

Terrorist Financing and Secret Financial Operations

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Introduction

Although terrorism per se has been around for hundreds if not thousands of years -- even when considering revolutionary movements like the American Revolution, Russian revolution or the Spanish Civil War. This includes modern day movements of so-called radical groups be they anarchists, communists or socialists. Even during the civil war in Greece in 1946 and 1947 to 1962 communists of the Democratic Army of Greece fighting to overthrow the Greek government were often called terrorists. And more recent 19th and 20th wars of independence as in the Philippines and later in China and Vietnam it was the same thing. Usually, the revolutionary parties are called radicals and terrorists.

However, for all practical and the current 21st century situations modern terrorism has been around for only 40 years. The United Nations Security Council Committee has designated about 250 terrorist groups. However, there are only a few super stars involved with terrorist financing. They are Al-Qaeda, the Taliban, Boko Haram, ISIS, Al Shabab and the very small but effective Irish Republican Army. These groups have brought in millions and millions of dollars for their specific acts of terrorism. ISIS relied heavily on oil spot trading and now focus' on extortion and bribery; the Taliban are mainly drug dealers, Al-Qaeda receives money from wealthy religious leaders and Arab and Saudi businesspeople. The most secret and as small as they are, are the IRA who have moved from Irish-American fundraising in the United States extortion and drug dealing to receiving large deposits and contributions from willing wealthy Irish businessmen worldwide . The IRA also deals in commodities like gold, silver and platinum. With the exit of the United Kingdom (Brexit), rumors indicate IRA will start up again hoping for a United Ireland. Most of the smaller terrorist groups -probably number just over 200 and rely on counterfeiting goods, extortion, marijuana and hashish drug dealing and a version of white-collar crime I.e., scams, Senior scams, the 419 Black dot scam, investment scams and romance scams. Various law enforcement and intelligence services work these 200 or so in their own countries. These terrorist groups do not create much revenue and are usually exposed through criminal prosecutions of the crimes they engage in. They are both criminals and terrorists. Many are now in prison. Thus, with little guaranteed revenue they seldom grow into larger organizations.

Some other groups such as Chechens and splinter groups such as the new PLO, Hamas and Hezbollah also have significant expertise in fundraising and managing operational monies. Both Hams and Hezbollah receive substantial monies from Iran. There is evidence that the US-Iran agreement-- during the Obama-Biden administration—which supplied billions in cash from the USA to Iran --- was then forwarded to Hamas and Hezbollah.

Why Has there been little information on terrorist financing?

However, little consideration has been paid attention to how terrorism is funded, what terrorist's use their money for and how terrorist groups procure money and

assets and most important how they “*move*” money Little is known how money is transferred and deposited and also most important where terrorist money rests. The main reason that there is little information is the entire concept of terrorism was initially started by declaring terrorist “criminals”.

Thus, criminal investigative agencies and police in most countries around the world have used local and international law enforcement and police to target terrorist groups-often without even slightly considering their revenue or their money. Amazing since money is what terrorists need to “operate and continue operations.

Local law enforcement and state police and federal police just wanted the terrorists caught and prosecuted as criminals. Even when terrorist was caught a prosecution was often started and a verdict given without any thought or information on the terrorist’s source of money. Little consideration or analysis was thought how operations were supported, their travel, living expenses, and where they deposited money. etc. Law enforcement universally was only interested in arrests and prosecution. After all it was agreed that terrorists were criminals.

As terrorist networks became more sophisticated and well- funded and active worldwide only then did intelligence services start to target terrorists. Initially most services also wanted terrorists either killed or arrested by their law enforcement sister agencies. What do both law enforcement and the many intelligence services learn?

Differences between law enforcement and Intelligence Services in tracing or seizing Assets

First even before targeting terrorist assets, revenue or money laundering, intelligence services started to learn that terrorist were in fact intelligence officers in addition to being “terrorists”.

