

Terrorism Funding

Yesterday's and Today's Realities

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Period : 1970's to 1990's

Europe & Middle East

Source: Mainly USSR - Libya and Iran

- Money Transfers - directly and/or via Bulgaria to Italy - West Germany - France - Spain - UK - Ireland

Urgent Needs : Cash via Diplomatic Pouch

- *Recipients:*
 - Baader-Meinhof (RAF)
 - Brigate Rosse (Red Brigades)
 - Prima Linea Potere Operaio
 - Action Directe IRA ETA
 - PFLP PLO Amal (Hezbollah)

- Usually via National Communist Newspapers:
 - l'Unita - l'Humanite - The Morning Star*

Period: 1970's to 1990's Europe & Middle East (2)

- Other "Financing" Sources *Homemade Approaches*
 - Bank Hold-Ups Kidnappings (Ransom)
 - Link with Local Organized Crime (Prostitution - Pornography)
 - Exchange of "Favors" i.e. Forged Documents Safe Houses
 - Counterfeiting of Luxury Goods and Pharmaceuticals ***(No Narcotics)***
- N.B. In the Last 5 Years the Price of Counterfeit Luxury Goods has **Dropped 15-18%**
- Counterfeiting of Currencies
- Smuggling of Cigarettes

Extreme 'Confusion' Created by All the Different Names Used by Terrorist Groups

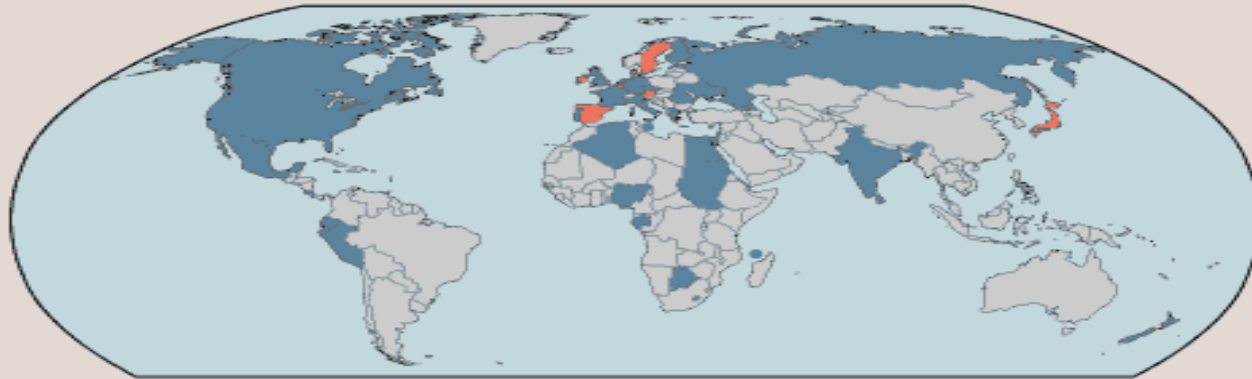
In the 70's and 80's - in Italy alone - 500 Different Names were Used by the Various Terrorist Groups (Red Brigades, Potere Operaio, etc.)

- Fortunately the Italian Communist Party Kept a Very Detailed Chronological Report of All '**Incidents**'
- **Result : 500 Different Abbreviations** (see *Ugo Pecchioli's Study*)
- **Today's Situation is Not Different - Complete Confusion**
 - Al Qaeda - Boko Haram - ISIL (L for Levant) - ISIS - QGIS
Al Dawlah - AQI - IS - ISI - JTJ - Mujahideen Shura - Al Shabaah

World-Wide Franchising - is the Name of the Game

9/11 Forced Drastic Changes - 1st Step

Appendix D
Signatories to the International Convention for the Suppression of Terrorist Financing



North America

Canada
United States

Latin America

Costa Rica
Ecuador
Mexico
Peru

Africa and the Middle East

Algeria
Botswana¹
Comoros
Egypt
Gabon
Israel
Lesotho
Nigeria
Sudan

Europe and Eurasia

Czech Republic
Estonia
Finland
France
Georgia
Germany
Greece
Italy
Macedonia, The
Former Yugoslav
Republic of
Malta
Netherlands
Portugal
Romania
Russia
San Marino
Ukraine
United Kingdom

Austria
Belgium
Denmark
Ireland
Luxembourg
Spain
Sweden

Asia/Oceania

India
New Zealand
Sri Lanka¹
Japan

■ States that have signed and/or ratified
■ EU and G-8 states that have NOT signed and/or ratified
¹Signed and ratified.

