

A Call to the Gatekeepers

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Maybe Signpost doesn't want to know – maybe he genuinely doesn't know – where the 5% ends up. Right down to the last link, maybe nobody knows. A mosque needs a roof. A hospital needs a wing. And by merciful Allah's grace, there's a go-between who gives them the money. But the poorest outposts of Islam are not exactly renowned for their meticulous bookkeeping. So the go-between is able to keep enough back to buy explosives for a couple of suicide belts. 95% of Signpost knows and loves what he does. But 5% of him doesn't want to know, and can't. I'm sorry.

The words of Aziz, a fictional intelligence analyst, describing the link between legitimate charitable activities and the financing of terror in the British spy novelist John Le Carré's latest work, *A Most Wanted Man*.

The abuse of charities for the purpose of terrorist financing is a verifiable problem in the real world.

The terrorist organisation apparently responsible for the November 2008 Mumbai massacres, Lashkar-e-Taiba (LeT), which India also accuses of having attacked its Parliament in 2001, appears to have used an erstwhile legitimate charity known for its earthquake relief work, Jamaat-ud-Dawa, to mask money transfers and provide cover for the activities and travel of terrorist operatives. A United Nations Security Council panel has found that Jamaat-ud-Dawa is a front organisation for LeT, and has asked Member States to freeze the charity's assets.¹ In Pakistani Kashmir, where Jamaat-ud-Dawa was most active, authorities have frozen its assets, placed its head under house arrest and detained four of its workers. In the southern Sindh Province, authorities arrested more than 40 people, and sealed more than 30 offices, two schools and four hospitals connected to the charity.²

A civil complaint filed in the United States District Court for the Southern District of New York in the case *Burnett et al. v. Al-Bakara Investment and Development Corporation*³ alleges that charities operating in the United States, Europe, Asia, Africa and the Middle East are at the heart of the financial network that funded the 9/11 attacks and supports al-Qaeda generally. The *Burnett* complaint accuses Saudi Arabian-based al-Haramain Islamic Foundation, Inc., with offices and representatives in over 50 countries, of masking its fundraising efforts in support of al-Qaeda with *bona fide* relief work in areas of the world where Muslims are deprived. The US Department of the Treasury referred to al-Haramain's support of a Somali terrorist group when it said: "Over the past few years, al-Haramain Somalia has funneled money to AIAI by disguising funds as if they were intended for orphanage projects or Islamic school and mosque construction." One of the other charities accused in the *Burnett* complaint, the Benevolence International Foundation, Inc., is an

Illinois non-profit corporation headquartered in Palos Hills, Illinois. An FBI Special Agent providing evidence in the criminal trial of Osama bin Laden⁴ stated in an affidavit that money would be withdrawn from the accounts of such relief organisations as al-Haramain and Benevolence in cash, the relief organisation would generate paperwork indicating that 100% of the withdrawal would be used for charitable purposes such as building mosques and schools, or providing food or clothing to the poor, but in fact only X% of the cash would be used for those legitimate purposes with the balance of Y% transmitted to al-Qaeda.

A civil complaint filed in the United States District Court for the Eastern District of New York in the case *Almog et al. v. Arab Bank, PLC* alleges that the Islamic Resistance Movement (Hamas), the Palestinian Islamic Jihad, the Al-Aqsa Martyrs Brigade (AAMB) and the Popular Front for the Liberation of Palestine funnelled cash raised by numerous local charities based in Europe and the Middle East into accounts that funded the second Palestinian *intifada* in the West Bank, Gaza and Israel. The number killed or injured since September 2000 is estimated to exceed 20,000. The *Olmag* complaint alleges a direct correlation between the amounts of donations received, and the number and frequency of terror attacks inside of Israel:

Year	Number of Terror Attacks inside of Israel	Cash Funnelled by Popular Committee for Assisting the Mujahideen (Saudi Reals)	Cash Funnelled by Committee for the Al-Quds Intifada & Al-Aqsa Funds (Saudi Reals)	Total Cash (Saudi Reals)
1998	1	3,600,000	0	3,600,000
1999	0	3,490,000	0	3,490,000
2000	4	8,418,348	0	8,418,348
2001	36	9,473,628	14,454,190,000	14,463,663,628
2002	44	266,575,791	350,000,000	616,575,791
2003	22	7,226,384	720,003,150	727,229,534

The *Almog* complaint alleges that a substantial part of this cash was used to create an incentive for suicide bombers, who were promised that their families would receive cash payments and other in kind support following the attacks. According to the late Hamas leader Sheikh Ahmed Yassin, Hamas, as of 2001, distributed USD2 million to USD3 million per month to relatives of Palestinian suicide bombers. A BBC correspondent asked a 15-year old Palestinian boy caught by Israeli soldiers before he could explode himself at a checkpoint whether the AAMB promised him anything in return for the attack. He replied: "Of course they did. They told me: 'Once you carry out the operation and the soldiers come and demolish your home, we'll stand by your parents and rebuild your house and give them money.'"⁵

In each case, behind the charity façade, there is a banking institution holding and transferring funds. Arab Bank, Plc is one of the largest financial institutions in the Middle East, with reported assets of USD23 billion. It is headquartered in Jordan, and operates through a global network of more than 400 branches and offices in more than 25 countries, including a branch office at 520 Madison Avenue, New York, and 22 local branches throughout the West Bank and the Gaza Strip. The *Almog* plaintiffs allege that Arab Bank maintained accounts for charities and individuals supporting Hamas, provided instructions to the family members on how to qualify as a “martyr” for the purpose of receiving a payment following the death of a suicide bomber, processed paperwork proving entitlement to payment, and through its New York City branch converted funds donated in Saudi Reals into US Dollars and Israeli Shekels for onward payment to the families at local Arab Bank branches.

