technologies for the benefit of their activities.
 - Donors or fundraisers may not be known to intelligence services to associate with a particular terrorist ideology, group or network due to being located in different jurisdictions.
 - Control and oversight of transactions may be complicated if the campaign promoter, the crowdfunding platform and the donors are based in different jurisdictions, and it may not be clear who has the authority to investigate potential TF activity.
 - Coordination and information sharing between all jurisdictions involved may be time-consuming and delay the investigation process, and investigators may not have the authority to collect information from outside their jurisdiction. Where crowdfunding entities are not subject to regulation, there can be challenges obtaining information (in comparison to obliged entities).
 - As outlined in Chapter 3, there is considerable variation in the degree to which crowdfunding activities are regulated across the FATF Global Network. Crowdfunding operations can involve multiple actors in multiple jurisdictions who are subject to different degrees of regulation, and who have different levels of compliance. This can create uncertainty in who is responsible for applying due diligence measures, as well as obstacles in identifying customers, flagging suspicious activity, and sharing customer and transaction information with authorities when needed.
 - Crowdfunding activity undertaken using VA through a VASP incorporated in a different jurisdiction (especially a jurisdiction with low compliance in regulating the sector) can lead to challenges in obtaining information on specific tracing transfers.
 - Threat actors and their supporters are aware of the challenges that authorities face in investigating across international boundaries and can exploit this complexity to their advantage, especially when investigative efforts take significant time before an outcome (such as an arrest or seizure of funds) is reached.
89. The movement of funds is only a small component of a broader pattern of online activity associated with crowdfunding. Fundraisers have many online tools at their disposal to circulate and promote campaigns and ideologies to a broader audience outside of their immediate networks quickly and easily. On social media sites or apps which offer encrypted messaging services, fundraisers can safely share web links to their campaign on a crowdfunding website, payment details and inform contacts of the real purpose of their fundraising campaign while avoiding detection by competent authorities.

90. Legitimate funding campaigns are not always easily distinguishable from fronts that can benefit terrorist groups and causes. Funds for illegitimate purposes are easily disguised within legitimate donations and are not readily detectable by regulatory and/or law enforcement bodies. FIs with STR obligations may not be aware that specific customer activity is linked to crowdfunding platforms or social media activity. This could impact law enforcement and FIU awareness of this activity and may mean that the scale of illegitimate activity related to crowdfunding is higher than currently thought.
91. The use of crowdfunding for TF through digital means can be combined with more traditional forms of fundraising, such as the use of the formal banking system or the use of informal value transfer systems. The way these TF schemes manifest may vary. This means that tracking the sources and movement of funds can be very resource intensive for authorities, especially where crowdfunding strategies used by terrorist entities rely on large solicitation networks.

Box 6.2. Case study: Combining Online and Offline Solicitation of Funds

Indian officials reported that a violent extremist organisation under investigation collected funds through well-structured networks spanning the entire country. Resorting to solicitation at mosques and public places, the group's fundraising tactics included offline and online mechanisms, such as circulating QR codes and account details through which donors were asked to send money. Over 3 000 bank accounts and informal value transfer systems were used. The accounts involved both domestic and foreign transactions, making this case extremely difficult to investigate. Funds were ultimately used to procure arms and ammunition and for training the cadres of the violent extremist organisation, among other purposes. A portion of the funds raised through crowdfunding was also invested and parked in businesses and real estate projects to generate regular income for terrorism activities. To date, eight individuals in leadership roles within the violent organisation have been arrested on TF charges and prosecution complaints have been filed. As a result of the investigation, INR 35 million in assets are being sought for confiscation.

Source: India

Lack of Data

92. The extent to which crowdfunding platforms are misused for TF remains an information gap at the national level for many countries. Understanding the scale of crowdfunding for TF and violent extremism purposes is important for countries to accurately assess their risks and apply mitigating measures. This includes a risk-based approach to allocating resources effectively and focusing on types of crowdfunding where the risks are higher.
93. Even amongst countries that do have some regulation of crowdfunding, oversight may be spread across multiple types of regulators, not all of which have AML/CFT roles. This can lead to fragmented oversight, and coordination, cooperation and

information sharing issues, which is challenging in a sector characterised by complex transactions involving multiple actors and jurisdictions.

94. Understanding the scale can help crowdfunding platforms become more aware of the risk indicators for TF and detect it earlier. It can also enhance international cooperation and information sharing between jurisdictions which is important given the opportunity for people from multiple jurisdictions to be involved in a single crowdfunding campaign.

Anonymising Techniques

95. When crowdfunding transactions are split across multiple fundraising and payment platforms, the flow of funds becomes fragmented. This makes it much harder for investigators to piece together the full journey of the funds and to have a comprehensive overview of the transactions that have taken place. Encryption technology can be used to obscure the contextual information about details of transactions, including the amounts sent, the sender and recipient identities and any correspondence between them. This can make it difficult for law enforcement to obtain and analyse relevant information. Furthermore, the various platforms involved may have different rules with regards to confidentiality and data sharing, which can complicate and delay the availability of vital information for the investigation. This is further complicated when cross-border transactions are involved given the variation in laws across jurisdictions.
96. Online fundraising platforms may not require identification verification of the fundraisers, as funds are often collected through payment platforms. This might pose difficulties in obtaining the information of the beneficiaries of fundraising activities and hamper law enforcement investigations.
97. Several known foreign and violent extremist organisations and environments post requests for financial support on social media. The requests are often made for payments via various, often encrypted, payment platforms, which hide the details of the transaction including the amount and the parties involved.

Emerging Best Practices

98. In addition to highlighting the typologies of abuse of crowdfunding for TF and violent extremism, some jurisdictions have begun developing best practices in relation to CFT and crowdfunding. From their experience, a number of best practices have emerged that can help jurisdictions successfully detect, intercept, prevent and investigate TF through crowdfunding:

- **Improve understanding of the nature and scope of the national crowdfunding industry.** Several countries have begun incorporating crowdfunding in their national risk assessments (NRAs).³⁸ Some countries conduct surveys that allow their supervisory authorities to assess risks more effectively in the sector. For others, the extent of crowdfunding risks remains unknown or unassessed, including as it relates to terrorism financing risks. The absence of data does not necessarily mean absence of risk, but a good baseline of information will help understand the growth, development and emerging risks of the sector.
- Consider factors which can increase TF and violent extremism risk exposure:
- Authorities may find that the same crowdfunding service providers are appearing in the context of their TF investigations. This is an indicator to assess whether existing risk mitigation measures are sufficient.
- Unregulated donation-based crowdfunding platforms that can present a higher inherent risk of misuse for TF and violent extremism purposes, as these fall outside the scope of FIs and of supervisors (prudential and AML).
- The extent to which the crowdfunding platform allows the use of VA through unregulated channels, of anonymity enhanced crypto-currencies, or privacy enhancing technologies that obfuscate user information or source of funds.
- The communications posture of the crowdfunding service provider and the focus it places on outlining and enforcing clear terms of use. If the provider appears to have weak Trust and Safety controls, the risk of TF abuse is more likely.
- **Balance mitigation of ML/TF risk and innovation without disrupting legitimate financial activity.** When considering implementation of control mechanisms for the crowdfunding industry, authorities should employ an evidence-based approach, grounded in an understanding of risks for their respective jurisdiction. Some countries already regulate crowdfunding activity and have assigned supervisor entities to ensure good oversight of the entities that make up this sector in their jurisdiction. Other countries may not yet have specific policy measures around crowdfunding, but could apply lessons learned from other technologies, such as VA, in determining how to address the evolving financial payments landscape. In determining

³⁸ Based on a review of a sample of 68 NRAs from the FATF Global network, five countries identified that they conducted detailed assessments of the TF risks related to crowdfunding in their NRAs. Sixteen other countries confirmed identifying ML/TF trends linked to crowdfunding in their risk assessment ML/TF trends, although the TF risk itself may not have been assessed in detail.

appropriate oversight and control mechanisms, countries should align with guidance from the United Nations on applying human rights due diligence.³⁹

- **Conduct outreach to increase awareness of TF in the sector.** This will help reporting entities better identify and report suspicious transactions and improve compliance with AML/CFT obligations. In jurisdictions that have not regulated the sector, outreach would still be an effective way to increase private sector awareness of illicit activity, and in turn help authorities understand how crowdfunding service providers mitigate misuse of their platforms. The nature of this engagement can vary according to the size of sector and volume of activity, ranging from informal exchanges to more formal supervisory inspections or audits.

Box 7.1. France's Informal Public-Private Collaboration

To adapt to the rapid growth of the crowdfunding industry, the French supervisory authorities and FIU are conducting awareness-raising activities to supplement the information in their national risk assessment.