Terrorist Demand and Required Funds

- Direct Operational Costs of Terrorist Attacks (Estimates)

| <i>Attack</i> | <i>Date</i> | <i>Cost</i> |
|-------------------------------|--------------------|--------------|
| London Transport System | July 7, 2005 | GBP 8,000 |
| Madrid Train Bombings | March 11, 2004 | US\$ 10, 000 |
| Istambul Truck Bomb Attacks | Nov. 15 & 20, 2003 | US\$ 40,000 |
| Jakarta Marriot Hotel Bombing | August 5, 2003 | US\$ 30,000 |
| Bali Bombings | October 12, 2002 | US\$ 50,000 |
| USS Cole Attack | October 12, 2000 | US\$ 10,000 |
| East Africa Embassy Bombings | August 7, 1998 | US\$ 50,000 |
| 9/11 | September 11, 2001 | US\$ 500,000 |

Terrorist Demand and Required Funds - 2

- Salaries - Subsistence and Communications
Day-to-Day Expenses, including Dependents - Communications with Parent Network
- Training - Travel and Logistics
Important Investment - Ideological Indoctrination and Practical Skills - Procurement of False Documentation - Even when "Home Grown" are Used, Need to Interface Prior to Operational Phase
- Shared Funding
When Cell Part of Network (Common Goal or Ideological, Religious Links with Other Cell or Network)

Terrorist Demand and Required Funds - 3

- Charities
 - Diversion/Fraud within Legitimate Charities
 - Sham Charities
 - Charities Pass Funds to Organization(s) Engaged in Terrorism
 - Legitimate Business - Diversions of Funds from Legitimate Business
- Raising Funds from Criminal Proceeds
 - Drug Trafficking
 - Exchange of Narcotics for Weaponry
 - Extortion of Money from Drug Traffickers
 - Credit Card Fraud - Stolen Card Details Purchased Online
 - Cheque Fraud
 - Extortion of Commercial Organizations
 - Multiple Types of Criminal Activities

Terrorist Demand and Required Funds - 4

- The Role of Safe and Tax Havens - Failed States and State Sponsors - State Sponsorship by Taliban in Afghanistan

Moving Terrorist Funds

- Formal Financial Sector
 - Use MVT (Money and Value Transfer)
 - Wire Transfer - Moving Money Across Borders
 - Trade Sector - to Move Funds
 - Cash Couriers
 - Use of Gold to Move Value (Aghanistan)
 - Use of Alternative Remittance Systems (ARS)
 - Use of Charities and Non-Profit Organizations - Charities Embedded in Terrorist Finance Laundering Network

International Response to Terrorist Financing

- Logic of Disrupting Terrorist Finance
 - Damages Morale, Leadership and Legitimacy
 - Forces Group(s) to Shift Activity into More Vulnerable Areas
 - Reduces and/or Limits: Propaganda, Recruitment, Facilitation of Attacks
- Preventing Terrorists from Raising, Moving and Using Funds
 - Detecting Terrorist Involvement in Legitimate Financial Activities
Requiring Financial Institutions to Implement FATF Standards
("Know Your Customer")
 - Customer Due Diligence (CDD) Policies and Procedures
- Targeted Financial Sanctions
 - Develop and Implement Targeted Sanctions (Identify, Freeze Assets, Prohibit Making Funds Available)

