

COUNTERING THE FINANCING OF TERRORISM SEMINAR:

“Building Capacity and Understanding the Obstacles”



The CCFT Seminar Opening Remarks at Suntec Convention Center, Singapore

5 March 2009

Singapore



The annual one-day seminar on Countering the Financing of Terrorism (CFT) was co-hosted by the Association of Banks in Singapore (ABS), Commercial Affairs Department (CAD), and S. Rajaratnam School of International Studies (RSIS), on 5 March 2009. The Association of Banks in Singapore organised the second annual Countering the Financing of Terrorism (CFT) on 5th March 2009. The seminar which was supported by Consortium on Countering the Financing of Terrorism (CCFT) drew more than 320 invitees and delegates representing law enforcement agencies, other government agencies, financial regulatory body, financial sector, foreign dignitaries and academia. Themed as Building Capacity and Understanding the Obstacles, and following the path paved by the inaugural CCFT consortium last year, this seminar aimed to continue heightening awareness and to draw participation for all sectors at risk to contribute to this cause.

The endorsement by the Ministry of Home Affairs Singapore, the ABS and RSIS, demonstrated the support and serious intention to build strong partnership between the public and private sectors in this regard in the need to build capacity to fight against terrorist financing. As mentioned during the seminar, CCFT who has been successfully initiated series of workshops in several countries shall also organize at least 2 annual CFT workshops in Singapore in 2009 and beyond.

Money and terrorism are closely correlated. As a key factor in terrorist groups' operational and organisational capability, experts believe that as much as US\$ 3 Million is raised by key terrorist groups in Asian region alone monthly. This demonstrates the importance of the role that the financial sector must play in the detection of terrorist financing activities.

Today, the mounting challenge is to ensure that all sectors work together in carrying out proactive investigation. This can be realized through cutting down the conventional silos, sharing information and develop detection measures and resilience for a strong financial system. A strong public-private partnership holds the key to build capacity to fight the threat and that was the theme of the conference this year.



Guests and participants in the Countering of Financing of Terrorism Seminar



Jonathan Larsen delivering his speech

In his welcome remarks, Mr Jonathan Larsen, Vice Chairman of ABS and Country Officer and CEO of CITI, reiterated the key support of ABS to the establishment of the Consortium for Countering the Financing of Terrorism along with the Ministry of Home Affairs and S Rajaratnam School of International Studies (RSIS). With the Consortium, a network of knowledge, capabilities and personal contacts has been developed ensuring stronger relationships between public and private sectors in the Asia Pacific Region. Mr. Larsen also stressed the importance of the CCFT's initiative and emphasized that a global effort involving international organizations, national governments and the private sector is of utmost importance in order to deny opportunities for terrorist and criminal groups.

Elaborating further, Mr Larsen commented that the objective of the Consortium is two fold. First, to provide a greater awareness of the financing of terrorism and terrorist related threats to the financial community. Second, to keep banks and financial institutions updated on events and developments so that vigilance is maintained. Undeniably, financial services play an integral and vital role in the economy. If not adequately

safeguarded, the reputation of established financial institutions could be damaged. In addition, it must be ensured that integration of security measures do not impede business operations. Therefore, finding the right balance between incorporating the appropriate security measures and maintaining operational efficiency and effectiveness for business continuity is the key.

Mr Larsen noted that governments and regulators have to constantly upgrade their own technologies to police and combat crime. Admittedly, it is a challenging and costly process, even more so if not well implemented. For that reason, security agencies and the private sector must work together to come up with meaningful policies, systems and forums to effectively combat crime. After 9/11, government and security agencies around the world mounted major anti-terrorism measures on all fronts. Such events are a reminder that the fight against global terror continues to be the pre-eminent national security in many countries. The Singapore government along with academic and private institutions, like RSIS and ABS, has been in the forefront in raising awareness on anti-money laundering and countering the financing of terrorism. Efforts are made to strengthen practices among member banks and to encourage industry cooperation for greater effectiveness.

Mr Larsen highlighted the importance of the seminar whereby unity within the industry is demonstrated and networking opportunity is presented. On this note, he acknowledged the people who helped put the seminar together as well as the speakers and participants for their valuable contributions.