These activities, conducted since 2019, include public-private exchanges of developments in crowdfunding, a conference on lessons learned by crowdfunding platforms supervised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) in relation to their AML/CFT obligations, and meetings with French crowdfunding actors to raise awareness of their ML/TF risks and provide feedback on their reporting activity. The goal of these activities is to increase crowdfunding platforms' ML/TF risk understanding and improve their compliance with their AML/CFT obligations.

Source: France

- **Encourage development of private sector AML/CFT efforts.** This could involve, for instance, supporting private sector led initiatives to strengthen industry Trust and Safety practices, training, understanding of regulatory frameworks, or identification of suspicious activity. For example, in 2021, Indiegogo and GoFundMe co-founded the Crowdfunding Trust Alliance, which is “a call to action for crowdfunding trust and safety teams to come together and share best practices to work towards a common goal of weeding out bad actors and promoting trust and safety within our online global

³⁹ UN CTED (2022), Thematic summary assessment of gaps in implementing key countering the financing of terrorism provisions of Security Council resolutions, www.un.org/securitycouncil/ctc/sites/www.un.org.securitycouncil.ctc/files/cted_2022_cft_gaps_assessment_final.pdf

UN (2023), International Human Rights Law Considerations For Counter-Terrorism Financing Regulation Of Crowdfunding, Virtual Assets, And New Payment Technologies, www.ohchr.org/sites/default/files/documents/issues/terrorism/sr/activities/2023-06-09-CFT-New-Payment-Tech-Position-Paper.pdf

communities”.⁴⁰ Similarly, the Global Internet Forum to Counter Terrorism (GIFCT) is an NPO designed to prevent terrorists and violent extremists from exploiting digital platforms by fostering technical collaboration and knowledge sharing. It offers various tools and streams of work for its members.⁴¹ Finally, Tech Against Terrorism is an initiative of the global tech industry to tackle terrorist use of the internet whilst respecting human rights.⁴² While these initiatives are not specific to CFT, they can be relevant for that purpose.

- **Take a holistic approach when considering the misuse of crowdfunding.** The crowdfunding ecosystem is diverse and the ways in which they operate creates a set of unique vulnerabilities. While crowdfunding platforms may not be regulated in some jurisdictions, they often collaborate with FIs or intermediaries that are. This means that following the flow of funds usually requires tracing them across multiple different types of financial entities. While financial intermediaries may be in a better position to analyse financial flows, crowdfunding and social media platforms have better context around client behavior patterns. When investigating cases of potential misuse, government authorities (e.g., LEAs and supervisors) should take a holistic approach and consider the following aspects:
 - an analysis of the financial flows from the point of payment to the ultimate beneficiary (which may not always be the crowdfunding campaign promoter)
 - the type of crowdfunding platform used and any intermediaries that may be involved in facilitating fund transfers
 - the client’s behaviour patterns on any platform used
 - the nature of the crowdfunding campaign itself, and any red flags or inconsistencies it may raise.
- **Establish collaboration mechanisms to enable better exchange of information on TF and violent extremism.** It is critical for government authorities to cooperate with industry to address terrorist and violent extremist misuse of crowdfunding. This collaboration can take the shape of formal public-private partnership (PPP) projects, working groups, or informal forums for discussion. In the latter, this could include exchanges of views on crowdfunding led by experts, regular bilateral meetings, or conferences to discuss key trends. In the context of PPPs, supervisory authorities can support crowdfunding providers in identifying emerging TF trends and red flags. This will help private sector entities better detect suspicious activities and act in accordance with measures suitable for the jurisdiction. Jurisdictions that authorise regulated entities to share exchange information directly with each other can also explore optimising the use of those authorities to better help detect and report TF.

⁴⁰ Indiegogo, Crowdfunding Trust Alliance page (n.d.), <https://entrepreneur.indiegogo.com/crowdfunding-trust-alliance/> (accessed 23 August 2023)

⁴¹ About the Global Internet Forum to Counter Terrorism (2023), <https://gifct.org/about/>

⁴² About Tech Against Terrorism (2023), www.techagainstterrorism.org/about/

- **Ensure clear mechanisms through which abuse of crowdfunding can be detected and reported.** Crowdfunding platforms and their intermediaries receive service fees and make a profit from the services they offer. They should therefore exercise due diligence to ensure their platform is not misused to raise funds for illegal activities, including TF. They should apply suitable identification and verification practices to prevent anonymity of donors or beneficiaries of crowdfunding activity. They should also consider outlining prohibited activities and the consequences arising from the detection of such activities in their Terms of Service to deter potential bad actors and reassure legitimate fundraisers and donors. When suspicions of TF arise, it is important that crowdfunding platforms inform appropriate authorities, in accordance with legal practices of their jurisdiction.

Conclusion and Recommendations

99. At the heart of the FATF's approach to tackle TF is a risk-based approach that encourages countries to continuously monitor how criminals and terrorists raise, use and move funds.
100. In accordance with FATF Recommendation 1, competent authorities should ensure that they **identify, assess and understand the ML/TF risks** for their respective country and take action to ensure those risks are mitigated effectively. This includes ensuring that any emergent TF risks, such as those posed by crowdfunding activity, are detected when they do occur. It is important for countries to have data that supports fact-based, informed decisions.
101. Countries should **assess the nature, size and risks associated with all types and methods of crowdfunding** in their particular jurisdiction, including companies, individuals or any other type of organisation that could provide similar and/or complementary services to crowdfunding activity. In addition, countries should consider how this sector may be changing over time. Countries should also be aware of the risk analysis of the sector more globally, given the cross-border nature of crowdfunding campaigns and associated financial transfers. In particular, countries should recognise that even if their jurisdiction does not have significant terrorism activity domestically, their jurisdiction can still be used as a pass-through for financial flows.
102. In line with FATF Recommendation 1, competent authorities should take commensurate action and ensure their laws remain appropriate to **mitigate TF in accordance with a risk-based approach** suitable for an evolving threat environment. Where possible, consistency in regulatory approaches across countries and regions would help avoid geographic arbitrage.
103. Given the links between crowdfunding activity and other financial and non-financial sectors and payment mechanisms, countries should **fully implement the FATF Standards** relevant to VA, NPOs and MVTs.
104. Recognising the importance of **public-private information sharing**, countries should engage in continuous outreach and awareness raising to ensure crowdfunding providers and facilitators are alerted to terrorism financing risks, typologies and red flags in their jurisdiction. Public-private partnerships may be particularly helpful to build better detection efforts that are appropriately calibrated to address risks while mitigating unintended consequences.
105. Countries should also take steps to **inform industry of available tools to report suspicious transactions linked to TF**. Relevant service providers should ensure they provide adequate training to staff to detect cases of potential TF in fundraising campaigns, and take measures to address it. They should also ensure to have options on their sites that enable users to flag suspected fraudulent fundraisers or content that requires review by the company.
106. Countries should ensure a **multi-stakeholder approach** that includes relevant national authorities, private sector, civil society and academia when designing and reviewing impact of measures aimed at mitigating TF risk related to crowdfunding

to ensure human rights due diligence.⁴³ Furthermore countries should consider leveraging partnerships at three levels: public-public, public-private and with foreign jurisdictions and multilateral organisations to ensure the multifaceted nature of risks is comprehensively understood and appropriately addressed by adopting best practices as outlined in this report.

⁴³ UN CTED (2022), Thematic summary assessment of gaps in implementing key countering the financing of terrorism provisions of Security Council resolutions, www.un.org/securitycouncil/ctc/sites/www.un.org.securitycouncil.ctc/files/cted_2022_cft_gaps_assessment_final.pdf

Annex A. Risk Indicators

Risk Indicators of Crowdfunding for Terrorism Financing and Violent Extremism

1. The risk of crowdfunding for terrorism activity varies greatly across the FATF Global Network. Some jurisdictions have not observed any risk or cases, while others have detected multiple cases of terrorist entities using crowdfunding and have identified crowdfunding a “high” overall risk in their national risk assessment.
2. Similarly, while not all types of crowdfunding are equally at risk of being misused for terrorism or violent extremism, donation-based crowdfunding appears to be the most vulnerable. Most of the indicators in this chapter relate to detecting terrorist financing and/or violent extremism through donation-based crowdfunding.
3. The indicators below do not constitute a conclusive list. A single risk indicator alone is not necessarily a clear indication of terrorist financing activity, but it can prompt further monitoring and examination, as appropriate. The existence of several indicators in relation to a customer or transaction warrants further examination. None of these indicators should be used to discriminate against a particular ethnic community, religion, country or type of institution.
4. The indicators below have been organised according to the different roles that exist within the formal and informal crowdfunding ecosystem (see Chapter 2.3). All these indicators can be useful to reporting entities and operational authorities, and many can also be useful to crowdfunding platforms or other private sector stakeholders looking to build internal monitoring and reporting mechanisms.