International Response to Terrorism Financing - 2

- Protecting Vulnerable Sectors
 - Formal Financial Sector
 - Charitable Sector
 - Cash Couriers
- Suspicious Transaction Reporting
 - Most Frequently Reported Suspicious Activity
 - * Unusual Business Activity
 - * Unable to Ascertain Source of Funds
 - * Multiple Deposits at Different Branches
 - * Third Party Deposits in US\$ Cash
 - * Wire Transfers Following Cash Deposits
 - * Wires to Specific Location/Account on Regular Basis
 - * Large Cash Deposits

International Response To Terrorism Financing - 3

- Financial Information - *Most Powerful Investigative and Intelligence Tools*
 - Key Intelligence Role for Law Enforcement :
 - * ***Looking Backward*** - Financial Investigation Following Terrorist Acts
 - Analyzing Preparations for Terrorist Attack
 - * ***Looking Sideways*** - The Role of Financial Intelligence in Counter-Terrorism Enquiries
 - Financial Investigation Jump-Starts Post-Attack Enquiry
 - Tactical Intelligence Sharing as Basis for Financial Investigation
 - * ***Looking Forward*** - Identifying Indicators of Future Attacks
 - Travel Patterns - Small Items - Multiple Transactions
 - Suspect's Financial Affairs Deliberately Structured to Hide Audit Trail

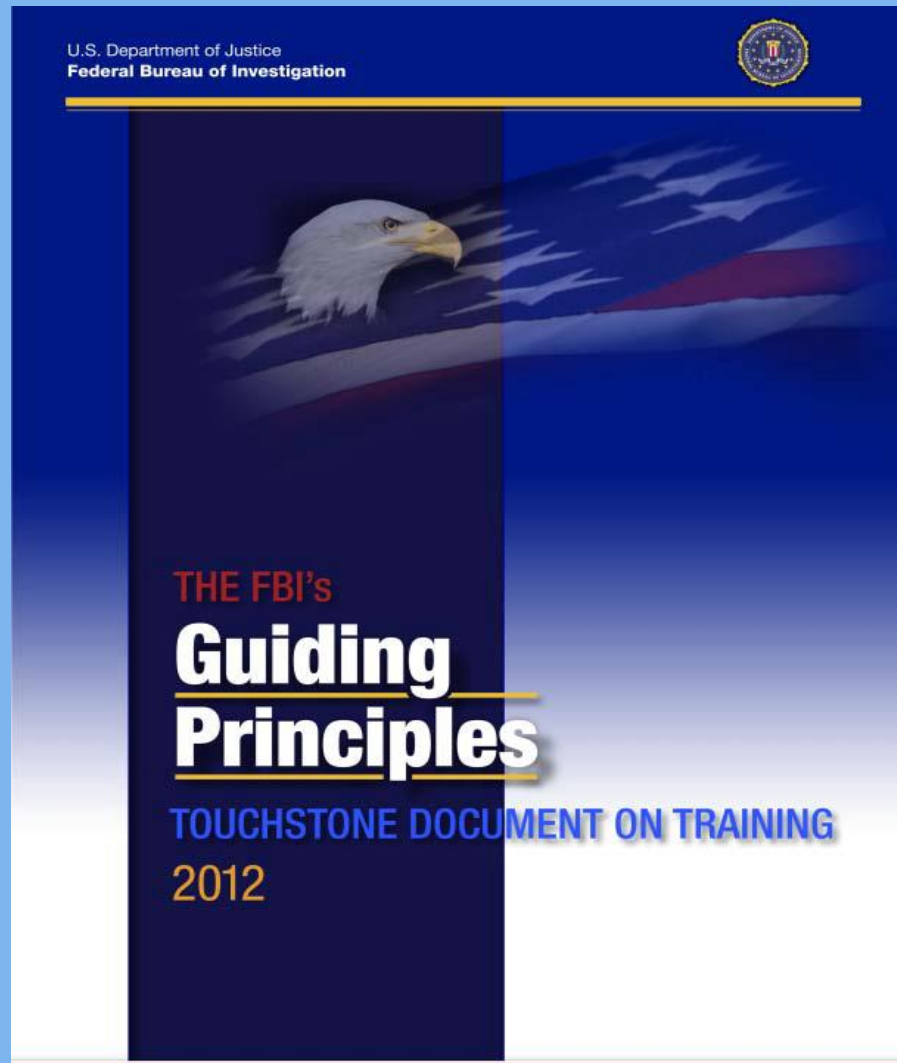
Case of ***Bank of Credit and Commerce International - BCCI***

