



Countering the Financing of Terrorism: Are Sanctions Lists Enough?

by John Solomon



The global financial community stands on the front lines in the war against terrorists and their support infrastructures. The post-9/11 efforts to desiccate terrorist revenue streams center on an international regulatory framework that has grown to reflect the intensified terrorist threat in the post-9/11 era. Compliance with official blacklists of designated terrorist individuals and entities has become the principal mechanism to combat terrorist financing. While compliance with terrorism sanctions lists is essential, abiding by official sanctions lists alone is not enough to effectively prevent terrorists and their supporters from exploiting the world's financial institutions. Merely complying with sanctions lists is by itself an inadequate measure for any financial institution truly serious about countering the financing of terrorism (CFT).

To expose the mistaken belief that 'following the official lists is good enough CFT,' this article illustrates the discrepancy between the number of terrorists blacklisted by the four most authoritative official lists and the exponentially greater number of associated terrorist groups and affiliated cells that are estimated to operate around the world.

The United Nations, the US Office of Foreign Assets Control (OFAC), the UK's HM Treasury (formerly the Bank of England issued sanctions), and the European Union are the four most authoritative sanctions issuing bodies. Taken together, the four most authoritative terrorism sanctions bodies list 918 unique terrorism-related entries. By contrast, at least one comprehensive 'Know Your Customer' database that monitors terrorist networks globally contains over 28,000 unique terrorism-related entries.¹ In other words, there are at least 28 times fewer terrorist-related individuals and entities identified by the four most authoritative sanctioning bodies combined than are identified by a leading monitoring group.

This degree of difference translates into 28 times more actionable risk intelligence that is available but not identified by the official lists. Compliance professionals relying on official lists alone may develop a false sense of security that they are keeping their institutions safe from terrorist financing when, in fact, they are nearly flying blind.

Too often, the official sanctions only identify a sole terrorist leader or only a terrorist movement's paramilitary apparatus when these organizations actually comprise vast interlinked global networks of people, political organizations, and charitable and business fronts.

For a more detailed illustration, this report will drill down into a few of the most threatening terrorist organizations and contrast the relatively few terrorists identified by official lists with the extraordinarily higher estimates that analysts and reasonable observers of terrorism and insurgency could conclude are active presently.

LTTE

Founded in 1976, the Liberation Tigers of Tamil Eelam (LTTE) is the only known insurgent organization with its own army, navy and now even a rudimentary air force. LTTE continues to carry out brutal terrorist violence against civilians, political assassinations in India and Sri Lanka in addition to illicit fundraising and arms procurement activities globally.

The total number of LTTE-related sanctions in the four most authoritative lists numbers 22 records. A leading commercial database, on the other hand, identifies over 23 times more entries and thus a multiple of 23 times greater risk coverage for financial institutions to identify their exposure to the LTTE.

It would seem implausible that an organization established in 1976 has only 22 associated individuals or entities designated as high risk by the four most authoritative sanctioning authorities. Its force strength in the LTTE-controlled regions of Sri Lanka alone numbers approximately 10,000 people. With regard to its support structures, LTTE's global network of charitable and business fronts, irrespective of its vast network of underworld crime groups, alone amounts to at least five times the total number indicated by the official lists.

Dawood Ibrahim Organization (or D-Company)

Emerging as Mumbai's most powerful narcotics cartel in the early 1980s, the Dawood Ibrahim Organization is a South Asia and Middle Eastern network engaged in crime and terrorism. The organization provided financial resources for the 1993 Bombay Exchange bombings in India. The US government and United Nations have identified the syndicate's principal, Dawood Ibrahim, as a global terrorist for providing material support for al-Qaeda, Lashkar e-Tayyiba and other Jihadist groups targeting India.

The official sanctioning bodies identify three total D-Company-related records. Yet D-Company operates in at least 14 countries with a functioning business empire of shopping malls, luxury real estate and shipping and trucking lines used for legal and illegal businesses. It would seem implausible that there are only three people or entities involved in such a network that has existed for more than a quarter century.

Lashkar e-Tayyiba

Lashkar e-Tayyiba (LeT), is a Pakistan-based Sunni Jihadist terrorist organization. Founded in 1989, it is allegedly supported by Pakistani intelligence elements despite being banned in Pakistan in 2002. LeT aims to impose an Islamic caliphate over all parts of India; especially Jammu and Kashmir.

The network expands its presence and fundraising abilities through Jammāt ud-Dawā, its political/charitable front, and Idarāh Khidmat-e Khalq, another associated humanitarian front.

LeT reportedly executed the August 2003 Mumbai attack which killed 55 and injured 180 in addition to the October 2005 Diwali attack in Delhi and the July 2006 attack on the 'Friendship Express' in which over 180 people were killed. The group also allegedly was involved in the thwarted transatlantic airline plot in August 2006 in the UK.