Jonathan Larsen delivering his speech

The first speaker, **DSP Marc E**, Assistant Director of Operations, Security & Counter Terrorism Division, Singapore Police Force, spoke on security preparedness in light of the Mumbai attacks. DSP Marc said that the attacks in Mumbai in November 2008 are a grim reminder that soft targets continue to be attractive to terrorists. They also show that terrorists continue to adapt their methods and tactics in order to maximize the impact of their operations. While the state and the commercial sector have enhanced security since 2001, the Mumbai attacks demonstrate the need to regularly review Singapore's security and preparedness measures. To this end, the presentation provided tips on key measures that can be taken at before an attack, during one and thereafter.

The second speaker **Professor Rohan Gunaratna**, Head of the International Centre for Political Violence and Terrorism Research (ICPVTR), gave insights on effective counter terrorist financing measures. He shared that terrorist financing is just one of the infrastructure components of a terrorist group. Hence, it is imperative that a robust cooperation between the government and the banking and financial sectors be put in place. Together with ABS, ICPVTR was able to develop indicators that would detect the flow of money to be used in terrorist operations. The familiarization on the movement of money will eventually help in discovering a terrorist attack in the planning, preparation and execution stages.

Elaborating, Professor Gunaratna shared that terrorists source their finances from legitimate and illegitimate businesses, charitable organizations and religious institutions. He shared that before 9/11, the strategy of the banks was to deny suspected terrorists from opening an account, today, it is vital that banks accept suspected subjects.

This is to allow information sharing between the financial industry and security agencies on invaluable intelligence. It is paramount that the government and private sector work together to counter terrorism.

In his conclusion, Professor Gunaratna praised the presence of counter-terrorism policies in some countries. At the same time, he also encouraged countries like Indonesia, to adapt a counter-terrorism framework that will work for them. It is necessary that support infrastructures of terrorist groups are dismantled. As terrorists have moved from hard targets to soft targets, cooperation between and among stakeholders is important.

Following the speakers' remarks, the discussion focused on the issues of sharing information and opening of bank accounts to suspected terrorists. Banks are bound by laws of confidentiality and secrecy therefore a legal system on how feeding of information is done must be established. In addition, a good Know-Your-Customer (KYC) policy is an advantage to assist in the investigation to be done by the Commercial Affairs Department (CAD).

The second item on the agenda was the panel discussion on '**Criminalizing the Financing of Terrorism and Freezing of Assets**'. The panelists were **Ian Wong**, Assistant Director, CAD, SPF; **Andrew Chow**, Nomura Singapore Ltd; **Lam Chee Kin**, Standard Chartered Bank, Singapore; and **Erik Wilgenhof Plante**, Commerzbank, Singapore. The chief theme was to discuss the feasibility of measures like freezing of assets in practical terms and the need for other types of strategic and tactical CFT measures.

Erik Plante kicked off the panel with introductory remarks on the definition of terrorist financing, terrorist financing techniques and a brief history into the financing techniques of Al Qaeda. He described this phenomenon as transactions involving fund or property that are owned and controlled by terrorists or terrorist organizations. Alternatively, transactions which are linked or likely to be used in terrorist activities also come under the purview of terrorist financing.

Quoting the Institute of Defense and Strategic Studies, Mr.Plante stated that the main sources of terrorist financing are individual contributions, charities, legitimate businesses and other criminal activities. Carrying onto describe shell shops and 9/11's funding, Mr.Plante emphasized that the fight against terrorism financing should be risk-based and not rule based. This implied Dr.Rohan Gunaratna's debatable point on the importance of informal exchange of information between bankers and law enforcement.



Erik Wilgenhof Plante, Commerzbank Singapore



The Panelists during the 1st Session

Andrew Chong from Nomura Singapore Ltd then took up the discussion and introduced the topic of training staff. The question posed was how to train staff and use case studies to try build up a certain standard for all banks.