Indicators Related to the Intermediary Organisation

5. The following red flags may help reporting entities and operational authorities detect potential terrorist financing or violent extremism activity with respect to intermediary organisations:
 - Projects are funded through crowdfunding platforms that have weak project review policies and/or have terms of service that do not specifically prohibit content that incites and supports terrorism or violent extremism (particularly when the project owners keep any funds committed, regardless of whether funding targets are met).
 - The crowdfunding, FinTech platforms and/or virtual asset wallet addresses are known to be used by individuals or groups associated with terrorism and/or violent extremism, based on available information.
 - Donations appear to be made through mechanisms used to obscure identity or source of funds or are routed in a way that is overly complex.

- The crowdfunding platform or intermediary organisation hosts or enables other projects related to violent extremism or radicalism.
- The use of dedicated payment and crowdfunding platforms that have explicitly declared their willingness (or arranged their business model) to offer services in connection with ethnically or racially motivated terrorism financing (including financial services and hosting of forums or chats).
- Platforms that enable or require payments through unregulated financial institutions.
- The entity encourages methods of donation that try to hide transaction information through the use of anonymity enhanced cryptocurrencies, also known as privacy coins.

Indicators Related to the Crowdfunding Campaign

6. Crowdfunding campaigns operate in a variety of ways (see chapters 2 and 4), ranging from dedicated crowdfunding service platforms to more informal campaigns on social media. The information provided on those platforms, including background details about the campaign and those involved in it, can be crucial in establishing whether the activity raises concerns for terrorist financing. Crowdfunding companies investigating possible breaches of terms and services, reporting entities who are filing suspicious transaction reports and operational authorities conducting investigations should consider the below indicators as possible red flags:
 - Lack of information about the purpose, goals and ultimate beneficiaries of the crowdfunding campaign.
 - The project description or its supporting materials feature hateful rhetoric, imagery, or symbolism that appears to support terrorist or violent extremist causes.
 - The campaign encourages supporters to provide funds across different platforms or provides instructions to fragment the payments.
 - A small project collects money from individuals who are related or otherwise linked offline (e.g., members of a small local community group, a neighbourhood etc.), despite high fees being collected by the crowdfunding platform.
 - The average amount of campaign contributions or the fundraising goal is unusual or inconsistent with other projects of the same kind.
 - Methods of donation that obfuscate the source of funds or provide unique donation links to make tracing efforts more difficult.⁴⁴

⁴⁴ A recent trend underscored in a 2023 TRM report, namely that over the course of 2022, there was a significant increase in the use of TRON decentralised, blockchain-based operating system among terrorist groups and associated fundraising campaigns, with some using it exclusively. The overwhelming majority of those actors collected donations in the stablecoin Tether (USDT). Among the terror financing entities tracked by TRM Labs in 2022, there was a 240% year-on-year increase in the use of Tether - against a mere 78% rise in bitcoin use. TRM (2023), *Illicit Crypto Ecosystem Report*, <https://trmlabs.com/illicit-crypto-ecosystem-report-2023>

- Non-profit or community organisations that are suspected of supporting known terrorist or violent extremist entities are involved in the crowdfunding campaign.
- There are posts or comments praising a terrorist or violent extremist organisation on the same social media channel or site where the fundraising campaign is organised.
- There are indications that the crowdfunding campaign is linked to banned organisations or organisations being monitored by the national domestic intelligence services.⁴⁵
- The campaign is actively rallying around, or fundraising for, social activities on days of symbolic significance for terrorist or violent extremist organisations.
- The crowdfunding campaign is raising a support fund for criminal defence fees for individuals with known terror-related offences.
- The crowdfunding campaign is run by individuals or groups not linked to registered charities, is vaguely described, and claims it is seeking funding for general humanitarian causes like children in conflict zones.
- Persons involved in the crowdfunding campaign have been subject to investigations and prosecutions for crimes related to terrorism or violent extremism.
- The receipts, amounts sought, or other components of the crowdfunding campaign contain symbols used extensively by known terrorist and violent extremist organisations.
- The project appears to be fictitious i.e., the project has a name similar to an association or another well-known campaign or seems to impersonate it.
- The campaign aims to support a particular group of people, which are usually either a narrow group of supporters or relatives of terrorists, rather than helping a wider community. For example, supporting women and children of foreign terrorist fighters in a specific area, rather than the entire community in that area.

Indicators Related to the Project Promoter

7. Know-your-customer practices are essential to understand client financial behaviours and help detect deviation that might suggest illicit activity. In developing or assessing targeted risk indicators, authorities and the private sector should consider information from a variety of sources, including, but not limited to analysis of internal transaction data, review of Internet Protocol data, analysis of suspicious data specifically related to potential terrorist financing or violent extremism events, as well as information provided by law enforcement agencies.
8. Customer due diligence starts prior to the establishment of a business relationship and is continued by monitoring any change in the customer behaviour and economic profile (including changes in the source of funds and expenses). In this

⁴⁵ This is especially relevant to investigators who would have access or the ability to share such information with domestic intelligence services.

sense, knowledge of a customer, including the customer's established financial transaction history, can be important in forming a suspicion of terrorist financing.

9. Indicators which might suggest suspicious terrorist financing and/or violent extremism-related activity through crowdfunding include:

- The project promoter does not appear familiar with the project or appears to be a third party unrelated to the purpose of the fundraiser.
- Deposits of funds originating from crowdfunding sites are being followed by speedy structured cash withdrawals.
- Deposits are received or pooled from multiple accounts and then payments immediately submitted to crowdfunding campaigns.
- Personal accounts receiving deposits and cheques from unidentified and unaffiliated individuals related to that account—such as those who are not relatives or tied to any known related businesses—and foreign businesses, particularly those in high-risk regions, with funds then being transferred to crowdfunding sites.
- The funding goals of the crowdfunding campaign are met quickly, and the page is closed very quickly afterwards, or the project promoter abruptly ends the project before the set deadline.
- The crowdfunding campaign promoter is exclusively seeking payment through virtual assets, in particular in anonymity enhanced coins.
- Crowdfunding campaign promoter uses bank accounts or other financial intermediaries with no geographic link with the advertised project.
- The project promoter is not the contact person in the project and appears to be fundraising or collecting funds on behalf of a third party.
- The project promoter transfers funds in a way that is inconsistent with the purpose of the project or fundraising campaign, e.g., the funds raised are transferred to an unrelated third party, the funds raised are withdrawn in cash, there is no match between the use of the funds raised and the reason for which they were raised.
- The project and information related to it disappears from the website i.e., an entity or individual uses a crowdfunding platform and social media for the purpose of collecting donations, but the online presence of the project disappears when the fundraising ends.
- Individual accounts are used to collect donations, which are then transferred abroad.
- Transfer through an intermediary who receives funds from various sources via one or more virtual asset service provider, that obfuscates the source of funds, or makes tracing efforts more difficult.
- Within a short period of time, a conspicuously large number of transfers are received in one account, which are declared as originating from alleged relatives.
- Relevant adverse information is discovered related to the promoters or backers of crowdfunding projects that suggests a past history of hate speech,

promotion of listed terrorist entities, facilitation of terrorist activity, or incitement to violence or participation in terrorist acts or terrorist organisations.

- An account that otherwise receives only few or small payments has received a conspicuously large number or large amounts of payments from various people within a determinable period of time.

Indicators Related to Donors

10. Terrorism financing, especially through donation crowdfunding, can involve witting or unwitting financiers. In the case of the former, there is a range of information – much of which is attainable through open-source research – that can indicate suspicious activity related to terrorist financing or violent extremism. In this context, it is important to consider the behaviour of the donors, as well as their potential associations (in the case of an investigation).
11. In some cases, legitimate donation-based crowdfunding campaigns could attract a donor with links to illicit activities. This does not in itself indicate or prove that the campaign's purpose is to raise money for terrorism or violent extremism.
12. However, information about one or more donors with suspicious behaviour could trigger further investigation into a crowdfunding campaign. The following indicators should be considered when assessing potential suspicion linked to terrorist financing or violent extremism.
 - Donors appear to use excessive security controls and/or measures to obscure their identity or the source of funds when this would be unnecessary or uncommon for many other crowdfunded projects.
 - Known extremist participants receive financial contributions from third parties in the form of credits that are not based on an economic or social dependency or a business deal.
 - There is an inconsistency between the profile of the donor and the value of the donations (e.g., a student sending large sums of money supposedly for charitable causes).
 - Numerous transactions are carried out with alleged humanitarian organisations, associations or non-profit limited liability companies linked to radical, extremist or violence-glorifying propaganda.
 - The campaign has received donations from known ideologically, ethnically or racially motivated violent extremist blogs and websites, which propagate extremist violence or terrorism.
 - The supporter appears fictitious either because the fundraising for a certain project is done from the same Internet Protocol (IP) address, or several IP addresses that repeat themselves; and/or one account is used by several crowdfunding projects.
 - The donor is connected to terrorist organisations or other organisations propagating violent extremism.
 - The source of funds is unknown or the donors transacts through means that provide added privacy e.g., cash, certain virtual assets, prepaid cards.