The organization is believed to have over 2,000 offices in Pakistan alone. The four major sanctioning authorities list 16 LeT-related people and entities.

JEMAA ISLAMIYAH (JI)

Jemaa Islamiyah (JI) has arguably been the Southeast Asian region's most serious terrorist threat. Despite being weakened by the killings and arrests of its leadership and operatives, the group retains the capability to carry out attacks against US, Australian and other Western interests throughout the region. With a presence in Indonesia, the Philippines, Malaysia, Thailand and Singapore, JI has executed extraordinarily deadly attacks on innocent civilians. Attacks include the first Bali bombing in October 2002, the JW Marriot hotel attack in August 2003 and the attack on the Australian embassy in September 2004, and the second Bali bombing in October 2005.

Established in Malaysia in 1993, only 35 persons have been designated high risk by the four most authoritative sanctioning authorities. Yet, a disconnect exists. Since the October 2002 attacks, 400 militants been captured and 70 convicted of terrorism-related crimes. Indonesian police estimated JI membership to be 900 people in 2007 alone. And that's not to mention the interlinked overt political arm of the movement, led by Abu Bakar Bashir and Mohamed Jibril, two US-designated terrorists supportive of al-Qaeda.

Known as the Majlis Mujahidin Indonesia or MMI, this front encompasses also a large number of publishing houses and front businesses that raise money potentially transferable to the group's covert terrorist apparatus.

EUSKADI TA ASKATASUNA (ETA)

Since its founding in 1959, the Basque ethno-separatist group, Euskadi Ta Askatasuna (ETA), has undertaken a terrorist campaign to realize an independent Basque state in what is currently northern Spain and southwestern France. ETA has undertaken a campaign of terrorism in recent years including the Madrid airport bombing in December 2006, in which 2 were killed, attempted political assassinations and the murder of two Spanish civil guards in December 2007.

The sanctions bodies list a total of 37 ETA-related profiles. The Spanish High Court in December 2007, however, convicted 47 individuals belonging to this almost 50 year old organization that were thought to be responsible for fundraising and other terrorist support activities. In light of the ruling, and with an estimated annual budget of over €10 million in 2002, it could certainly be reasonably concluded that more than 37 ETA-related high risk individuals and entities are currently active and using the formal financial system.

Al-Qaida (AQ)

The al-Qaida leadership considers itself the vanguard of a global Jihadi movement that spans a vast network of associated groups and affiliated cells in over 100 countries. Ostensibly led by Osama bin Laden and Aiman al-Zawahiri, the al-Qaeda organization is at present most active in Iraq, Afghanistan and the Pakistani tribal areas. AQ's para-military strategy is possibly derived from the writings of Jihadist operative and ideologue, Mustafa Setmariam Nasar (aka Abu Musab al-Suri), who advocates a fourth generation-style warfare that capitalizes on informational technology, decentralized organization and asymmetric terrorist attacks.

The group is responsible for numerous and well-known attacks on civilians around the world. The world's sanctions lists identify a total of 407 AQ-related profiles. A leading monitoring organization, has observed almost 3,000 known or suspected AQ-related entities. Some estimates indicate that over 70,000 possible recruits having trained in AQ camps. It would be a grave mistake to rest assured that only the 407 individuals and entities listed on the official lists accurately represents the terror risk AQ poses to the global financial system.

CONCLUSION

The number of known terrorists around the world far exceeds the number of designated terrorists identified by the sanctioning bodies. For the financial community to effectively combat the financing of terrorism, it must disabuse itself of the false sense of security had by only complying with the names on sanctions lists. To adequately understand exposure to possible reputational risk from doing business with terrorists and their backers, financial institutions must adopt a more holistic risk-based approach to CFT that accounts for realistic assessments of the likely scale of terrorist networks operating jurisdictionally.

There are two recommendations for the financial community to bolster its defenses for terrorist financing. First, banks and other financial institutions must account for the reality that terrorist organizations constitute not only the attack cell or paramilitary apparatus that carries out attacks, but more importantly, the broad networks of associated fronts and affiliated cells, which often provide the financial resources necessary for a given campaign of terrorist violence.

Secondly, financial institutions need to maintain a 360° awareness of the corresponding terrorist organizations operating within their given jurisdictions. Where presence of a terrorist network exists, there almost certainly must also be some terrorist financing taking place.

Suffocating terrorists of the funds needed to carry out attacks has become a mantra of the global counterterrorism community since 9/11. It must be remembered that the first strike on the World Trade Center in 1993 failed only because Ramzi Yousef's al-Qaeda cell lacked the money to buy enough ammonium nitrate to destroy the towers. Coffers replenished, al-Qaeda returned eight years later to finish the job. Financial institutions must not allow themselves to be exploited as conduits for the financing of al-Qaida or any other terrorist group. The cost in blood and treasure for the state, society and economy are too high.

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