Lam Chee Kin of Standard Chartered, Singapore then suggested that technology was the key to training bank staff. Finally Ian Wong, the moderator of the session spoke about the Singapore case in brief. He mentioned that the Commercial Affairs Department (CAD) in Singapore wants to be increasingly involved with the AML and CFT regulation regime in Singapore. The CAD has even set up a hotline in this respect.



Breakout Session I

The 1st Breakout Session was conducted by **Gunawan Husin** of the Royal Bank of Scotland and **Lam Leong Yip**, Deutsche Bank, Singapore. This was something new that was introduced to the participants to engage them as much as possible. The key objective was to gain proper understanding of terrorist financing concept itself, the suspicious financial indicators on terrorist financing and the importance of domestic and international cooperation in dealing with the problem.

The participants were given an overview of the exercise and divided into three teams –banks, financial intelligence units and law enforcement agencies. Each team was given series of scenario that basically should point them into the end objective. The scenario plot is to identify a terrorist financier that abused a charity organization and a furniture shop. The terrorist financier also had ties with other terrorist personnel as well as overseas affiliates.

During the interactive sessions, the participants were also given the opportunity to role play as according to their “new identity” and share information among the different agencies. Several confusions were found during the session, as to the key role of financial intelligence unit and law enforcement agency, but in the end, it was deemed as an interesting event that maximized the CFT understanding process.

In the 2nd Breakout Session, **Mr Hamidul Haq** from Rajah and Tann shared on Singapore’s legislations and regulations with regards to Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT). The points he discussed were principal to the work being done by the law enforcers as well as bankers in the line of AML and CFT.

He mentioned that Singapore’s AML legal approach is premised on four pillars namely find, freeze, forfeit and criminalize. While domestic offences are under a criminal procedure code, foreign and some domestic offences are covered by the Corruption, Drug Trafficking and Other Serious Crimes Act (CDSA). CDSA mandated Singapore authorities to combat money laundering and confiscate property and proceeds derived or arising from drug trafficking and serious criminal conduct. Also noted in the act are provisions on the duties by financial institutions on keeping of records and filing of Suspicious Transaction Reports (STRs).

Mr Haq also discussed the Mutual Assistance in Criminal Matters Act (MACMA), which provided grounds for denying cooperation, the procedure for executing requests, and the types of assistance available, including production orders. MACMA contained details on mutual legal assistance regarding proceeds of crime. Furthermore, he examined the legalities behind requests made by a foreign country to Singapore for assistance. He also outlined the implications when there is failure to cooperate with the law.

He mentioned possible offences on the dangers of non-compliance as well as tipping off. In his conclusion, Mr Haq highlighted the underlying principles behind the mandates by the Monetary Authority of Singapore (MAS) concerning AML and CFT. First, a bank must conduct its business conformity with high ethical standards and guard against undertaking any transaction that is or may be connected with or may facilitate money laundering of terrorist financing. Second, banks should assist and cooperate with the relevant law enforcement agencies in Singapore in preventing money laundering and terrorist financing.

During the discussion, **Ms Fairlen Ooi**, Vice President, Compliance Department of UOB Group joined the panel. She informed the seminar participants that interaction between bankers and law enforcers involves close communication. Both speakers agreed that banks must be familiar with local and international legislation. This is to ensure that the business complies with the procedure. Meanwhile, the cost of facilitating



Breakout Session II

The last session of the day saw an interesting presentation by **John Solomon** of World Check.

The theme of his presentation was New Value Transfer Methods Used and Misused by Terrorists e.g. Second Life, Virtual Currency and Mobile Banking.

John Solomon started his presentation with an overview of the non regulated sector and the vulnerabilities posed by it. Charities, casinos, virtual currencies fall under the purview of this sector.



John Solomon from World-Check delivering his talk

investigation is assumed by the bank. Mr Haq advised ABS to present the case to Ministry of Home Affairs (MHA) and lobby for assistance with regards to financial investigations.

Defining virtual currencies as encrypted codes created to represent real money for electronic transaction, he went on to explain these with examples of Linden dollar in the virtual world called Second Life, Q coins and E Gold. The next section of his talk focused on Mobile Banking. With increased globalization and migration, global remittances have increased from 113 to 255 billion USD. Although mobile banking holds a vast potential for poor people across the globe, the risks of mobile banking need to be acknowledged and mitigated.