Law enforcement would not admit it, but most police are no match for trained intelligence officers. Intelligence officers learn tradecraft and how to operate as grey men under the radar and how to use espionage or tradecraft to conceal their identity. Even the 9/11 report focused more on the hijackers and Mohammed Atta the ringleader as a criminal and terrorist—but in fact all the hijackers were trained

in tradecraft albeit tradecraft just to conceal their identity and their liquidity. In fact, the hijackers were both intelligence officers and terrorists. Details of their movements showed how they operated, concealed their identity and functioned as intelligence operatives. Sources in British intelligence believed Iraqis trained the 9/11 hijackers in intelligence operation. CIA believes members of the Saudi intelligence service with sources close to Bin Laden gave the hijackers training. Signals intelligence of the Iraqi Embassy in Paris indicated an Iraqi intelligence officer may have also trained the hijackers. Because of intelligence training per se we may never know for sure who trained the hijackers, but they certainly operated as spies with one intent- to carry out a major terrorist attack.

Typical criminals could not be capable of such a widespread attack with all the security the U.S.A. had. The contrast was evident as the first world trade center bombing was solved in days by the FBI locating a piece of vans, the Id number on the van used to bring the truck bomb with explosives into the WTC. Poor tradecraft-- in fact no tradecraft-- just a criminal attack and act. Not so with the 9/11 hijackers. The 9/11 Commission report only barely discussed how the hijackers operated financially. FBI counter-intelligence officers that investigated the hijackers-- especially in the Florida area-- determined the hijacker's knew tradecraft. They were trained to use off site phones, internet, how to secretly communicate and to pay with large amounts of cash for living and travel expenses. The hijackers did this without being detected by the police let alone counterintelligence officers or US Homeland Security. A Senior FBI counter-intelligence officer told me" there was plenty of blame to go around for us not detecting the hijackers-mainly because they knew spy tradecraft".

In the mid 2000's as more intelligence services started targeting the myriad of terrorist groups i.e., ISIS, Al-Qaeda, Boka Haran, Chechens, Islamic Jihad and even older groups like the new IRA and PLO and now the many off sight international groups intelligence services are starting to realize that money and money laundering are key to groups being able to operate, operate in secret, pay for weapons ,technical equipment, encrypted telephone and computers and pay for family care, housing, travel and even education. The signals intelligence groups like America's National Security Agency, British GHQ and the French signals intelligence group in Domme France only started to intercept phones internet and

burst transmissions of terrorists in about 2002. Much of the valuable intelligence on Mid-East terror came from the NSA's station in Alice Springs, Australia. -a huge complex that covers the Far East,

India, Central Asia and Mideast. This facility in the middle of Australia's back country also helps the US plan drone attacks against terrorists.

However, even today few intelligence services have located or recovered or seized assets of terrorist groups. In fact, after 20 years the US and Western security services have landed on very little of Osama bin Laden's money or seized any of his wealth. While governments can seize dictator's money like Saddam Hussein or Moammar Ghaddafi little money has been acquired of the multitude of terrorist groups. International organizations such as *Interpol*, the Joint Terrorism task forces worldwide collect information on criminals, money launderers and terrorists but even when they share with individual member countries little is done to freeze or seize liquid assets. Interpol is basically a database organization that feeds its members information. Most of that information flows to member country law enforcement groups—usually Not intelligence services. It is up to the individual law enforcement agency to share. In cases with the FBI, Interpol supplied them with information, but the FBI does not always share with CIA or America's other intel services. CIA and DEA have a great relationship but usually only on international drug dealing not always on terrorism. CIA in fact is usually its own consumer of its own intelligence and in order to protect sources seldom supplies FBI with information. It is the same in many countries. England is probably better than most, but the UK services have been so penetrated terrorist information usually is obtained by Russians sometime before British intelligence services say share with FBI or CIA, e.g. a radical Islamic group is dealing drugs for revenue for terrorist actions. Various terrorist groups have also learned to try and penetrate intelligence services. They have succeeded in the Pakistani service, probably Saudi service and even in the Turkish services. Most likely they have sympathetic officers in these services that supply them with intelligence. This has been a problem especially for CIA officers that liaison with Saudi, Pakistani and other services in Islamic countries. In the case of Turkey, Turkish intelligence has put great distance to CIA because the Turks believe CIA collaborated with the Gulen movement to overthrow the Erdogan regime.

