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**Expert Talk**



## Countering Homegrown Terrorist Financing: Sanctions Lists Aren't Enough

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**S**uccessful adaptation to change is integral to the longevity of any organization. Terrorist groups are no different. While its fortunes have waxed and waned over the years, Al-Qa'ida has remained resilient in the face of a formidable onslaught to its finances, operations and cadre globally. An important question is how and what can be done about it? This article argues that the organisation's evolution into a decentralised, ideologically-structured network has outpaced the countering the financing of terrorism (CFT) regimes put in place after 9/11. For businesses that want to do all they can to mitigate regulatory, reputation and legal risk, the best strategy then is to follow FATF's recommendation to target broad organizational infrastructures of associated groups and affiliated cells that go beyond slow-moving sanctions lists.

#### Salafi jihadism

Salafi jihadism is a school of thought held by a very small subset of Sunni Muslims who adhere to al'Qa'ida's justification of violent jihad.

According to Marc Sageman, a prominent terrorism scholar, al-Qa'ida has remained viable because it decentralized into 'homegrown' networks, mainly among western diaspora communities in Europe and the United States. The al-Qa'ida of old is no longer the threat, he argues; instead, anti-terrorism organisations should focus on bottom-up networks of "bunches of guys" that have no ostensible link to Bin Laden's al-Qa'ida other than an ideological kinship. Since there is no centralised structure per se, it follows that there is no central coffer as such. The funding for these bunches of guys depends on the fiscal resourcefulness of each small network and individual.

The US Treasury Department last month cited appeals for money by its core leadership in Pakistan as evidence that al-Qa'ida is in its weakest financial condition in several years. Indeed, Bin Laden and his deputies in Waziristan are likely in dire straits. The war on the war chest of the al-Qa'ida of old have been successful. Robust sanctions and regulatory regimes have made the terrorist group's traditional donors reconsider funneling their wealth to the network. Indeed, al-Qa'ida's current money woes stand in stark contrast to the heady 1990s, when millions of dollars filled its treasure chest, and certain rogue states offered it and its money safe harbor. That said, to claim victory would be premature. Al-Qa'ida is a hydra-headed beast, and the new head is much more amorphous, transnational and hence more difficult to counter than the Saudi and Egyptian Bin Laden network of old. To counter the group and its finances, governments and private sector partners need to recognize that the ideology that inspires terrorism and its financing is the common denominator tying the group together globally.



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The intense pressure applied to al-Qa'ida core in the form of UAV Predator drone attacks coupled by targeted financial sanctions on its donors has rendered the group less able to fund and thus command its followers. Al-Qa'ida core has only been able to conduct one successful major attack on Western soil, the 7/7 attack in London, since 9/11. This development has necessitated that de-centralized have greater autonomy in their operations and fundraising in order to continue the movement's irregular warfare campaign.

It therefore appears that the greatest threat of a successful terrorist attack on Western soil now emanates from grassroots jihadists. This trend has been borne out by an unusually large number of high-profile plots being disrupted in the past year. In several of these cases, the individuals involved either initiated or attempted to initiate contact with a larger jihadist movement, such as al-Qa'ida. Once they seek out larger jihadist movements like al-Qa'ida to obtain training or guidance, these potential terrorists become easier to detect and disrupt.

Those unable to connect with the broader movements, or the so-called lone wolves, often plan and act alone, generally possessing low levels of practical terrorist tradecraft, such as rudimentary bomb-making skills. Many of these plots are unsophisticated and fail at various stages of the attack cycle.

In contrast, individuals who manage to obtain some form of support from the larger jihadist movement, be it training, material support or guidance, are one of the most significant terrorist threats facing Western societies. The combination of being already assimilated into Western society and also armed and proficient in terrorist tradecraft greatly enhances the threat they pose.

Three recent high-profile plots can be examined to highlight some common characteristics of this alarming trend. The first is the case of Adlène Hicheur, a French-Algerian physicist who reached out to various jihadist groups on the Internet and made contact with members of al-Qa'ida in the Islamic Maghreb (AQIM) in a jihadist forum online and offered his services to al-Qa'ida's North African affiliate. He was arrested in October 2009 by French authorities on suspicion of plotting terrorist attacks in Europe on behalf of AQIM.

The second example is Tarek Mehanna, a US citizen and the fifth person living in the US to be arrested on terrorism charges in the past five months. A pharmacist with a doctorate graduate from the Massachusetts College of Pharmacy, Mehanna allegedly travelled to the Middle East in an attempt to join terrorist groups in Pakistan, Syria, Iraq and Yemen. After failing to do so, Mehanna apparently returned to the US and conspired with associates to attack civilians at a shopping mall, kill American soldiers abroad and two members of the executive branch of the US government.

The third and perhaps most high-profile case involves Najibullah Zazi, an Afghan-born immigrant living in Colorado, and a key figure of what the FBI suspects was an al-Qa'ida cell nearly ready to launch a domestic terror attack. What distinguishes Zazi from other home-grown plots and lone-wolf wannabes are reports that Zazi was apparently in indirect contact with Mustafa Abu al-Yazid, a top leader of al-Qa'ida core. According to media reports, Zazi received weapons and explosives training in Pakistan and had made nine pages of handwritten notes on how to make and handle bombs.

Although the three individuals mentioned above met with varying degrees of success in their attempts to make contact with al-Qa'ida's core network, the important takeaway is the fact that they were self-funded and self-selected, turning the sanctions regime conception of al-Qa'ida on its head. While law enforcement and national security agencies managed to disrupt all three plots, the threat of more such plots emerging in the coming months is likely, given the growing trend toward grassroots jihad. For banks and other financial institutions to practise good CFT in light of this constantly adapting form of terrorism, they will have to be more proactive in conducting due diligence checks based on CFT-specific red flags.



*Najibullah Zazi and his associates reportedly used stolen credit cards to purchase bomb-making materials in Colorado*

With al-Qa'ida struggling financially, home-grown jihadists increasingly have to take on more responsibility for raising their own funds to carry out operations. These new sources of financing run the gamut from personal funds to traditional criminal activities. Most of them involve use of the Internet for communication and use of fraud to raise funds. For instance, Najibullah Zazi and his associates reportedly used stolen credit cards to purchase bomb-making

materials in Colorado. While the CTF/AML measures currently in place are well-suited to effectively disrupt established terrorist financing networks, the evolution of terrorist financing schemes represents a new challenge for governments and law enforcement officials, as well as the private sector.

The evolution in terrorist financing methods – and the threat to global security in general – has placed the onus on the private sector to become more proactive. Whether this is right or wrong is an open question. What is absolutely clear, however, is that reliance on government sanctions lists is necessary but by no means sufficient to mitigate the abundant regulatory, reputational and legal risks associated with terrorist financing.