Along with the increase in mobile banking, the use of the virtual world and virtual currencies are also projected to increase to a staggering 1 billion users by 2017. Platforms like Second Life, World of Warcraft as well as social networking sites like Facebook, Friendster and MySpace are expected to experience surging popularity.

Lack of regulation in these sectors has led to increased risk concerns among governments worldwide. And the key to solving these issues is the framing and implementation of sophisticated legislation.



Yvette Cheak delivering the Closing Remarks

In her closing remarks, **Yvette Cheak** of ABS reiterated the need to build a support and cooperation infrastructure to fight terrorist financing. It is therefore critical for governments, regulators, financial industry, institutions and individuals to remain vigilant.



Group Picture with the Speakers and Participants



Participant during the Conference



Venuue of the Conference

0900 **WELCOME REMARKS**

Jonathan Larsen, Vice Chairman, ABS/Citi Country Officer and Chief Executive Officer, Citibank Singapore

0915 **THE REALITIES OF TERRORISM & IT'S IMPACT**

- **Recent Mumbai Attack- DSP Marc E**, Assistant Director of Operations, Security & Counter Terrorism Division, Singapore Police Force
- **Countering Financing of Terrorism: Need for Effective Counter Measures-** Professor Rohan Gunaratna, Head, International Centre for Political Violence and Terrorism Research, Singapore
- **Question and Answer Session-** Moderator- Yvette Cheak, Chairman, BNP Paribas, Singapore

1030 Tea Break

1115 **PANEL DISCUSSION: CRIMINALIZING THE FINANCING OF TERRORISM & FREEZING OF ASSETS**

- Andrew Chow, Head, Legal and Compliance, Nomura, Singapore Ltd
- Lam Chee Kin, Global Head, Wholesale Bank Compliance, Standard Chartered Bank, Singapore
- Erik Wilgenhof Plante, Senior Compliance Officer, Commerzbank AG, Singapore

1215 Lunch

1345 **BREAKOUT SESSIONS**

- **Financial Investigations-** facilitated by Gunawan Husin, Head of BCM SE Asia, Royal Bank of Scotland,

Singapore and Lam Leong Yip, Head of Private Wealth Management Compliance, Deutsche Bank, Singapore

- **Freezing of Assets Across Borders- The Law & Its Implications-** facilitated by Jane Foo, Compliance and Control Director, Citibank Singapore

Panelists: Hamidul Haq, Rajah and Tann and Fairlen Ooi, UOB Group, Singapore

1545 Tea Break

1630 **TALK**

- **New Value Transfer Methods Misused by Terrorist Groups and Vulnerabilities of the Non-Regulated Sector-** John Solomon, Head of Terrorism Research, World Check Terrorism and Insurgency Unit

1715 **CLOSING REMARKS-**

- **Yvette Cheak**, Chair, ABS Standing Committee on Self-Governance and Compliance/MD & Head, Group Ethics & Compliance, BNP Paribas, Singapore

1730 End of Seminar

Rapporteurs:

Sujoyini Mandal and Ava Patricia C. Avila

The S. Rajaratnam School of International Studies (RSIS) was established in January 2007 as an autonomous School within the Nanyang Technological University. RSIS' mission is to be a leading research and international affairs in the Asia Pacific. To accomplish this mission, it will:

- Provide a rigorous professional graduate education with a strong practical emphasis,
- Conduct policy-relevant research in defence, national security, international relations, strategic studies and diplomacy,
- Build a global network of like-minded professional schools.

Graduate Training in International Affairs

RSIS offers graduate education in international affairs, taught by an international faculty of leading thinkers and practitioners. The Master of Science (MSc) degree programmes in Strategic Studies, International Relations, and International Political Economy are distinguished by their focus on the Asia Pacific, the professional practice of international affairs, and the cultivation of academic depth. About 130 students, the majority from abroad are enrolled in these programmes. A small select Ph.D. programme caters to advanced students whose interests match those of specific faculty members.