- The campaign donor has many charges from the same credit card, or from several different cards.

Indicators Based on Geographic Risks

13. Due to their geographic location, certain regions may present a greater risk for the financing of terrorism or violent extremism, and be used as a source, destination or transit country for the funds. Geographic risks should always be taken into consideration, for example when the originator of a transaction or beneficiary of funds are linked to a high-risk jurisdiction or region. Geographic risk can also apply to an individual's nationality, residence, or place of business. Geographic risk indicators include:
 - The crowdfunding campaign is raising money for an organisation with links to conflict zones or neighbouring regions and receives unusually substantial donations.
 - The crowdfunding campaign is taking place in countries (or for the benefit of countries) that do not have strong terrorism financing and/or crowdfunding legislation or that are under sanctions.
 - The crowdfunding campaign is taking place in countries with poor implementation of FATF Standards related to virtual assets, non-profit organisations, or money or value transfer services and poor oversight of the crowdfunding industry.
 - The crowdfunding campaign is taking place in geographic zones where terrorist organisations are known to operate.
 - The funds raised originate from countries deemed to be at high risk of terrorist financing or violent extremism.
 - The funds raised are being transferred to countries deemed to be at high risk of terrorist financing or violent extremism.
 - The payment or donation instruction was issued from an Internet Protocol address located in a country or geographic zone deemed to be at high risk of terrorist financing or violent extremism.

Annex B. Table of Crowdfunding Regulation by Country

Delegation	Crowdfunding Regulation Reported
Argentina	<p>Crowdfunding is regulated in Argentina within the framework of the competence assigned by Law N° 27.349, the National Securities Commission (Comisión Nacional de Valores - CNV) is the national authority in charge of licensing and supervising "Collective Financing Platforms" (Plataformas de Financiamiento Colectivo - PFC), being in charge of establishing the requirements they must meet in order to obtain their authorization and registration for the term of their validity, as well as the information system they must comply with.</p> <p>In that regard, CNV regulations (N.T. 2013 and amendments, Tittle XIV) contains the CNV regulations for the activity of crowdfunding platforms.</p> <p>The purpose of the regulation of collective financial systems (crowdfunding) is to support the industry of investment capital through the investment market with a special regime.</p> <p>Furthermore, PFCs are reporting entities and as such they are compelled to report to Argentina's FIU under the AML/CFT/CFP. (Article 20, subsection 5. Law 25.246)</p>
Australia	<p>A provider of Crowd-Sourced Funding (CSF) services must hold an Australian financial services (AFS) license.</p> <p>The Australian Securities Investment Commission (ASIC) has general administration of the Corporations Act 2001 (Corporations Act), including Chapter 6D, which relates to fundraising through the issue or sale of securities.</p>
Austria	<p>The Austrian Alternative Financing Act (only for promoters who are consumers and projects up to EUR 5 million in 12 months) focuses on facilitating crowd lending and crowd investing by eliminating existing legal barriers and adjusting the issuing requirements to the covered risk. There are no information requirements for financing crowdfunding projects up to EUR 250 000, basic information requirements up to EUR 2 million raised capital and a simplified capital market prospectus up to the threshold of EUR 5 million. At the same time, standards apply to ensure investor protection - e.g., a maximum investment limit per investor per project.</p> <p>In general, the Austrian Alternative Financing Act is targeted at facilitating access to finance for Small and medium-sized enterprises of the real economy and on public offers starting from at least 150 investors. Projects can be issued directly by the entrepreneur or company and indirectly via an intermediary (crowdfunding platform).</p>
The Bahamas	<p>Crowdfunding is regulated in The Bahamas. The crowdfunding sector in the jurisdiction is regulated by the Securities by the Securities Commission of The Bahamas pursuant to the Securities Industry (Business Capital) Rules 2021 (Business Capital Rules) The Business Capital Rules apply to persons:</p> <ol style="list-style-type: none"> i. sourcing business capital as an eligible person. ii. operating, participating or intending to operate or participate in equity-based crowdfunding by distributing securities. iii. investing in an eligible person; or iv. registered or intending to be registered as an equity-based crowdfunding platform or restricted marketplace. <p>Eligible person means a registered under the Companies Act that is a categorised as a small (annual gross income up to \$1.5million) or medium-sized business enterprise (annual gross income of between \$1.5 million and \$3 million).</p> <p>The Business Capital Rules do not, however, apply to International Business Companies and public issuers or donation, debt, or rewards-based crowdfunding.</p> <p>Under the Business Capital Rules, eligible persons wishing to conduct equity crowdfunding must submit a</p>

	<p>crowdfunding offering document to a platform (a company registered with the Securities Commission as dealing in, arranging deals in, managing and advising on securities) that advertises and administers crowdfund distributions. The platform is responsible for assessing crowdfunding applications prior to advertising or listing a crowdfunding distribution. This assessment includes consideration of the following:</p> <ul style="list-style-type: none"> (a) whether the information provided by the project initiator is clear and accurate. (b) whether the project initiator is in compliance with the Business Capital Rules. (c) whether the distribution will be conducted in accordance with the Business Capital Rules based on the information provided; and (d) findings of customer due diligence, background and criminal checks on directors, senior officers, executives and promoters of the project initiator. <p>The platform is also responsible for submitting the offering document along with any other required documents and fees to the Securities Commission.</p>
Belgium	<p>The Law of 18 December 2016 as well as the European Crowdfunding Service Providers Regulation (EU) 2020/1503 (ECSPR) provide for a full authorization regime (or licensing framework) and impose the main following requirements:</p> <ul style="list-style-type: none"> • adequate organisation, • fit & proper assessment of the executive management, • assessment of the holders of qualifying holdings, • rules of conduct, and • information to investors. <p>As Crowdfunding Service Providers (CSPs) authorised under the ECSPR are not obliged entities in the sense of the AML/CFT legislation.</p> <p>The Financial Services Markets Authority is only competent for investment- and lending-based CSPs that fall within the scope of the Regulation or the law of 18 December 2016. There are currently no other types of crowdfunding activities defined in the Belgian or European legislation.</p>
Bhutan	<p>Crowdfunding is regulated in Bhutan. Crowdfunding portals are licensed under the Crowdfunding Rules and Regulations 2019 issued by the Royal Monetary Authority of Bhutan. Currently, there is only one licensed Crowdfunding portal called Bhutan Crowdfunding developed by the Royal Securities Exchange of Bhutan.</p> <p>There is no conclusive definition of crowdfunding in Bhutan.</p> <p>According to the CF Rules and Regulation 2019, an issuer can raise fund through a licensed crowdfunding portal:</p> <ul style="list-style-type: none"> i. by sale of securities. ii. through donations; and iii. by giving rewards. <p>According to Bhutan's Ministry of Home and Cultural Affairs (MoHCA) only Civil Society Organisations, Religious Organisations, and those verified and approved by relevant agencies are permitted to seek donations by various means. For instance, if someone is soliciting donations for medical purposes through social media platforms, certain requirements have been established by the Department of Law and Order (DLO), which operates under the MoHCA. As per these requirements, a written approval must be sought from the DLO, then the department will create a new bank account for the individual. Once the approved amount has been raised, any further deposits will be restricted in collaboration with the Royal Monetary Authority. All payments for treatments will be made through formal banking channels, ensuring that the donation amount is not deposited into a personal account.</p>
Canada	<p>In Canada, donations-based crowdfunding is regulated under the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)</i>. Regulations were published on 27 April 2022, recognizing businesses offering crowdfunding platform services and certain payment services as Money Services Businesses (MSBs).</p> <p>The terms “crowdfunding platform” and “crowdfunding platform services” are defined under Section 2 of the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations</i>, as below:</p> <ul style="list-style-type: none"> • Crowdfunding platform means a website or an application or other software that is used to raise funds or virtual currency through donations. • Crowdfunding platform services means the provision and maintenance of a crowdfunding platform for

