Strategies to Deter Terrorist Financing

ACAMS NEW YORK CHAPTER LEARNING EVENT
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Strategies to Deter Terrorist Financing

Moderator

- Peter D. Wild, Founder, Wild AML Solutions LLC

Panel

- Dennis M Lormel, Founder and President of DML Associates, LLC
- Michael N Emmerman, Intelligence Analyst, The Special Operations Support Group

Strategies to Deter Terrorist Financing

Agenda

- Introduction
- Changes in money flows
- Challenges of micro structuring
- How government agencies work together to share information with financial institutions
- Some examples of how terrorists are using cryptocurrencies
- Effects of FinTech
- New approaches to name tracking
- Questions
- Takeaways

How much does it cost to be a terrorist?

Date	Location	Number Killed	Cost
29-Dec-2009	Karachi	40	$ 300
5-Aug-2003	Jakarta Marriott	12	$ 1,500
29-Oct-2010	UPS Package Bomb	0	$ 4,200
19-April-1995	Oklahoma	168	$ 4,300
12-Oct-2000	USS Cole	17	$ 10,000
7-Jul-2005	London Underground Bombs	52	$ 14,000
26-Feb-1993	World Trade Center	6	$ 18,000
25-Jun-1996	Khobar Towers, Saudi Arabia	19	$ 22,000

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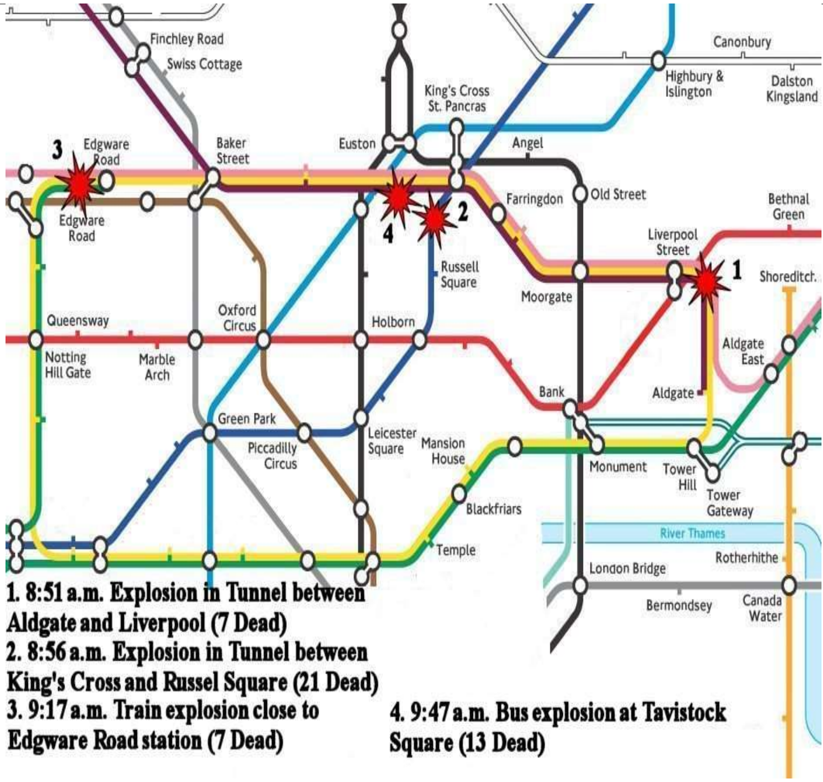
London, July 7, 2005

- $14,000 for the London bombings
- Three explosions in the London Underground at 8.49am within 50 seconds of each other
- 52 dead
- 784 injured



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London, July 7, 2005: Bus at Tavistock Square. 13 dead 110 injured

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Assess Who You are Dealing With

Organizations
- Identify their business model
  - Mission statement
  - Desired infrastructure
  - Funding requirements
  - Funding sources
  - Funding mechanisms

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Individuals
- Identify their role and in what capacity you deal with them
  - Leaders / fundraisers / facilitators / recruiters / fighters
    - Each actor has a different funding requirement
- Determine if they are inspired, enabled or directed
  - Important for determining source of funds