Identifying the Financial Structure of a Terrorist Organization

While Western agencies are just starting to obtain intelligence on identifying a terrorist assets and money laundering, it has become apparent to intelligence analysts that Western banking and Islamic banking are quite different and often very hard to understand.

Initial understanding has focused on methods: Today, terrorist groups now hide behind lawyers, standard chartered accountants and fiduciary companies --either in a banking haven or outside a banking haven. Terrorists and their minions have learned the more layering they do the less likely police or spy agencies can trace their money. Initially, banks would be open in one country or banking haven. More recently a company is established in an offshore entity or a country like Ireland and then paperwork is moved to another country like Gibraltar with another bank and then moved to even another offshore haven like Panama. In some case, there are five to six moves with intelligence services often frustrated on tracing where money finally rests. Terrorists learned this tradecraft from the true secretors of money –the drug cartels and Russian mafia.

Vehicles to Secret Money

Each terrorist group seems to have its own favorite place to secrete their assets and banking havens that offer credit cards, savings or checking accounts, or investment account. Each banking haven has a different “vehicle” to hide assets. Typical vehicles are Swiss Management Portfolio accounts, older versions of IBC accounts, investment accounts with a syndicate in a private bank that focusses on intermingling monies with legitimate clean clients and accounts set up as tax havens to money launder and hide the true identity of an account holder.

Moreover, each terrorist organization uses its own cultural identity and people usually from their host countries to establish accounts. Nigerians prefer Nigerians, Lebanese prefer Lebanese, Arabs prefer Arabs, Philipino Muslim groups prefer Philippines living abroad and so on. The IRA seems to embrace Hassidic Jewish individuals in Brussels, Antwerp and Zurich to launder and hide operational monies.

Terrorist Financial Tradecraft

Terrorist groups are now aware of the draconian US money laundering laws, the European Money Laundering laws and the *Know your Customer* banking laws of countries and the “suspicious activity” reports banks must follow.

In lieu of those new restrictions on opening bank accounts and the limits of using and carrying cash almost all terror groups first open traditional bank accounts.

Boko Haram prefers Guernsey and uses Nigerian lawyers and accountants to open their trust accounts.

ISIS uses Islamic banking and has preferred cash and credit accounts in Cyprus. Although most of their oil revenue has dried up.

Al-Edda has used Saudi Arabia initially but because of US pressure on Saudi Arabia has moved monies to Pakistan, Cyprus and even Iraq.

Islamic Jihad prefers Dubai.

The Chechens have preferred the USA until the US treasury had identified the accounts and banks they used. In a spirit of non-cooperation, the US did not give Russia any of the Chechen information.

Philipino Muslim groups such as, Abu Sayyaf and the New People’s Army, have used Hong Kong and the Cook Islands. This changes frequently as there has been such a long decade’s conflict between many terrorist groups and the government in the Philippines.

China claims their Ugheir Muslim population uses Mongolia but the Ughers in fact are the less liquid of any so-called terrorist group.

Al-Qaeda has also been assisted by Venezuela in hiding money initialing shell companies in Panama and later in Venezuela-- the main Venezuelan government bank and in Zurich and at private banks owned by larger Swiss banks.

The Muslim Brotherhood through overt fundraising used US banks at Panama banks and in Belize to first open accounts and then later to money launder back through Panama.