	<p>use by other persons or entities to raise funds or virtual currency for themselves or for persons or entities specified by them.</p> <p>As MSBs, these businesses have legal obligations to comply with the PCMLTFA and associated Regulations. Those obligations include the following:</p> <ul style="list-style-type: none"> • Registering with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's financial intelligence unit. • Developing and maintaining a compliance program. • Carrying out know-your-client requirements, including verifying the identity of persons and entities for certain activities and transactions. • Keeping certain records, including records related to transactions and client identification; and, • Reporting certain transactions to FINTRAC. <p>These regulations are intended to help mitigate the risk that Canadian financial institutions and donation-based crowdfunding platforms are misused for ML/TF. The regulatory oversight also helps improve the quality and quantity of financial intelligence received by FINTRAC related to these financing mechanisms. The requirements applied to MSBs cover services offered in both fiat and virtual currency.</p> <p>Canada also has a regulatory framework around equity crowdfunding, which is administered through provincial or territorial securities regulators.</p>
China	<p>The Charity Law of the People's Republic of China, the Measures for the Administration of Public Fundraising by Charitable Organisations and the Administrative Measures for Public Fundraising Platform Services and other legal provisions provide for the management scope of charitable organisations and the regulation of the conduct of platforms. The Ministry of Civil Affairs, the Ministry of Industry and Information Technology and other departments are responsible for supervision.</p>
European Commission	<p>In 2020, the European Union introduced a new EU-wide regime for financial return crowdfunding (the European Crowdfunding Service Providers Regulation (EU) 2020/1503, also called ECSPR), covering both investment and lending-based crowdfunding. The regime, which entered into application in November 2021, covers only crowdfunding services for businesses and entrepreneurs. Consumer lending activities done by crowdfunding platforms are regulated under the existing Consumer Credit Directive 2008/48/EC.</p> <p>The ECSPR regime also applies only to providers of crowdfunding services offered in relation to a crowdfunding offer(s) below EUR 5 million (calculated over 12 months). 'Crowdfunding services' are defined in article 2(1)(a) of the ECSPR. For investment-based crowdfunding, these services are defined as reception and transmission of client orders and placement of securities without firm commitment. For lending-based crowdfunding, they constitute the facilitation of granting of loans and individual portfolio management of loans.</p> <p>The framework includes requirements for crowdfunding service providers (platforms), including licensing and authorisation; operational capital and insurance; contingency measures; conflicts of interest; transaction reporting and project (and project owner) disclosure; investor protection; payments. Moreover, while ECSPR platforms are not directly included in the list of 'obliged entities' under the European anti-money laundering legislation, requirements were introduced to deal with ML risks by:</p> <ol style="list-style-type: none"> 1. Ensuring that all payments (or holding of funds) related to all financial transactions concluded on the platform are processed via an Anti-Money Laundering Directive (AML) obliged entity (whether licensed as a Payment Service Directive entity or a credit institution). Therefore, the CF platform never handles money directly unless it is an AMLD obliged entity (under PSD or credit institution license). 2. Introducing disclosure requirements for project owners and projects themselves, on top of what is required to clear payments and on top of transaction level disclosure to competent authorities. 3. Inserting requirements of good repute for managers and project owners, which include the need not to have past violations of the AMLD. <p>As of 10 November 2023, the transitional period for the ECSPR will expire and it will be fully applicable across the European Union.</p> <p>The European Commission's July 2021 AML package of legislative proposals widens the scope of obliged entities to include crowdfunding service providers other than those already regulated at EU level (i.e., other than those that carry out lending and investment based crowdfunding activities). Please note that these proposals are under negotiation and the final provisions may be different from those originally proposed by the European Commission.</p>

Finland	<p>According to the Money Collection Act (863/2019) all money collections are post-monitored through money collection accounts. Money collection means an activity in which money is collected without compensation by appealing to the public (donation-based crowdfunding).</p> <p>Current service providers are operating in accordance with the national Crowdfunding Act (734/2016, valid until 10 November 2023, available only in Finnish and Swedish).</p> <p>All money collections are post-monitored through money collection accounts. An account must be submitted to the authority that has granted the permit within six months of the termination of the permit period and the authority must audit and approve this account.</p>
France	<p>Crowdfunding is regulated in France since 2014, including a full AML/CFT regime. Originally, there were two types of actors regulated by a national law:</p> <ul style="list-style-type: none"> • The crowdfunding investment advisers specialised in crowd-equity. • The crowdfunding intermediaries specialized in crowdlending and donation crowdfunding. <p>They were not supervised by the same authority, but they were both subject to the AML/CFT obligations (since 2016 for donation crowdfunding platforms).</p> <p>The adoption of the EU Regulation 2020/1503 on European crowdfunding service providers for business has changed the French legal framework. As of November 2023, a new distinction will apply between:</p> <ul style="list-style-type: none"> • The European regime for CSPs (Crowdfunding Service Providers): see EU description above. • The French regime for IFP (“intermédiaires en financement participatif”, crowdfunding intermediaries). <p>These actors have to register to Orias, the single register of insurance, banking, and finance intermediaries, before commencing their operations. The registration enables to set up a platform that offers project financing through interest free-lending or donations.</p> <p>The CSPs under the EU regime are not included in the list of obliged entities however they are subject to requirements that mitigate ML/TF risks, including that all payments are processed by an AML/CFT obliged entity, disclosure requirements on projects and project owners, as well as honourability requirements for managers and project owners (see EC description in the annex).</p> <p>The IFPs must comply with the rules of conduct and organization defined in French law and are subject to AML/CFT obligations under the supervision of the ACPR, except for projects below EUR 150.</p>
Germany	<p>Investment and lending based crowdfunding is regulated and supervised in Germany according to the European Crowdfunding Service Providers Regulation (EU) 2020/1503 (ECSPR) and Part 5b of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG). This regulation entails requirements for the authorisation, the passporting of cross border services within the EU, the assessment of the members of the management board and holders of qualifying holders, the provision of the crowdfunding services, the operation of a crowdfunding platform as well as the transparency and marketing communications in relation to crowdfunding services. Payment services in this context may only be provided in accordance with Directive (EU) 2015/2366. Crowdfunding services providers exclusively operating under ECSPR are not subject to German AML/TF legislation. However, according to Art. 45 ECSPR the Commission will review the necessity and proportionality of subjecting crowdfunding service providers to obligations for compliance with national law implementing Directive (EU) 2015/849 in respect of money laundering or terrorist financing. Outside of the scope of the ECSPR investment based crowdfunding services may also qualify as investment services under Markets in Financial Instruments Directive (MiFID) or together with lending based crowdfunding services may fall under the scope of the German Trade Regulation (Gewerbeordnung, GewO).</p>
Greece	<p>Equity and lending- based crowdfunding is regulated based on the articles 148 to 160 of the Greek Law 4920/2022 and the Regulation (EU) 2020/1503. Donation-based crowdfunding falls under the scope of Article 122 of the Civil Code, on the Fundraising Committees and the 5101/1931 Law on fundraising action or the action related to lotteries or charity bazaars or by other laws, e.g., Article 19 of the 2889/2001 Law on fundraising for patients suffering from incurable diseases, etc. However, there is not a tailor-made regulation for reward and donation-based crowdfunding.</p>
Hong Kong, China	<p>At present, a person or organisation making use of a crowdfunding activity to engage in unlawful acts (such as money laundering, fraud, theft, acts and activities endangering national security, or inciting, aiding, abetting or providing pecuniary or other financial assistance or property for other persons to commit offences that endanger national security) is subject to the regulation of relevant criminal laws in Hong Kong, and is liable for prosecution. The above requirements apply regardless of whether the unlawful acts</p>