The Terrorist Attack Cycle and Situational Awareness

Terrorist attack cycle (six steps)

- Target selection
- Planning
- Deployment
- Attack
- Escape
- Exploitation

Source: Stratfor

Situational awareness

- Being aware of physical surroundings for personal safety and security
  - See something, say something
- Being aware of, understanding and disrupting funding flows

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Situational Awareness from a Terrorist Financing Perspective

Situational awareness from a terrorist financing perspective should focus on and ***understand***:

- The threat
  - The threat environment
  - Current and emerging trends
- Funding flows
  - Sources / methods / access
  - Three funding streams (with numerous variations)
- Who you are dealing with
  - Organizations (global / regional / local)
  - Individuals (leaders / fundraisers / facilitators / recruiters / fighters)

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Information Sources

- "The Terrorist Attack Cycle" published by Stratfor

https://worldview.stratfor.com/article/defining-terrorist-attack-cycle

- National Strategy for Combating Terrorist and Other Illicit Financing.

https://home.treasury.gov/system/files/136/nationalstrategyforcombatingterroristandotherillicitfinancing.pdf

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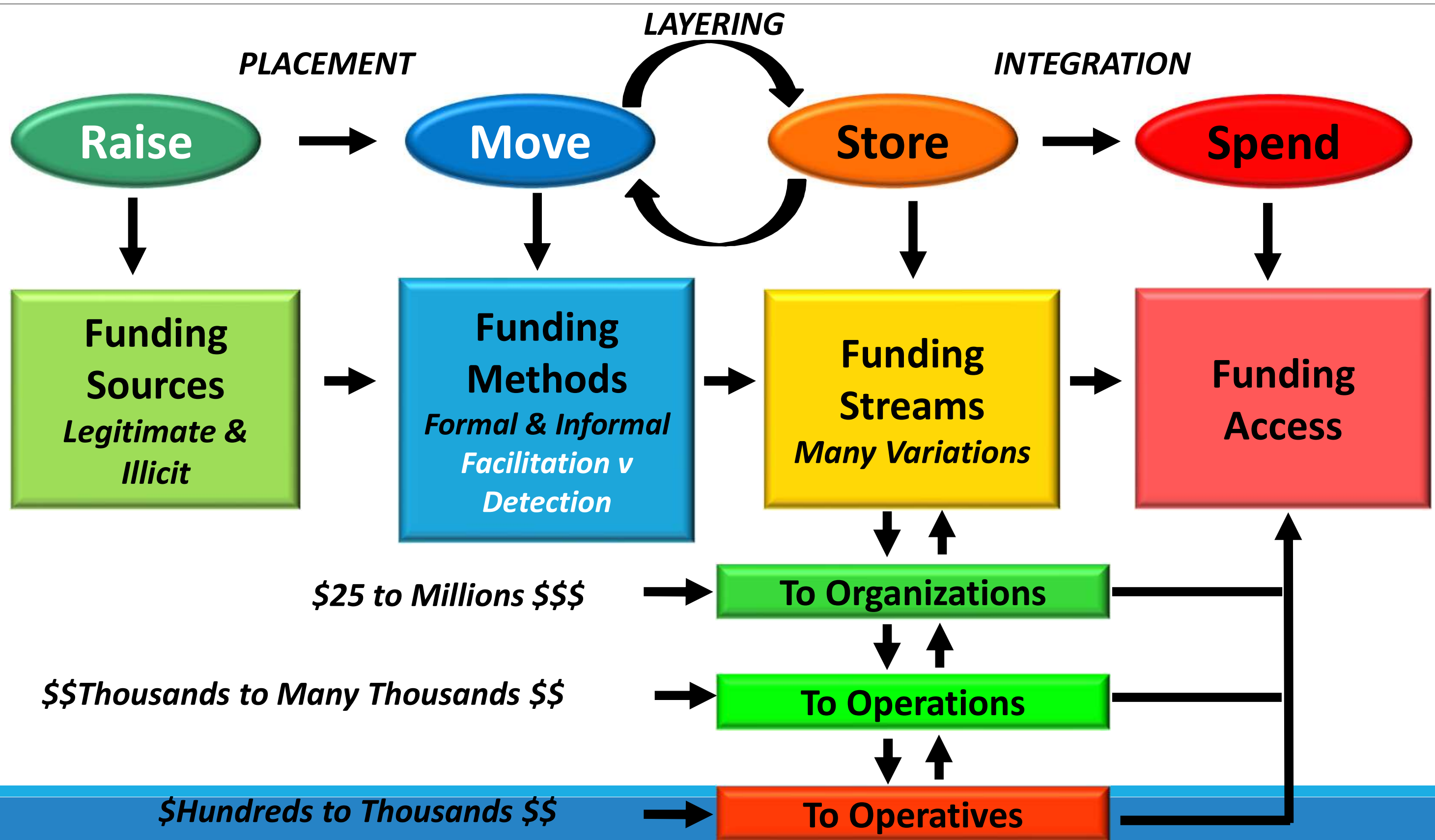
Funding: Sources / Methods / Access



