



Proximal Consulting Archived White Papers



The Proximal Consulting white paper series began when Proximal Consulting launched in 1999. The white papers provided precise and detailed information on cutting edge business crime topics during a period when the Internet as a source of business information was in its infancy. We are now making these white papers available again.

Whilst the specific cases and examples used in the white papers are historical, the fundamental issues and potential red flags have remained the same.

Please note that the white papers are provided as an un-edited archive: any content, laws, regulations or similar were correct at the time of publishing, but may now be out of date.

PROXIMAL CONSULTING WHITE PAPER 20 TERRORIST FINANCING IS NOT MONEY LAUNDERING

As a start point, let's accept the definition of money laundering provided by the United States Office of the Comptroller of Currency. This is that "money is laundered to conceal criminal activity associated with it, including crimes that generate it...money laundering is driven by criminal activities. It conceals the true source of funds so that they can be used freely". Such a definition leads us to the traditional money laundering model of placement, layering and integration. The basic requirement of a money laundering operation is to wash large amounts of money (or if not large amounts then a volume which is suspicious in its context). However terrorism can, and does, operate on a shoestring: The 9/11 terrorists made use of between \$400,000 and \$500,000 – but the Madrid bombings on 11 March 2004 probably cost in the region of \$10,000.

The 9/11 Commission Report provides a fascinating insight into just how easy it was for the plane hijackers to remain below the money laundering radar of the US authorities. The report describes the hijackers as having an "infusion of funds" which they carried into the United States as a mixture of cash and traveller's cheques which had been purchased in the UAE and Saudi Arabia. Even more crucial is the fact that they entered the US from late April 2001 on legitimate tourist visas which had been issued on the back of "clean passports" (to avoid old well used passports containing entries which could raise suspicions because of previous travel to countries where Al-Qaeda operated). Seven of the hijackers are known to have purchased almost \$50,000 in traveller's cheques that were used in the United States. Fayaz Banihammad (one of the five hijackers of United Airlines Flight 175) had previously opened bank accounts in the UAE into which the equivalent of \$30,000 had been deposited. After he arrived in the United States he made Visa and ATM withdrawals from his UAE accounts. The Commission tellingly observes that:

The hijackers made extensive use of banks in the United States, choosing both branches of major international banks and smaller regional banks. All of the hijackers opened accounts in their own name, and used passports and other identification documents that appeared valid on their face. Whilst the hijackers were not experts on the use of the US financial system, nothing they did would have led the banks to suspect criminal behaviour, let alone a terrorist plot to commit mass murder.

In the footnote to the section quoted above the 9/11 Commission confirm that "contrary to persistent media reports, no financial institution filed a Suspicious Activity Report with respect to any transactions of any of the nineteen hijackers before 9/11. Nor should have SARs have been filed. The hijackers' transactions themselves were not extraordinary or remarkable."

Thus whilst the traditional aim of money laundering is to totally disassociate the final cleaned funds from its criminal origins, and achieve the integration of dirty money, the perpetrators of the 9/11 attacks and their backers were primarily interested in making funds available to the terrorists on the ground in the US. The financial totals involved were nothing compared, for example, with the washing requirements of a South American drug cartel on an ongoing basis. The sole underlying requirement of the funds and accounts used by the 9/11 hijackers were that the true activities and intentions of these men were concealed. But implicit in this operation must have been the reasoning that after 9/11 these banking relationships – which exhibited no suspicious money laundering characteristics whatsoever – would be identified as frontline terrorist funding.

Simultaneously the funding of the 9/11 hijackers, out of necessity, had to be totally isolated from the substantial background funding streams of Al-Qaeda. If no disassociation was made then the primary Al-Qaeda unit (for the sake of simplicity Osama Bin Laden and cohorts) risked discovery and freezing of their main assets as a result of backward asset tracing from the accounts opened and banking facilities used by the 9/11 hijackers. We know that such tracing of considerable terrorist assets did not happen (and still has not happened) – so perhaps we should start the grim realisation process that the identification of terrorist funds of any sizeable volume is not as easy or simplistic as has been claimed.

Moreover, it is still entirely possible to open a bank account in a Middle Eastern country, where banking secrecy still prevails, then obtain a multi purpose plastic card on the account – with credit, debit and cash dispenser facilities – and utilise that card anywhere in the world. If such an account was opened today in a Middle Eastern country and then used in the US or Europe for cash withdrawals and debit/credit transactions of small values, my guess is that it still would pass under the radar systems that have been installed since 9/11. Let us not forget that the hijackers made extensive use of the US financial system, used debit cards and benefited from wire transfers into their accounts – and never once raised any suspicions.

Thus Terrorist Financing should be viewed not as a variant of money laundering but as the distinctly separate mechanism whereby funds are processed from any source – including legitimate ones – to finance frontline terrorist activities or those who encourage, plan or engage in terrorism. As a mirror image of money laundering such financing may involve terrorists or their

supporters being engaged in illegal activities to obtain funds that then require cleaning; but more problematically it simultaneously makes use of legitimately generated funds and in a diametrically opposed process to laundering this "clean" money is made dirty by its ultimate end use in facilitating fatal attacks.

Terrorist financing is therefore much more difficult to identify than money laundering – as the funds may be clean and even if they are not, when they are being used by a frontline terrorist there will be no connection with the terrorist "mother ship" (that is assuming that there is one). Dirty criminal money can be identified by its antecedents – it has a past which can ultimately be established. Terrorist financing is aimed at the future – new attacks and outrages: thus as the financial dealings of the 9/11 hijackers prove, it is almost impossible to predict possible mass murder on the basis of low value transactions in a frontline terrorist account. Once again, we keep coming back to the fact that in amongst the billions of transactions that criss-cross the world each day how can we hope to identify such minuscule amounts? All of this has led me to the conclusion that the only feature and defining characteristic that both money laundering and terrorist financing share is that relevant transactions and financial relationships centre on concealment of the true nature of the funds. In the case of criminal money laundering concealment is critical to disguise the origins of the funds whereas terrorist funds may be completely clean and the concealment is in relation to their ultimate use rather than initial origins.

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