	<p>are committed online or offline.</p> <p>Current regulatory measures on crowdfunding are set out in detail in para 1.6 to 1.8, as well as 1.11 to 1.15 of the consultation paper regarding Public Consultation on Regulation of Crowdfunding Activities issued by the Financial Services and the Treasury Bureau of the Hong Kong Special Administrative Region (HKSAR) Government (https://www.fstb.gov.hk/fsb/en/publication/consult/doc/Crowdfunding_consultation_paper_Eng_final.pdf). The public consultation on enhancing regulation of crowdfunding activities completed in the first quarter of 2023. The HKSAR Government is now consolidating and analysing the views received.</p>
Israel	<p>In Israel, there are two types of crowdfunding as a method of financing projects or ventures where small amounts of money are raised from a large number of people: "Classic" crowdfunding and crowd investing (also "equity" crowdfunding).</p> <p>In recent years another field of crowdfunding has developed – peer to peer (P2P) loans. In these loans, private individuals lend money to other private individuals through websites.</p> <p>Equity-based crowdfunding is under the supervision of the Israeli Securities Authority (ISA) and is regulated by "Securities regulations" as of December 27, 2017. A company that wishes to raise money through equity crowdfunding ("offering company") cannot contact the public directly but must contact a broker - a company that operates an internet platform that allows to offer through it the securities of various offering companies in a capital crowdfunding model. The broker is obliged to register at ISA as a condition for starting its activity. In order for the Authority to register a company as a broker, it must meet the conditions stipulated in the regulations. For example, it must show that it has technical skills and the appropriate means for the operation of the internet platform it operates, ensure its responsibility towards the investors, place a deposit of 100,000 NIS with a trustee and pay a registration fee. In addition, the regulations establish various qualification requirements and limitations regarding the board of directors and officers of the broker.</p> <p>The broker is required to establish and follow procedures on various topics and publish them on the internet platform he operates. Some of them are presented as part of his annual report, which is also published on its platform. The procedures that must be published concern, among other things, the manner in which the proposals are selected, fraud prevention, document retention, documentation, information security and ensuring the continuity of the activities of the broker. The regulations do not set any limits regarding the type of offering companies, except for the requirement that these be corporations incorporated in Israel. There also limitations on the amounts that an offering company can raise through this platform.</p> <p>The "Classic" (Donation-based or rewards-based) crowdfunding is not regulated or supervised by the Israeli Securities Authority, since a donation is not considered a "security".</p>
Italy	<p>In Italy crowdfunding service providers are not included among the obliged entities covered by the AML/CFT framework and are not subject to AML/CFT supervision.</p> <p>For the time being, equity-based crowdfunding service providers are regulated and supervised by the Commissione Nazionale per le Società e la Borsa (Consob). The management of crowdfunding platforms (that are allowed to offer both shares and bonds issued by small and medium-sized firms) is reserved to the parties entered in the appropriate register kept by Consob according to Art. 50-quinquies Legislative Decree no. 58/1998.</p> <p>The Italian legislation on crowdfunding is contained in the Legislative Decree no. 58/1998 and in the Regulation no. 18592/2013 issued by the Italian Authority responsible for regulating the Italian financial markets (Consob). Equity crowdfunding and debt crowdfunding are expressly regulated; not the same for lending crowdfunding, donation-based crowdfunding, and reward-based crowdfunding. The Italian framework is currently under revision according to the European Regulation (EU) No 1503/2020 (please consider final decision of the Italian Council of Ministers on 10 March 2023) and considering lending crowdfunding (providing they are not services related to loans to consumers). However, donation and reward-based crowdfunding are out of the scope. According to the current AML/CFT framework, financial institutions are obliged entities even when they are involved in the crowdfunding activities. Further AML/CFT requirements for crowdfunding service providers will be required by the EU under the new Regulation for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, currently under discussion.</p> <p>Nevertheless, there are various forms of discipline of the various categories. In particular:</p> <ul style="list-style-type: none"> - equity: the relevant market has been regulated since 2012, in particular: a) the internet platforms have to be authorized by the Consob, b) the proposer should be an innovative start-up, c) the offer should be

	<p>under the limit of EUR 8 million. In 2017 the group of proposers has been extended to the category of micro, small and medium-sized enterprises (SMEs). In 2018 the platforms have been authorized to sell minibond. Proposers and subscribers may have tax benefits;</p> <ul style="list-style-type: none"> - lending: there is no specific rule book, but the Bank of Italy established that the platforms have to be compliant with the general rules of the banking system (Consolidated Law on Banking - TUB). - real estate: regulation is the same of the two types before, depending on the specific platform the proposers use for the project; - reward: no specific regulation in place. When oriented to pre-selling of new products, it can be considered as e-commerce; - donation: no specific regulation in place. <p>European Crowdfunding Service Providers (ECSPs) can neither hold investors' money nor directly carry out the subscription orders given by the customers. The sums of money that correspond to the amounts subscribed by the customers must be deposited in an unavailable account opened with a financial intermediary in the name of the company that collects the money. The funds remain blocked until the end of the fundraising offer. The involvement of financial intermediaries ensures that each company that collects funds is subject to Customer Due Diligence and AML/CFT obligations, including Suspicious Transaction Reporting.</p> <p>As of 10 November 2021, Regulation (EU) 2020/1503 (Regulation on European crowdfunding service providers for business, ECSP Regulation) is applicable. Providers wishing to manage crowdfunding platforms both based on investment (investment-based) and on loan (lending-based) shall request a specific authorization and will be subject to the European rules. According to Article no. 48 of ECSP Regulation, crowdfunding service providers already operating under national regimes may continue, in accordance with the applicable national law, to provide crowdfunding services until 10 November 2023 or until the issue of an authorization referred to in Article no. 12 of ECSP Regulation, whichever is the earlier. Therefore, from 11 November 2023, only crowdfunding service providers that have obtained authorization under the ECSP Regulation will continue to operate in Italy. Consob and the Bank of Italy have been designated as competent authorities for the authorization and supervision of crowdfunding service providers (the related implementing Legislative Decree is in the process of adoption).</p>
Japan	<p>Crowdfunding is subject to AML/CFT regulation if its activities are run by specified business operators that are stipulated in the law for customer due diligence and STR reporting. Also, the act of providing or collecting funds for terrorism through crowdfunding is punishable under the TF Act. Thus, a specific crowdfunding is subject to respective AML/CFT/CPF regulations if it falls under any of AML/CFT/CPF acts stipulated by such regulations.</p>
Liberia	<p>Chapter 15.2.3 criminalizes Terrorist financing in all forms including facilitating, funding, contributing, aiding, assisting, attempting to conspire to commit TF or terroristic acts etc. Crowdfunding activity that is to be suspected or detected for terrorist financing will be comprehensively handled by this Act.</p>
Malta	<p>As a Member State of the European Union, Malta has implemented Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937 ('the Regulation'). The resultant domestic legislative framework is Subsidiary Legislation 330.15 to the Malta Financial Services Authority Act (Chapter 330 of the Laws of Malta), entitled the <i>Malta Financial Services Authority Act (European Crowdfunding Service Providers for Business) Regulations</i>.</p> <p>The Subsidiary Legislation establishes is a licensing framework regulated by the Malta Financial Services Authority, which is the designated competent authority in Malta responsible for carrying out the functions and duties provided for in the Regulation.</p> <p>There is no definition of 'crowdfunding' <i>per se</i> under Article 2 of the Regulation, nor is there an autochthonous definition elsewhere under Maltese law. There are, however, distinctions between different types of crowdfunding as per the terms of the Regulation, with the consequence that only certain types of crowdfunding are covered by the licencing framework authorising Crowdfunding Service Providers.</p> <p>The Regulation applies to lending-based crowdfunding and investment-based crowdfunding (transfer of securities). Other types of crowdfunding are excluded, such as:</p> <ol style="list-style-type: none"> i. Donation-based crowdfunding, where donors receive no consideration in return; ii. Reward-based crowdfunding, where funders receive a consideration in return that is non-

	<p>financial;</p> <p>iii. Crowdfunding offers with a consideration of more than EUR 5 million over a period of twelve (12) months;</p> <p>Crowdfunding services that are to project owners that are consumers.</p>
Mexico	<p>Crowdfunding or collective financing is regulated in the FinTech Law, said law establishes in its Title III, Chapter I that, the people who intend to carry out the activities attributed to the Collective financing institutions (IFCs) must request the proper authorization before the Comisión Nacional Bancaria y de Valores (CNBV).</p> <p>In addition, said Law establishes that the IFCs that obtain the authorization will be obliged to comply with the Provisions regarding AML/CFT applicable to the sector.</p>
Monaco	<p>All crowdfunding activity must be duly authorised by the Monegasque government. In addition, they are required to comply with AML/CFT regulations on the basis of point 21°) of article 1 of Law n° 1.362.</p>
Norway	<p>The FSA ("Finanstilsynet") has published a guidance for crowdfunding platforms.</p>
The Philippines	<p>In the Philippines, crowdfunding is a fundraising activity typically conducted through an online platform and usually for investment purposes involving start-ups and SMEs. This is being regulated by the Securities and Exchange Commission (SEC), which released SEC Memorandum Circular No. 14, Series of 2019 containing the rules and regulations for crowdfunding in general and not specifically for terrorism financing. The DSWD regulates the conduct of public solicitation activities by issuing a permit or Authority to Conduct Fund Raising Activity, whether regional or national campaign, within the validity period given to the applicant. Crowdfunding for the purpose of committing crime is punishable in this jurisdiction. Covered persons are required by law to conduct due diligence on the transactions of account owner/s and/or holders with the said covered persons to determine the legitimacy of transactions.</p>
Portugal	<p>The Portuguese AML/CFT legal framework (Law no. 83/2017, of 18 of August) applies to the management companies of crowdfunding platforms. This legal framework applies to management companies of lending and equity-based crowdfunding platforms, under the Portuguese Securities Market Commission (CMVM)'s supervision (Article 5(b)(i) and Article 92(b) of the AML/CFT Law) and to management companies of reward and donation-based crowdfunding platforms, under ASAE supervision (Article 5(b)(ii) and Article 92(c)(i) of the AML/CFT Law).</p> <p>Following Article 144 of the AML/CFT Law, which specifies particular duties to platforms crowdfunding platforms:</p> <ol style="list-style-type: none"> 1. Management companies of lending and equity-based crowdfunding platforms shall ensure that, for each project, the following information is kept: <ol style="list-style-type: none"> (a) full identification of investors and beneficiaries; (b) amounts invested, broken down by investor and transaction; (c) dates when investments were carried out, including dates of full or partial repayment; (d) full identification of persons carrying out full or partial repayment of amounts invested where this transaction is not carried out by the beneficiary; (e) value of returns or ownership interests or dividends and shared profit, broken down by investor. 2. Management companies of reward and donation-based crowdfunding platforms shall ensure that, for each project, the following information is kept: (a) full identification of beneficiaries and donors; (b) amounts of donations, broken down by donor and transaction. 3. Management companies of lending and equity based crowdfunding platforms shall keep in a durable medium the items of information referred to in the preceding paragraphs and the supporting medium thereof for a period of seven years. 4. The managing bodies of companies of lending and equity based crowdfunding platforms shall immediately inform the Central Department of Criminal Investigation and Prosecution (DCIAP) and the Financial Intelligence Unit (FIU) of any suspicion that certain funds may be related to terrorist financing or from other criminal activities, while keeping secret about the communications made and the identity of the person who made them. <p>ASAE published Regulation no. 686/2019, of 2 of September, which sets rules for identification of platform managers. In the case they are legal persons, it is necessary to collect information on name, headquarters, legal entity identification number, and code of its economic activities' classification; complete identification of beneficiaries and supporters; amounts of support granted, broken down by supporter and by operation;</p>