Over the years Palestinian groups have favored Malaysia and of course Cyprus. When Palestinian thugs threat--- tated the late Yasir Arafat's wife---- who maintained billions, Arafat stole. Mrs. Arafat revealed monies were spread all over Guernsey, Jersey, Switzerland and Lichtenstein. The Palestinians closed these accounts and disbursed much of the money to Palestinian refugees in Jordan and redeposited the Arafat money in Gaza and the West Bank-some even in the Israel Discount Bank. They may have despised Israel but knew their banking system was honest. Today more Palestinian money rests in Malaysia gaining interest for Palestinian investments-now few terrorist endeavors.

Islamic Banking vs Western Banking

One of the main problems for Western services is the nature of Islamic banking. Having studied Islamic banking in Dubai for 6 months, I realized that the Koran and Sunni and Sharia law have a great influence on banking per se. Although commissions are frowned upon there are ways around it mainly by non-religious Muslims. Not so with ISIS or Al Qaeda. Both ISIS and Al-Qaeda focus on staying within religious guidelines for banking and transfer of money. Al-Qaeda has a much longer history of banking transfers albeit usually small transfers and deposits. Al-Qaeda uses tithing subtle extortion and pressure to fund raise-almost all through small deposits from rather poor Muslims -many from Bangladesh, India Nepal and workers around the Gulf States.

ISIS due to the recent scrutiny has preferred to obtain cash and various ways to use *SWIFT*, Pay Pal, Square up and Zella to move money. Most other terrorist groups such as Boko Haram, Islamic Brotherhood deal in cash-usually from the sale of counterfeit luxury goods, drug dealing and extortion. ISIS also has used various extortion methods and taxing schemes. They also initially profited from spot market oil sales when they had their own caliphate in Iraq and Syria. Almost all terrorist groups today deal in counterfeit products e.g. shoes, apparel medicine, perfume and engage in expansive trademark violations.

Drug dealing is usually limited to isolated sales of heroin, cocaine and they are not strong competitors to the massive drug cartels of Latin America or Turkish-Sicilian mafia business'. Turkish intelligence, in fact monitors this drug trade to make sure no revenue goes to Kurds or other terrorist groups. However, since Al-Qaeda has

set up in Afghanistan and in Africa they have engaged in opium production and on the final product of opium-heroin.

Today almost all terrorist groups use *treuhands*-these are professional asset hiders mainly based in Switzerland and Germany. When not using these specialists, they use lawyers' fiduciary companies, even Trust managers and tax lawyers based in Ireland and Guernsey. Guernsey is a favorite of Nigerians, Islamic Brotherhood and various no named groups from Africa and the Far East. Vladimir Putin himself, owns over 1500 companies registered in Guernsey. Few terrorist groups use the Isle of Mann-once a favorite of the Irish Republican Army, Jersey or Gibraltar.

How Terrorist Hide Financial Operations

The job of a lawyer or fiduciary is to obtain the paperwork, create a name of a company like the Scorpion Trust and then use a local in the banking haven and various shells to conceal the identity of the terrorist organization. In order to establish an account in a banking haven-business or personal one must fill out an application. Most of the applications require a local resident to be on the company's board or application form. For a small fee there are professional applicants that reside. Most take a fee and know little about the other applicants. Or a lawyer may create one shell company with names and then start another and another to conceal the true owners. It is often difficult to identify the true account holder usually in this case a terrorist financial agent or planner that monitors the paperwork and eventual bank deposits.

Most lawyers and fiduciaries are paid high fees and if they know whets good for them don't cheat a terrorist organization or dip into their revenue stream. There have been murders of treuhands and accounts who got greedy. This financial tradecraft is managed by the terrorist's financial intelligence officer who practices tradecraft on establishing a new identity secrecy and many lawsuits cutouts-very difficult for law enforcement to tack unless they get a great informant—highly unusual. As far as an intelligence service to function the services in the West have only begun to train staff on banking Swift transactions, fiduciary culture and how when and where monies come from and where monies rest.

