

EXECUTIVE SUMMARY

Terrorist organisations vary widely, ranging from large, state-like organisations to small, decentralised and self-directed networks. Terrorists financing requirements reflect this diversity, varying greatly between organisations. Financing is required not just to fund specific terrorist operations, but to meet the broader organisational costs of developing and maintaining a terrorist organisation and to create an enabling environment necessary to sustain their activities.

The direct costs of mounting individual attacks have been low relative to the damage they can yield. However, maintaining a terrorist network, or a specific cell, to provide for recruitment, planning, and procurement between attacks represents a significant drain on resources. A significant infrastructure is required to sustain international terrorist networks and promote their goals over time. Organisations require significant funds to create and maintain an infrastructure of organisational support, to sustain an ideology of terrorism through propaganda, and to finance the ostensibly legitimate activities needed to provide a veil of legitimacy for terrorist organisations.

Terrorists have shown adaptability and opportunism in meeting their funding requirements. Terrorist organisations raise funding from legitimate sources, including the abuse of charitable entities or legitimate businesses or self-financing by the terrorists themselves. Terrorists also derive funding from a variety of criminal activities ranging in scale and sophistication from low-level crime to organised fraud or narcotics smuggling, or from state sponsors and activities in failed states and other safe havens.

Terrorists use a wide variety of methods to move money within and between organisations, including the financial sector, the physical movement of cash by couriers, and the movement of goods through the trade system. Charities and alternative remittance systems have also been used to disguise terrorist movement of funds. The adaptability and opportunism shown by terrorist organisations suggests that all the methods that exist to move money around the globe are to some extent at risk.

Disrupting funding flows creates a hostile environment for terrorism, constraining overall capabilities of terrorists and helping frustrate their ability to execute attacks. Disrupting terrorist financing involves both systemic safeguards, which protect the financial system from criminal abuse, and targeted economic sanctions informed by counter-terrorism intelligence. The study highlights the links between financial tools and wider counter-terrorist activity: the effectiveness of authorities at both detecting and investigating terrorist activity is significantly enhanced when counter-terrorist intelligence and financial information are used together.

Looking ahead the study identifies four areas which could be the focus of efforts to further strengthen counter-terrorist financing efforts: (1) action to address *jurisdictional issues* including safe havens and failed states, (2) *outreach to the private sector* to ensure the availability of information to detect terrorist financing, (3) *building a better understanding* across public and private sectors and (4) *enhanced financial intelligence* to exploit the value of financial investigation as a tool in fighting terrorism.

Case study: Alternative remittance system used for terrorist financing

An African national, residing in Africa, held an account with a bank in European Country B. This account had been credited with significant sums transferred from companies that had their registered offices mostly in Western Europe. Shortly afterwards the client issued an order to transfer a large sum in favour of a company in the Middle East which held an account with a bank located there.

Analysis by the FIU revealed the following elements:

- According to police information, it appeared that the beneficiary bank, located in the Middle East, was suspected of maintaining financial links with a terrorist group.
- According to the security services in Country B, this bank had collaborated with another bank in making transfers of funds on behalf of hawala operators. This latter bank was suspected of having links with an organisation with ties to a terrorist group.
- Analysis further revealed that the account of the African national, who had no known connections with Country B, was being used as a transit account for large funds transfers originating primarily with a European company involved in the sale of chemical products and destined for a company in the Middle East. There was no apparent reason why operations should be performed via an account in country B.

Source: Belgium.

Use of Charities and Non-Profit Organisations

Charities are attractive to terrorist networks as a means to move funds. Many thousands of legitimate charitable organisations exist all over the world that serve the interests of all societies, and often transmit funds to and from highly distressed parts of the globe. Terrorist abuses of the charitable sector have included using legitimate transactions to disguise terrorist cash travelling to the same destination; and broad exploitation of the charitable sector by charities affiliated with terrorist organisations. The sheer volume of funds and other assets held by the charitable sector means that the diversion of even a very small percentage of these funds to support terrorism constitutes a grave problem.

Case study: Use of non-profit organisation for terrorist recruitment

A bank checked its customer database for matches with lists relating to terrorism; and found that a non-profit organisation which held an account with it, with its registered office in European Country B, was named on a terrorism list. The Bank submitted a STR based on this match.

The organisation's account had been opened a few years before and had seen low activity, then suddenly experienced a particularly intense bout of activity starting on 1 January 2002. The transactions on this account consisted of multiple cash deposits made by several different people for a large total amount. These funds were then withdrawn in cash.

Analysis by the FIU revealed the following elements:

- Based on information requested from the state security services in Country B, the FIU concluded that this non-profit body was one of a number of contact points in Country B established with the aim of recruiting and sending people to fight in the Middle East.
- It also transpired that two or three of the signature authorities for the account of this organisation were linked to a terrorist group.

This case is the subject of an ongoing judicial investigation.

Source: Belgium.