	<p>payment method. As for managing entities of crowdfunding platforms, through the application of article 4 of Regulation no. 686/2019, emphasis is placed on their duty to ensure, for each project, regardless of value, the registration of elements of information, such as: full identification of beneficiaries and supporters; amounts of support granted, individualized by supporter and by operation; and payment method.</p>
Romania	<p>At national level, Law no. 244/2022 on laying down measures implementing Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European providers of participatory finance services to businesses and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937, contains provisions referring at least to the following:</p> <ul style="list-style-type: none"> - designation of Financial Supervisory Authority of Romania (ROFSA) as competent authority in Romania responsible for carrying out the functions and duties provided for in the European Crowdfunding Service Providers Regulation (ECSPR), as well as the designation of RO ASF as single contact point for cross-border cooperation between the competent authorities, as well as with ESMA; - the conditions and authorization procedure by ROFSA of crowdfunding service providers and the registration in the ASF Register, as well as provisions regarding the notifications of significant changes occurred in the set-up and functioning of the crowdfunding services providers; - requirements with respect to marketing communications, - the supervisory and investigative powers of ROFSA as competent authority within the meaning of art. 29 of ECSPR, as well as provisions regarding cooperation with other competent authorities in Romania or in other Member States and with the European Securities Markets Authority (ESMA), - the sanctioning regime for the infringement of the legal provisions regarding the conditions of authorization and operation, which may be fines, administrative measures and/or withdrawal of authorization. <p>There is no definition of crowdfunding in Romania and therefore, the definition from the European regulation applies. According to art. 2 of ECSPR ‘crowdfunding service’ means the matching of business funding interests of investors and project owners through the use of a crowdfunding platform and which consists of any of the following activities:</p> <ul style="list-style-type: none"> (i) the facilitation of granting of loans; (ii) (the placing without a firm commitment basis, as referred to in point (7) of Section A of Annex I to Directive 2014/65/EU, of transferable securities and admitted instruments for crowdfunding purposes issued by project owners or a special purpose vehicle, and the reception and transmission of client orders, as referred to in point (1) of that Section, in relation to those transferable securities and admitted instruments for crowdfunding purposes.
Russian Federation ⁴⁶	<p>Investment platform operators are reporting entities in accordance with paragraph 4 of Article 5 of Federal Law No. 115-FZ of August 7, 2001 “On Combating the Legalization (Laundering) of Proceeds from Crime and the Financing of Terrorism”. This means that like financial institutions they are subject to the full range of AML / CFT measures. Investment platform operators are supervised by the Bank of Russia.</p> <p>In accordance with Article 16 of Federal Law No. 259-FZ of August 2, 2019, “On Attracting Investments with the Use of Investment Platforms and on Amending Certain Legislative Acts of the Russian Federation”, the Bank of Russia maintains a register of investment platform operators and monitors compliance by investment platform operators with the legislation of the Russian Federation, conducts inspections of their activities, sends binding instructions to operators of investment platforms, requests for the provision of documents and information.</p> <p>In addition, in accordance with clause 6 of Article 10 of Federal Law No. 259-FZ, the functions of an operator of an investment platform or a person who has the right, directly or indirectly (through persons controlled by him), to dispose of 10 percent or more of the votes attributable to voting shares (stakes) that make up the authorized capital of the investment platform operator, as well as the sole executive body, a member of the collegial executive body (management board, directorate) or the board of directors (supervisory board) of the investment platform operator cannot be performed by an organisation or an individual, included in the list of those in respect of which there is information about their involvement in extremist activities or terrorism (provided for by Article 6 of the Federal Law of August 7, 2001 N 115-FZ) or in the lists of organisations and individuals associated with terrorist organisations and terrorists or with the proliferation weapons of mass destruction drawn up within the framework of the exercise of the powers provided for in Chapter VII of the UN Charter, the UN Security Council or bodies specially created by decisions of the UN Security Council.</p>

⁴⁶ The FATF suspended the membership of the Russian Federation on [24 February 2023](#).

	<p>In accordance with Federal Law No. 259-FZ, the term “investment platform” means an online information system used to conclude investment agreements with the help of information technologies and technical means of this information system, access to which is provided by the operator of the investment platform; “investment platform operator” means a business entity established in accordance with the legislation of the Russian Federation, carrying out activities to attract investments and included by the Bank of Russia in the register of investment platform operators.</p>
Saudi Arabia	<p>In 2020, the Saudi Arabian Monetary Authority (SAMA) issued Rules for Engaging in Debt-Based Crowdfunding and was updated in December 2021. The rules include licensing requirements that must be fulfilled before granting the companies licenses. In addition, companies that offer debt-crowdfunding services must implement all AML/CFT requirements.</p> <p>Under The Rules for Engaging in Debt-Based Crowdfunding, SAMA has identified Debt-Based Crowdfunding “Raising funds from Participants through a digital platform to be granted to an Institutional Beneficiary in accordance with a loan contract.”</p> <p>In the Kingdom of Saudi Arabia, we distinguish between debt-based crowdfunding and equity-based crowdfunding. SAMA supervises all companies that provide debt-based crowdfunding services. While the Capital Market Authority govern the equity-based crowdfunding.</p>
Serbia	<p>Currently, crowdfunding is not regulated in the Republic of Serbia except crowdfunding activities based on virtual (digital) assets especially digital tokens, i.e., investment and utility tokens. For more information, please see the answer to Question 1. Besides the mentioned Law on Digital Assets, certain crowdfunding activities could be based on Law on Capital Market and Law on Alternative Investment Funds.</p> <p>The relevant activities on establishing a legal framework for crowdfunding are pending.</p> <p>The National Bank of Serbia is preparing the Draft Law on Crowdfunding. The drafting is based on the detailed analysis of the provisions of the Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.</p> <p>Thus, this field, which the National Bank of Serbia has recognized as important (especially for small and medium-sized enterprises), will be systematically regulated. After the Draft Law is harmonized with all relevant domestic laws, it will be presented to the public, which will be informed in a timely manner so that all interested parties can submit their suggestions/comments on the draft.</p>
Senegal	<p>Crowdfunding regulations do not yet exist. However, reflections are very advanced at the level of the financial regulator for the development of a legal framework to regulate the activity.</p> <p>With regard to the specific framework for collecting funds via an electronic wallet, the establishment and offer of products relating to crowd funding are subject to the prior authorization of the Central Bank.</p>
Slovenia	<p>The Regulation (EU) 2020/1503 sets out uniform rules across the EU for the provision of investment-based and lending-based crowdfunding services for business financing. The new framework aims at fostering the cross-border provision of crowdfunding services to offer a potential alternative to bank financing for, among others, start-ups and small and medium-sized enterprises (SMEs), while also ensuring adequate investor protection across the Union. Crowdfunding is defined in Regulation (EU) 2020/1503 as the matching of business funding interests of investors and project owners through the use of a crowdfunding platform and which consists of any of the following activities:</p> <ul style="list-style-type: none"> • the facilitation of granting of loans and • the placing without a firm commitment basis, as referred to in point (7) of Section A of Annex I to Directive 2014/65/EU, of transferable securities and admitted instruments for crowdfunding purposes issued by project owners or a special purpose vehicle, and the reception and transmission of client orders, as referred to in point (1) of that Section, in relation to those transferable securities and admitted instruments for crowdfunding purposes. <p>The scope of Regulation (EU) 2020/1503 distinguishes between two types of crowdfunding: lending-based crowdfunding and investment-based crowdfunding.</p> <p>Donation-based crowdfunding is regulated by the Protection of Public Order Act. The provisions are as follows:</p>