Al-Baraka Investment and Development Corporation, one of the named defendants in the *Burnett* case brought by the 9/11 victims, is based in Jeddah, Saudi Arabia, and has approximately 43 subsidiaries which are mostly banks in Arab and Islamic countries, but which include al-Baraka Bancorp Inc. in Chicago, Illinois and al-Baraka Bancorp Inc. in Houston, Texas. The Bosnian Intelligence Agency has reported that al-Baraka Investment and Development Corporation, through its subsidiaries, supported the al-Haramain charity and Osama bin Laden directly.

The Saudi National Commercial Bank, another of the named defendants in the *Burnett* case, is also based in Jeddah, Saudi Arabia, with several wholly owned subsidiaries, including SNCB Corporate Finance Ltd. in London, and SNCB Securities Ltd. in New York City. The bank had profits of USD613 million and assets of USD26.5 billion in 2001, the year of the 9/11 attacks. The *Burnett* plaintiffs allege that the bank acted as a financial conduit supporting the activities of various charities in league with Osama bin Laden and other terrorists, including among others the Blessed Relief Foundation, the Red Crescent Saudi Committee, the International Islamic Relief Organisation and Muwafaq Foundation.

The banking problem is not limited to Middle Eastern banking institutions. Indeed, major, brand name Western banks have been involved in money laundering in support of terrorist organisations and state sponsors of terrorism. On 16 January 2009, the press began to report that Lloyds TSB had agreed to pay USD350 million as part of deferred prosecution agreements it had entered into with the US Department of Justice and the New York District Attorney’s Office. Prosecutors alleged that as recently as 2007 Lloyds “deliberately removed material information – such as customer names, bank names and addresses – from payment messages so that the wire transfers would pass undetected through filters at US financial institutions.” The wire transfers were connected with Iran and Sudan, both countries on the list of State Sponsors of Terrorism maintained by the US Department of State⁶ and subject to sanctions under the International Emergency Economic Powers Act.⁷

In January 2006, 15 families of American victims of certain Hamas attacks perpetrated between March 2002 and August 2003 sued the British bank NatWest, alleging that the bank knowingly maintained accounts for a charity called the Palestinian Relief and Development Fund (Interpal), and transferred money between those accounts and Hamas front organisations.⁸ In February 2006, a similar lawsuit was filed against the French bank Credit Lyonnais.⁹

Meanwhile, Le Carré’s missing 5% has a devastating real world impact. The terrorist attacks on the transportation system in London in July 2005 killed 52 people, but the operations were planned and executed for a scant USD15,000. The 2004 train massacres in Madrid, which killed more than 200

people and injured more than 1,600, cost the terrorists a mere USD10,000. The 2000 attack on the US destroyer Cole in the Port of Aden, Yemen, cost only USD10,000 to pull off. Even the 9/11 attacks – the largest-scale terrorist plot in history, which killed over 3,000 people and injured more than 2,300 – were achieved on a budget of USD500,000, according to the 9/11 commission report.¹⁰

A former US Central Intelligence Agency counter-terrorism expert had this to say about the Saudi National Commercial Bank: “There is little doubt that a financial conduit to bin Laden was handled through the National Commercial Bank, until the Saudi government finally arrested a number of persons and closed down the channel. It was evident that several wealthy Saudi individuals were funneling contributions to bin Laden through this mechanism. Now, it appears, that these wealthy individuals are siphoning off funds from their worldwide enterprises in creative and imaginative ways.”

This is the real challenge. Terrorist financiers are sophisticated. They deploy complex strategies that mutate like a virus in order to stay one step ahead of our evolving detection mechanisms and legal tools. Now that the charity device has been exposed, the terrorists will adapt, and they will develop alternate façades and techniques. If a charity, why not an insurance company, a mutual fund, a pornographic website or an online casino? Now that major banking institutions have been exposed, the terrorists will shift their financial activities to alternate institutions. The lawyers, bankers, accountants, company directors, trustees and other fiduciary service providers who are embedded in the offshore finance sector are strategically positioned to perform a vital gatekeeping function in the international financial system. This is true with respect to all criminal activity, but it is especially important with respect to terror financing.

END NOTES

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4. *United States v. Usama bin Laden, et al., Case No. 598 Cr. 1023* (United States District Court, S.D.N.Y.).
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