

Tracking the terrorist money trail



Arabinda Acharya of the Singapore-based International Center for Political Violence and Terrorism Research discusses the significance of financing in a terror group's activities.

By **DAVID DIZON**
abs-cbnNEWS.com

How do banks find out if their clients are financing terrorists?

Gunawan Husin, head of the business community and management department of the Royal Bank of Scotland, posed this question to local law enforcement officers, including officials from the Anti-Money Laundering Council, in an anti-terrorism workshop Tuesday in Quezon City.

Husin, whose organization is a member of the Consortium for Countering the Financing of Terrorism (CCFT), said gone are the days when financial institutions could focus merely on making a profit without assessing the possible risks of becoming bankers of terrorist groups.

He said that despite stringent measures in financial and security areas, formal banking systems continue to be misused by terror-linked groups to raise and move funds to operational cells, which in turn are used for terror attacks.

"The financial sector is the first line of defense against terrorists. Since terrorists cannot thrive without money, it is important to strengthen our line of defense here even before the terrorist act is committed," he said.

Husin said law enforcement officials should focus less on the amounts being moved by the shell companies and more on how the money is being used to continue terrorist activities.

A report by the United Nations Monitoring Group in 2004 reveals that aside from the September 11 terror attacks, many terrorist attacks in the past did not require significant amounts of money to carry through.

Terrorist Attacks	Date	Estimated Operational Costs
London Bombings	7 July 2005	£7,240
Madrid Train Bombings	11 March 2004	\$10,000
Istanbul truck bomb attacks	15 and 20 November 2003	\$40,000
Jakarta JW Marriot Hotel Bombing	5 August 2003	\$30,000
Bali bombings	12-Oct-02	\$50,000
World Trade Center/Pentagon USA	11 September 2001	\$303,672-\$500,000
USS Cole Attack, Yemen	12 October 2000	\$10,000
East Africa Embassy bombings	7 August 1998	\$50,000

"This only shows that terrorists don't have to have large amounts of cash to push through with their plans. It is these small, incremental amounts being coursed through nonprofit groups and charities that should be monitored especially if they are already being used for terrorist activities," he said.

John Solomon, head of World-Check Asia's terrorism and insurgency research unit, said misuse of charities for financing terrorists is something already known to financial communities around the world. After all, charities are easy to form, have access to substantial funds, could be cash intensive, enjoy public trust and have legitimate reasons to operate in areas of conflict where terror groups roam.



Participants of the International Workshop on Countering the Financing of Terrorism in Quezon City.

He said banks should do their homework and know their clients better to find out if they have direct or even indirect links to terror groups.

"You have to follow the people involved and not the shell companies because it's easy to change the names of the front organizations. Know-your-customer terrorism intel is the bedrock of countering terrorist financing," he said.

Husin said jihadist groups could infiltrate a charity organization by placing a member as a key financier of the charity. He said some nonprofit groups even connive with corrupt bank officers or government officials to bring the money to the terrorist organization.

Tell-tale signs

Husin said there are several tell-tale signs on whether a charity organization's account could be used to finance terror groups. These include:

- An account opened in the name of a legal entity that is involved in the activities of an association or foundation whose aims are related to the claims or demands of a terrorist organization
- Account opened in the name of a foundation or an association, which contain sub-accounts in multiple currencies
- Account opened in the name of a foundation or an association with additional request for corporate ATMs and credit card account
- High asset value of a foundation or an association does not correspond to the charity's information, as declared during account opening

He said the transaction profile of the account holder is also important including mixing of cash deposits and monetary instruments that do not appear to have any relation to the normal use of the account. He said large and frequent cash withdrawals and deposits made from and to a foundation's business account is also suspicious.

He also pointed out that multiple accounts structure for a foundation or association is illogical.

"Heavier suspicion should be made if withdrawals and deposits are often made through different accounts, rather than one principal charity account. It is also suspicious when there are frequent internal transfers made between the accounts," he said.

He said use of wire transfers is also suspicious especially when a charity uses multiple accounts to collect and then funnel funds immediately to a small number of beneficiaries.

He said other tell-tale signs include sending or receiving funds by international transfers from and to locations of specific concern and transfers made to other banks without indication of the full name of beneficiary.

Finally, he said unusual or drastic shifts in financial flow of a charity organisation based in a country suspected of providing covers for terrorist financing or a charity organization dealing with location of concern, may provide warning signs of impending attacks

Individual accounts

For individual accounts, he said a client could also be considered as a terror financier if he refuses to provide information required to open the account and even attempts to reduce the level of information provided to the minimum, or provides information that is misleading or difficult to verify.

Husin said some individual accounts of terror supporters have unexplained inconsistencies arising from the process of identifying or verifying the customer including previous or current

country of residence, country of issue of the passport, countries visited according to the passport, and documents furnished to confirm name, address and date of birth.

He said another red flag is when a client requests to open multiple accounts at a single bank with no apparent legitimate purpose. He said this is even more suspicious if the accounts have multiple individuals with signing authority, where these individuals have no relation among each other, either family or business.

Other warning signs include:

- High asset value of a client which is not compatible with client's personal / business information
- Accounts that receive relevant periodical deposits and are dormant at other periods
- Closing of an account followed by opening of new accounts in the same name or by the name of the client's family member
- Account profile is illogical, if an individual possesses numerous accounts with frequent internal transfers between these accounts
- Closing of an account or group of accounts linked to similar terror group, followed by transfers of all funds into related beneficiary owner, may suggest that a suicide operation is imminent.

Husin said banks should also check if an individual account carries out multiple transactions on the same day at the same branch but with an apparent attempt to use different tellers.

He said some terror supporters deposit or withdraw cash in amounts which fall consistently just below identification or reporting thresholds, but in aggregate are not commensurate with the declared income of the customer. Some even present uncounted funds and then reduce the amount just below a threshold, so as not to trigger reporting or identification requirements.

Moving out of banks

Arabinda Acharya, a manager of the Singapore-based International Center for Political Violence and Terrorism Research, said 50 percent of terrorist financing in Southeast Asia now comes from individual donations including zakat (alms) after governments tightened bank controls.

Acharya said some jihadist groups have moved their funds out from banks and invested them in stocks, gems, real estate, insurance and other financial instruments.

"We learned that Islamic militants in India were speculating in stocks and those in Africa were buying diamonds and other gem stones," he said.

He said al Qaeda-linked Abu Sayyaf Group was forced to go into kidnapping and extortion because the money it was getting from foreign and local donors was not enough to finance bombings. Citing a classified Philippine National Police report, Acharya said the Abu Sayyaf abandoned a plot in 2006 to blow up targets in Manila as well as build a chemical plant in the south because its funds from abroad were drying up.

Chief Superintendent Rodolfo Mendoza said the Abu Sayyaf collected an estimated US\$31 million (1.4 billion pesos) from ransom payments and an unspecified amount from extortion between 1992 to 2007.

He added that the group also raised about 20 million pesos (\$439,500) from zakat in the southern Philippines alone.

"Zakat has contributed a lot in the continuity of the struggle of the Abu Sayyaf," Mendoza said, adding the rebels had been using the Internet by showing Muslims' struggle in the south to gain more donations from people and groups abroad. **With Reuters**