Today, although most treuhands are honest and the best ones are Hassidim based in Zurich some handle any money from drug dealer's terrorist etc. Treuhads usually

don't discriminate when it comes to money. Treuhands are part notaries, part banker and part financial asset advisors. Most work in banking for years and then go out on their own. The Hassidim work out of their house with wives and children in the house. These trehaunds feel it is more secure and spies are unlikely to break into a private home. Treuhands have elaborate security systems and safes for their cash and record keeping. Most are very honest and take up to 1/16 in fees on deposits-be they depositors are terrorists, drug dealers or even North Korean criminal enterprises. Even though Hassidim are very conservative Jew some handle billions in Islamic money-often not realizing much of the money is used for terrorism.

The most experienced Western service is the FBI Foreign Counterintelligence group and the Treasury department and strikingly DEA officers often have more experience in tracking monies from their long experience working against the drug cartels. France, UK, and Germany have beefed up their financial intelligence groups but are still way behind the skills and tradecraft of the terrorist.

Police and their criminal investigative agencies are usually restricted from developing information in this area of financial intelligence. Host countries law banking secrecy of countries like Switzerland and Lichtenstein make it almost impossible without real informants or subpoenas and international money laundering agreements to identify terrorist money. Intelligence services don't have these restrictions operate covertly and recruit their own spies in the banking havens to supply information about terrorist deposits. CIA unfortunately is their own consumer and rarely share intelligence with their sister agencies the FBI Treasury Secret Service or military intelligence officers. FBI usually shares everything with the CIA and that information is usually buried in the basement of Langley. DEA shares with CIA more than the FBI. It is the same between Mi5 and Mi6 as no intelligence service wants to reveal sources and as a rely, we have landed on little terrorist monies. Another fine point is that many of the Islamic services such as Pakistan and Saudi Arabia, Malaysia, Indonesia etc. have double agents that tip off terrorist if the service is getting close on identifying monies. In Western services, there is more cooperation but country competitors like Greece and Turkey limit information. France often does not trust America but gives information to German.

Russia is usually out of the loop with almost all NATO countries or Interpol on sharing.

English speaking countries like Canada, USA, UK, Australia and New Zealand do a better sharing and sending information to friendly services like Greece, Panama, Bahamas. South Africa has been shunned by most Western services.

Italy has some of the very best financial intelligence officers and that is a tribute to their long history of banking facilities. Italy shares with most countries and with Greece, Russia and all English-speaking countries and NATO allies. France has excellent financial sources from former colonies like Senegal Noumena Tahiti, Syria and Lebanon. Portugal and Belgium have relatively new or poor financial apart.

Germany has great sources in Turkey and some in Russia. Russia often shares with the West on needed occasion. Most of the North African services cooperate with the USA and NATO countries. Algeria is probably the premier country on Islamic funding of terrorist groups. Algeria has a long history of negotiating with other Islamic countries and for Western countries. Turkey also has superb intelligence but spends more time on the Kurdish groups than other Islamic groups like Al-Qaeda and ISIS. Some law enforcement and police have identified and located and seized monies in their home countries not in the offshore banking havens. However, these seizures recovered often less than \$100,000 or even less. This is a testimony that offshore banks and financial institutions hold most of the terrorist's liquid assets.

How Do Terrorist Organizations Use their Money?

In the early days, most terrorist monies were used to purchase arms-AK's munitions, missiles and explosives and bomb-making equipment. While that still goes on most monies are now spent on what they call humane issues-food, housing, medical care and monthly allotments for wives and children.

Terrorist organizations have also used the internet, new technical equipment, and surveillance techniques to avoid tracking. ISIS especially became "techies" and

hacked computers and conducted both double agent techniques and even attempted to recruit intelligence officers in services like Pakistan, Saudi Arabia, and Oman.