Research

RSIS research is conducted by five components: the Institute of Defence and Strategic Studies which is RSIS' predecessor (IDSS, 1996), the International Centre for Political Violence and Terrorism Research (ICPVTR, 2004), the Centre of Excellence for National Security (CENS, 2006), the Centre for the Advanced Study of Regionalism and Multilateralism (CASRM, 2007), and the Consortium of Non-Traditional Security Studies in Asia (NTS-Asia, 2007). The focus of research is on issues relating to the security and stability of the Asia-Pacific region and their implications for Singapore and other countries in the region. RSIS also has the S. Rajaratnam Professorship in Strategic Studies, which brings distinguished scholars and practitioners to participate in the work of the school.

International Collaboration

Collaboration with other professional schools of international affairs to form a global network of excellence is an RSIS priority. RSIS will initiate links with other like-minded schools so as to enrich its research and teaching activities as well as adopt the best practices of successful schools.

The **International Centre for Political Violence and Terrorism Research (ICPVTR)** is a specialist centre within RSIS. The Centre seeks to integrate academic theory with practical knowledge, which is essential for complete and comprehensive understanding of threats from politically motivated groups. Its research staff comprises functional and regional analysts from South Asia, Southeast Asia, Northeast Asia, Oceania, Africa, Europe, North America and the Middle East. They are drawn from academia and from government agencies and also include Muslim religious scholars. The Centre seeks to maintain its unique cultural and linguistic diversity. More than fifty percent of ICPVTR staff is Muslim.

Mission

ICPVTR conducts research, training and outreach programmes aimed at reducing the threat of politically motivated violence and at mitigating its effects on the international system.

Core Objectives

- To conduct sustained research and analysis of terrorist, guerilla, militia and extremist political groups and their support bases. To this end, the Centre collects and analyses literature seeking to politicize, radicalize and mobilize the public into supporting extremism and participating in violence.
- To identify the strengths and weaknesses of international, state and societal responses in managing the threat of political violence.
- To provide high quality instruction and training for officials and future leaders engaged in combating terrorism and other forms of political violence.
- To advise government and inform societies affected by political violence on how best to manage the current and evolving threat.

Core Projects

A. Database

The ICPVTR terrorism database – the Global Pathfinder - is a one-stop repository for information on current and emerging threats. The database consists of profiles of terrorists and terrorist groups, significant incidents, as well as profiles of training camps and individuals and institutions involved in terrorist financing. It also hosts primary and secondary documents including original documents collected from Afghanistan, Iraq, Iran, Bosnia, Kashmir, Sri Lanka, Indonesia, Thailand and the Philippines amongst others. Our special collection includes more than 250 videos recovered from Al-Qaeda training camps in Afghanistan, videos and training manuals from various conflict zones and over 400 jihadi websites.

B. Capacity Building

In addition to teaching courses at the Masters level, ICPVTR threat specialists conduct various levels of specialized courses for Singaporean and foreign law enforcement personnel from agencies like the military and police forces. The ICPVTR capacity building programme is geared towards providing world-class education and training for serving and future leaders in counter-terrorism.

C. Strategic Counter-Terrorism Projects

ICPVTR's strategic counter-terrorism projects include ideological, legislative, educational, financial, media, informatics and developmental initiatives. These strategic projects seek to create an environment hostile to terrorist groups and unfriendly to their supporters and sympathisers. ICPVTR seeks to build a norm and an ethic against politically motivated violence, especially terrorism.

As terrorists and extremists emerge from the community in which they live, the ICPVTR popularized the phrase “Communities Defeat Terrorism” in Singapore. Our staff actively participates in the work of the Religious Rehabilitation Group (RRG), which is engaged in counseling and rehabilitation of Jemaah Islamiyah detainees in Singapore. The RRG also reaches out to the community to promote the value of religious tolerance in Singapore.

Similarly, ICPVTR pioneered the concept of engaging the financial sector and law enforcement agencies to deny terrorist groups access to the financial sector. In collaboration with the Association of Banks in Singapore, ICPVTR works to develop indicators and best practices in countering the financing of terrorism.