- BCCI - Luxemburg-based Bank - Operated in 78 Countries, 400 Branches
- Founded by Pakistani Banker *Agha Hassan Abedi*
- BCCI - Did Business with Former Iraqi Dictator Saddam Hussein -
Palestinian Terrorist Abu Nidal - Pakistani Terror Group Mujahideen -
Osama bin Laden - Manuel Noriega - CIA (Contras)
- BCCI's Founder was Interested in More than Enriching its Clients
- His Goals Included to "*Fight the Evil Influence of the West*" and
"*Finance Muslim Terrorist Organizations*"
- In the 1980's Came Under Scrutiny by Numerous Financial Regulators and
Intelligence Agencies
- July 5, 1991 Customs and Bank Regulators in 7 Countries Raided and
Locked Down Records of Its Branch Offices

Bank of Credit and Commerce International - 2

- 1986 US Customs Undercover Operation (SA Robert Mazur) Infiltrated the Bank's Private Client Division - Uncovered Active Role Soliciting Deposits from Drug Traffickers and Money Launderers
- 1988 Undercover Operation Concluded with Fake Wedding - Attended by BCCI Officers and Drug Dealers who had Established Working Relationships with Mazur - Relationship with the Hierarchy of Medellin Cartel (Laundering Drug Proceeds)
- The *Sandstorm Report* - June 24, 1991- Showed BCCI Engaged in Widespread Fraud and Manipulation that Made it Difficult, if Not Impossible to Reconstruct BCCI's Financial History

US Government Purges Law Enforcement Training Material Deemed "*Offensive*"



US Government Purges Law Enforcement Training Material Deemed "*Offensive*" - 2

- Documentation and Analysis of Islamist Active Measures and Influence Operations Targeting Anti-Terrorism Training
 - The Terms "*Active Measures*" and "*Influence Operations*" were Used by the Soviet Union to Describe **Covert** and **Deceptive** Activities carried out in Support of its Foreign Policy Objectives
 - Applying Soviet-era Terminology to Islamists - Parallel can be Drawn between the Communist International (COMINTERN) and the International Department of the Soviet Communist Party Central Committee to that of the Organization of Islamic Cooperation (OIC) and the Muslim Brotherhood (MB)
 - It is Important to differentiate the OIC and MB as Ideological, Intergovernmental Organizations with Political and Sociological Objectives

US Government Puges Law Enforcement Training Material Deemed "*Offensive*" - 3

- Identification of "*Offensive*" Training Material
 - FBI Purged 876 Pages and 392 Presentations
 - Reasons Given :
 - * Articles Highly Inflammatory and Inaccurately Argues the Muslim Brotherhood is a Terrorist Organization
 - * Al Qaeda is Responsible for the Bombing of the Khobar Towers
 - * The Overall Tenor of Presentations is too Informal in the Current Political Context
 - * The Qur'an is Not the Teachings of the Prophet, but the Revealed Word of God
 - * Remove References to Mosques Specifically as a Radicalization Incubator
 - * Those who Fit the Terrorist Profile Best are Young Male Immigrants of Middle Eastern Appearance

Adopted Modus Operandi

Tracking the Money Trail

- Shortly after 9/11, the FBI Established the **Terrorist Financing Operations Section** (TFOS) with Following Responsibilities:
 - Following the Money - Providing Financial Expertise on Terrorism Investigations
 - Centralizing Efforts to Identify Extremists
 - Shut Down Terrorism Financing in Specific Cases
- TFOS and Investigators from **103 Joint Terrorism Task** Forces around the Country are Able to Apply Certain Financial Investigative Techniques
 - Credit History Checks - Reviews of Banking Activities - Government Database Inquiries, etc.
- In Addition to Working with FBI Field Offices - TFOS Experienced Agents, Intelligence Analysts, Forensic Accountants Handle Critical Outreach Duties