The POLO started this 30 years ago. Today all terrorist groups follow this mantra. If one breaks it down about 70 % of all terrorist revue is used to pay “household expenses” to keep their movement alive, 20 % goes to weapons and training and the rest goes to pay their front organizations like lawyers and accountants. Long held suspicious even with conspiracy theories demonstrate a belief that China has funded in some way several terrorist organizations. Little or no evidence supports this but in the bowels of Western intelligence services this belief is held. Russia on the other hand does not support terrorism world and FSB and SVR has operated successfully against the Chechens but through its massive disinformation entities probably supports the goals of terrorism if it hurts the USA and the West. Current Western intelligence operations focus still on tracking down terrorists to eliminate them. CIA and FBI started hiring financial analysts and bankers and accounts shortly after 9/11.

CIA prefers the drone program with the US Air Force to kill terrorist by drone attacks. CIA and military special forces also used other means to kill terrorists-all over Africa and Mideast. Terrorists and suspects were poisoned, died by electrocution in bathtubs, were killed in auto accidents and shot by “accident.”

US military units were supplied by CIA stations worldwide to eliminate terrorists.

CIA later started placing financial intelligence officers in most of the banking havens with major stations in Zurich, Basel, Geneva, Guernsey, Gibraltar, Lichtenstein, Luxembourg and Cyprus.

A source stated there were so many intelligence officers working in Cyprus-Arab service officers, Israeli, US, French, UK, Australian, Russian, German, Turkish and Greek, said” we should have formed a financial tradecraft club.”

Terrorist operatives like ISIS and Al-Qaeda seemed to have gotten the message and moved many operations to Dubai, Kuala Lumpur, and Jakarta.

Mossad, for instance, once focused on Cyprus and Switzerland exclusively and now Mossad will likely move into Bahrain, UAE, and North Africa both with

officers in new Israeli Embassies and front companies now accepted by the new Israeli-Mideast peace and diplomatic agreements. Almost all major intelligence services now target Switzerland, Luxembourg, Isle of Mann, Guernsey, Cyprus, Panama, and Cayman Islands. Australia 's Service, ASIS has stations in the Cook Islands, Hong Kong, Thailand, and Far East-collecting financial intelligence on terrorism. Almost this financial data is shared with USA and Great Britain.

Many of the Arab services especially Algeria and Saudi Arabia are key in tracking terrorist monies as they have a better insight into Islamic banking procedures transfers of money. Dubai is probably the main center of movement of monies for the major terrorist groups. Little oversight is done by the Dubai government and this is complicated the huge and expansive daily business transactions of legitimate money flowing to and from Dubai.

Future of Terrorist Financial Operations

The likely future of terrorist financing will be executed through quiet, covert extortion of businessmen, establishing honey traps on businessmen rather than only drug dealing. Counterfeit product creations will be expanded by terrorist group. We know this from Muslim sources that work in the Colon Free trade zone in Panama. Several anti-counterfeiting coalition groups have also confirmed this.

Almost everything is counterfeited: medicine, soap, apparel, airplane parts, auto parts, perfume, liquor, handbags jewelry, shoes, etc. and so on. Muslim traders all over Latin America, Africa, the Mideast and Far East deal in counterfeit products and insinuate these fakes into legitimate products distribution and pay fees to terrorist from organizations who provide these monies to the chief of terrorist organizations. It is also a perfect way to money launder their criminal proceeds.

Intelligence services have taken baby steps in identifying terrorist financial networks. Services must work better together develop more sources and start to target the new and sophisticated financial tradecraft of terrorist: how they move money, how they invest money, and who are the co-conspirators that assist them-

Lawyers, accountants, fiduciary companies and the treuhands based in Switzerland. If these tactics can be improved freezing and seizing money under terrorist laws as well as international money laundering laws will cut off terrorist revenue and make it very difficult for terrorists to carry out violent attacks and fail to operate even from their sage havens in Africa, Mideast and Afghanistan. *The best way to identify terrorist assets is to use a variety of HUMINT, TECHINT and SIGINT to intercept and identify and locate bank accounts, Swift transfers and the resting places of terrorist monies.*