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Collaboration

- JTTFs
- Fusion Centers
- Task Forces
- Strike Forces
- All law enforcement, military & intelligence focused.
- Usually missing are private sector subject matter experts and/or needed collaborators.

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Collaboration

- **NCFTA** – The National Cyber-Forensics & Training Alliance www.ncfta.net
- **IAFCI** – International Assoc. of Financial Crime Investigators www.iafci.org
- **ACAMS** – Assoc. of Certified Anti-Money Laundering Specialists www.acams.org
- **3VR CrimeDex** www.crimedex.com

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Collaboration

- **MAC** – Merchant Acquirers' Committee www.macmember.org
- **NYEFC** – New York External Fraud Committee rosenszweigd@dany.nyc.gov
- **The Blockchain Alliance** www.blockchainalliance.org

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Law Enforcement Sensitive

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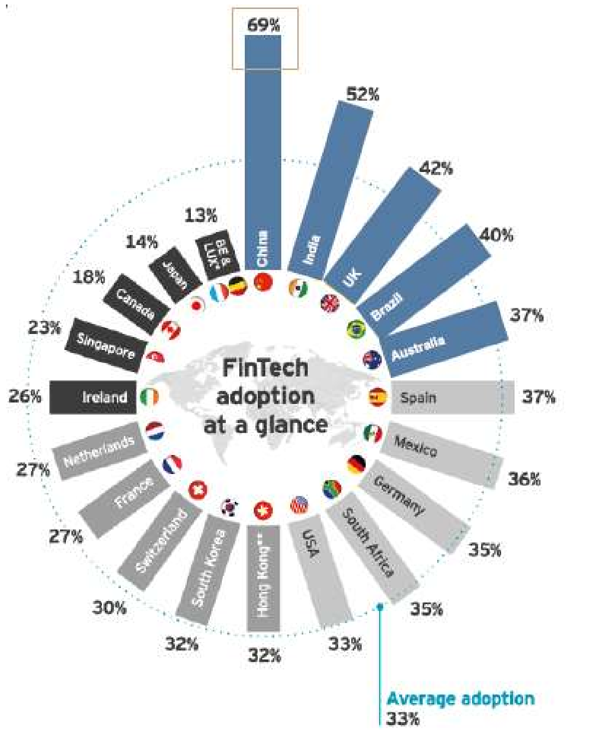

Source: "EY FinTech Adoption Index 2017" EY. As of September 30, 2017.

Fintech

- The digitization of financial services.
- Will disrupt and transform traditional financial services, including:
- Payments
- Transactions
- Insurance
- Consumer Lending
- Investing and Wealth Management
- Cryptocurrencies