	<ul style="list-style-type: none"> • Voluntary contributions may be collected by non-profit legal and natural persons subject to authorisation issued by the administrative unit in the area of which they have their registered office or permanent residence. • Authorisation shall be issued in cases where the applicant demonstrates justified reasons. Justified reasons shall include natural or other disasters in which the applicant suffered great property damage. A non-profit legal entity shall also be issued authorisation in cases where it proves that it will use the collected contributions for humanitarian purposes or for a generally useful purpose which can be realised in the framework of the lawful performance of the company's registered activities or activities defined in its basic act or other instrument. • Authorisation shall not be required in cases where voluntary contributions are collected on the premises of religious communities for religious purposes or where different conditions for the collection of contributions are laid down in another regulation. <p>In the authorisation, the administrative unit shall determine the manner of collecting voluntary contributions and the authorisation validity. The latter shall be determined on the basis of the purpose and manner of collecting contributions.</p>
Spain	<p>Spanish legislation defines crowdfunding through the so-called participatory financing platforms, which are regulated by Law 5/2015, of April 27, on the promotion of business financing. These platforms function as online financial disintermediation mechanisms that benefit from the advantages of using digital technologies and the Internet, and their activity consists of putting multiple investors in contact with promoters who offer different types of projects. Precisely as a consequence of the entry into force on November 10, 2021 of Regulation (EU) 2020/1503 of the European Parliament and of the Council, of October 7, 2020, on European providers of crowdfunding services for companies, the recent Draft Law for the Creation and Growth of Companies, published in the Official Gazette of the Spanish Parliament on December 17, 2021, revises Law 5/2015 in order to adapt the Spanish regime in force to date to the provisions of Regulation (EU) 2020/1503 . For the moment, the aforementioned reform has not been approved and the Bill is still in parliament.</p> <p>Regulated crowdfunding activities are mainly used in Spain to finance small and medium enterprises or to finance real estate projects. Other types of crowdfunding platforms (based on donations or "counterparties in kind") are currently not regulated in Spain.</p>
Sweden	<p>Operations involving consumer credit pursuant to the Consumer Credit (Certain Operations) Act (SFS 2014:275) are covered by the provisions of the according to the Money Laundering and Terrorist Financing (Prevention) Act (SFS 2017:630), AML Act, (Section 1:2 p. 13, AML Act).</p>
Switzerland	<p>Crowdfunding is not subject to any specific regulatory requirements under Swiss law, which means that all currently valid laws governing financial markets apply. Because business models relying on crowdfunding vary greatly, it is necessary to clarify on a case-by-case basis whether a licence is required. In principle, crowdfunding platforms used by project financiers to allocate funds to project developers directly are not subject to licensing requirements under financial market legislation.</p> <p>However, platform operators must verify whether they need a licence under the Banking Act whenever project financiers' funds are channelled through their accounts. If a crowdfunding platform operator accepts funds on a commercial basis and, rather than forwarding them to the project developer within 60 days, holds them for some time, a licence under the Banking Act must be obtained prior to taking up business. A licence is no longer required in such cases if the funds accepted for forwarding do not exceed 1 million Swiss francs, as this is no longer regarded as commercial activity. However, before transferring the funds to the platform, project financiers must be made aware that the platform is not supervised by the Swiss Financial market Supervisory Authority (FINMA) and their deposits are not protected. Moreover, the platform is not permitted to use the funds to operate in the interest margin business. Funds channelled through a platform operator's accounts are generally also subject to money laundering provisions if the operator renders a professional service, because they constitute a payment transaction service that requires a licence.</p> <p>(For further details see the factsheet of the Swiss Financial Market Supervisory Authority (FINMA) on crowdfunding.)</p>
Türkiye	<p>Crowdfunding is set out in several provisions of Capital Markets Law no 6362 and Collection of Aid Law no 2860. Within the framework of the Capital Markets Law No. 6362 (Law), crowdfunding (Article 3[1][z] of the Law) refers to the collection of money from the public through platforms, without being subject to the provisions of the Law on investor compensation, within the principles determined by Capital Markets Board</p>

	<p>(The Board), in order to provide the funds needed by a project or venture company. According to Capital Markets Law, Türkiye distinguishes crowdfunding into two types; share-based crowdfunding and debt-based crowdfunding.</p> <p>Crowdfunding activities are regulated by the Board by a communique published on Official Gazette on 27 October 2021. This Communiqué regulates the procedures and principles regarding equity and debt-based crowdfunding, the inclusion of crowdfunding platforms in the Board list and their activities, the collection of money from the public through share and/or debt-based crowdfunding, and the control and supervision of the use of the collected funds in accordance with their declared purpose. Platforms must be listed by the Board in order to engage in crowdfunding activities within the framework of the provisions of this Communiqué. Platform refers to the institution that mediates share and/or debt-based crowdfunding and provides services in the electronic environment.</p> <p>On the other hand, although there is no explicit reference to term of crowdfunding, article 5 of the Collection of Aid Law no 2860 has similar provisions regarding collection of aid methods. It is laid down that, persons and entities authorised to collect aid might do so by means of issuing receipts, collecting boxes, bank accounts, printing charity stamps, organising raffles, cultural events, exhibitions, sports events, shows and trips or by means of using systems subjecting information to automatic or electronic operation. Accordingly, donations can be gathered by several means.</p>
United Kingdom	<p>The Fundraising Regulator regulates charitable fundraising by registered charities in England, Wales and Northern Ireland and other bodies with some charitable and public benefit objects. As a non-statutory regulator, it can also register commercial bodies that work under contract to charities to help them raise funds and it also regulates crowdfunding platforms. It sets and administers a voluntary code of conduct for charitable fundraising, including online fundraising. Its ability to sanction for breaches of the code are limited and its ultimate form of redress is to report a charity to the Charity Commission for England and Wales (CCEW) or Northern Ireland (CCNI) or the Police (for alleged/suspected criminal conduct etc). The online platforms would be required to comply with UK law relating to AML/CFT. CCEW and CCNI do not regulate fundraising platforms save for those few which are charitable in law and are registered charities in their own right. Their jurisdictions cover how those organisations spend the charitable funds they hold.</p> <p>The code applies to charitable fundraising in Scotland by charities registered with the Office of the Scottish Charity Regulator (OSCR) and solely operating in Scotland. Concerns about fundraising are considered by the Scottish Fundraising Adjudications Panel. However, if the fundraising in Scotland is carried out by a charity or crowdfunding platform based in England, Wales or Northern Ireland then the Fundraising Regulator will deal with any issued presented.</p> <p>The Financial Conduct Authority also regulates loan-based and investment -based crowdfunding, as well as regulating payment services in connection with donation-based and pre-payment/rewards-based crowdfunding.”</p>
United States	<p>Only certain crowdfunding activities are regulated in the United States. When crowdfunding activities relate to the sale or offer of securities pursuant to Regulation Crowdfunding, crowdfunding platforms (broker-dealers and funding portals) are regulated by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) and must comply with applicable securities laws⁴⁷. Title III of the JumpStart our Business Startup Act (JOBS Act) requires crowdfunding platforms to register with the SEC and comply with specific regulations intended to reduce the risk of fraud.</p> <p>Donation-based crowdfunding is generally unregulated, and crowdfunding platforms do not have obligations under the U.S. Bank Secrecy Act (BSA) to implement AML/CFT processes, as they are not currently included in the U.S. definition of a “financial institution”. However, such platforms do interact with regulated financial institutions, including banks and money services businesses, who process the payments, and these FIs are subject to AML/CFT requirements under the BSA. Most large crowdfunding platforms nonetheless implement fairly robust internal controls; however, these are more aimed at preventing fraud than countering potential ML or TF activity.</p> <p>U.S. competent authorities have visibility into transactions related to crowdfunding via the financial institutions that process the transactions.</p>

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SEC (2016), Final Rule: Crowdfunding, www.sec.gov/rules/final/2015/33-9974.pdf



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Crowdfunding for Terrorism Financing

This report analyses how terrorists have exploited fundraising platforms and crowdfunding activities on social media to seek funding for their terrorist cause from a global audience. It identifies and explores the four main ways in which terrorists misuse crowdfunding platforms. It highlights challenges, good practices and risk indicators to help public and private sector entities identify potential attempts at terrorist financing using crowdfunding.