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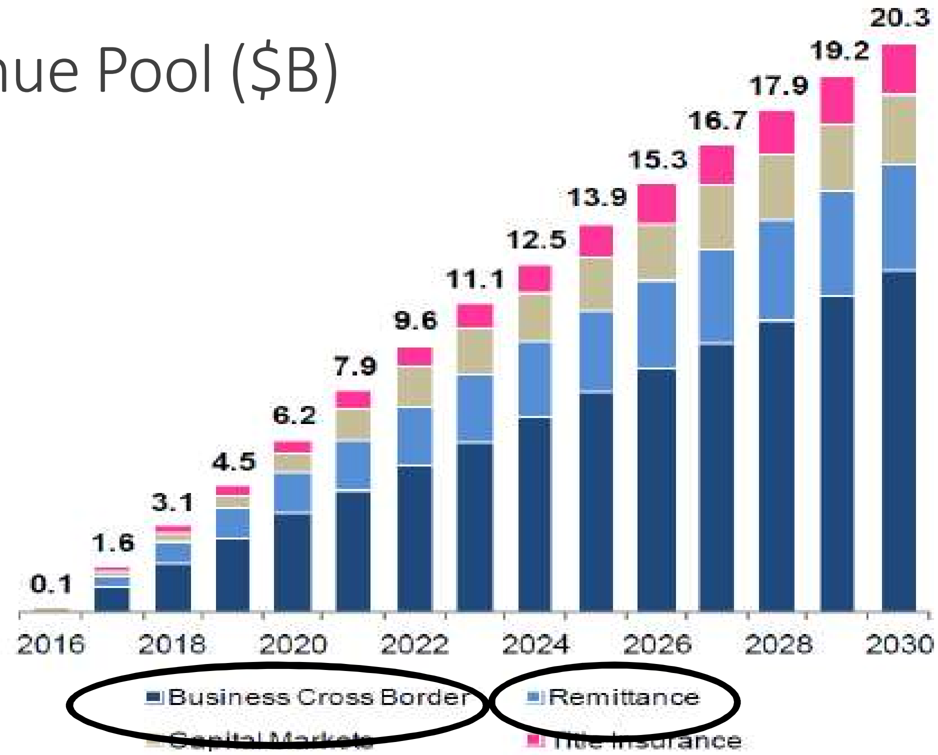
Distributed Ledger Revenue Pool ($B)



Data, Data, Data ……….

Your investigation will live here!

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Money Laundering vs Fraud

- **Money Laundering**
  - The financial institution makes money!
  - Fines are just a cost of doing business.
- **Fraud**
  - The financial institution loses money!
- **Which do you think gets more dedicated attention?**

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Civilizational Risks

Financial institutions must be taught the “civilizational costs” of money laundering activity.

Related to drug trafficking

Related to human trafficking

Related to terrorism

It is not really just “white collar” crime!

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Developing Terrorist Financing Typologies

Requires understanding and assessing four factors in conjunction with each other to include:

- Terrorist threat environment
- Emerging terrorist trends
- Funding flows terrorists rely on to sustain their operations
- Institutional risk of being used to facilitate terrorist funding flows

By assessing each factor and placing them in context with each other in a matrix or analytical report or assessment, you can take more generic risk indicators or red flags and make them more specific to your institutional risk

Developing typologies based on commonalities of terrorist attack cycle

Developing Terrorist Financing Typologies

Carnival Ice Cream Shop
- Illegal money remitter
- $22.2 million flowed through 12 bank accounts (1996 through 2003)

Hizballah Tri-Border Electronics Case (Argentina)
- Electronics shipped to store owned by designated Hizballah leader
- False invoicing scheme

Mumbai Bombing
- Used front company (offered immigration services)
- IP address traced to ISI headquarters (O'Neill connection)

Lebanese Canadian Bank Case
- Trade based money laundering (used cars / other commodities)
- Criminal – terror nexus (Hizballah / Joumaa family / Las Zetas)

Foreign Fighter Model (travel to Syria)
- Bulk cash
- Account closure / pay down debts / travel

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Q & A

Takeaways

- Form a relationship with law enforcement
- Understanding the terrorist threat can lead to detection, intervention, disruption and prevention
  - Incremental process
- Understanding threat evolution and identification of homegrown violent extremists
  - Requires "urgent" reactive response
- Countering extremist ideology requires tactical and strategical efforts
  - Requires public / private sector partnerships
- Visualizing the three funding flows to terrorists
  - Understanding there can be many variations
- Developing typologies more specific to your institution
  - Understanding and assessing four factors

Thank You

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