



Australian Government  
Australian Institute of Criminology

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*Crime & Justice Challenges in the 21<sup>st</sup> Century*

*Financing of Terrorism in Australia: Risks and Regulation*

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# Overview

## Background

- Defining terrorism and the role of financial transaction reporting

## Global trends

- Drivers of change of the financing of terrorism

## Use of illegally obtained funds

- Fraud, kidnapping/extortion, drugs, smuggling, organised crime

## Use of legally obtained funds

- Subscriptions, business activities, self-funding, charitable donations

## The scale of the problem

- Terrorist attacks, funding groups, frozen assets, convictions

## Conclusions

- Understanding the risks, role of intelligence gathering and education



# Background

## Defining terrorism

- “Terrorists aim at intimidating people, compelling states to comply with their demands, or destabilising or destroying the fundamental political, constitutional, economic or social structures of a country or an organisation” (Europol 2009)

## Motivations

- Supporting particular religious faiths (e.g. Al Qaeda)
- Promoting international recognition and political self-determination for ethno-nationalist and separatist groups (e.g. *Liberation Tigers of Tamil Eelam* – LTTE)
- Achieving entire political, social, or economic system change according to extremist left- or right-wing models (e.g. *Revolutionary Armed Forces of Colombia* – FARC)
- Changing specific policies or practices (e.g. animal experimentation)

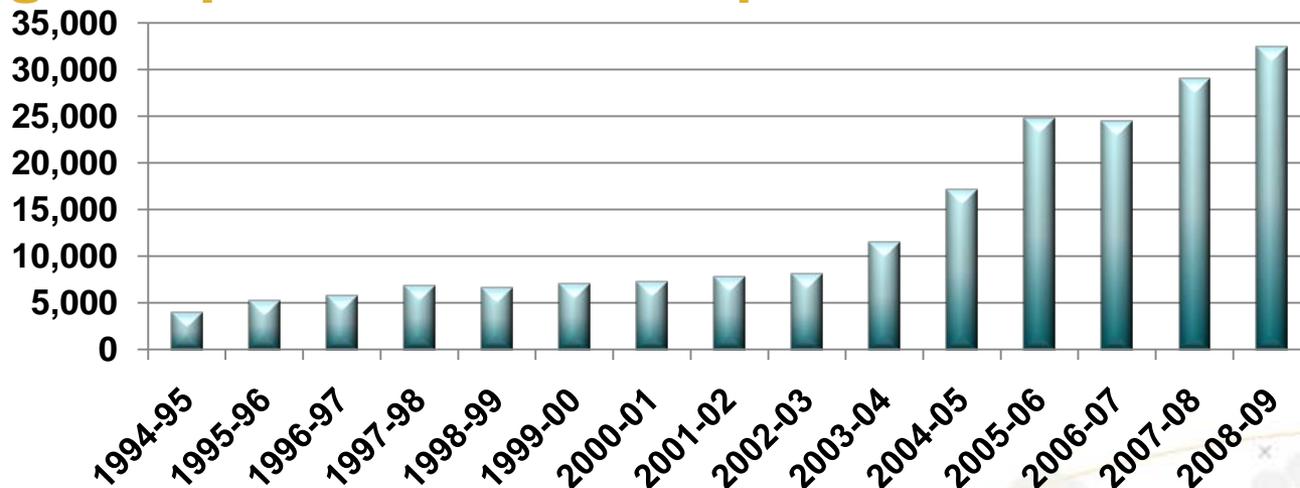


## Background

### The role of financial transaction reporting

- Seeks to identify the movement of funds by terrorists (and criminals)
- Regulated businesses are required to (inter alia):
  - identify their customers to determine if they are terrorists/criminals
  - report cash, suspicious, threshold, and international transactions to AUSTRAC for analysis and use by law enforcement

### e.g. Suspicious Matter Reports 1994-2009





## Global trends

### Drivers of change

- Decline in state-sponsored terrorist activities
- Increase in self-financed activities using drug and other crime proceeds
- Increase in home-grown organisations
- Increasing radicalisation by extremist Muslim terrorist groups
- Increasing self-radicalisation within Muslim communities

### e.g. Joseph Terrence (Jack) Thomas

- Apprehended in Jan 2003 attempting to leave Pakistan using a false passport and with US\$3,500 in cash, allegedly from Al Qaeda
- Charged with providing resources to a terrorist organisation—not proved
- Convicted of receiving funds from Al Qaeda – quashed on appeal
- Re-tried and convicted of possessing a falsified passport – sentenced to nine months' imprisonment in 2008





US\$207m. Seized  
in Mexico, 2007

# Use of illegally-obtained funds

## Fraud

- Extremist Muslim terrorists have raised funds from fraud in Europe

## Kidnapping and extortion

- Separatist and left-wing groups raised funds from extortion in Europe

## Drug trafficking

- 50% of terrorist groups involved in drug-related crime (US State Dept)

## Smuggling

- Extensive use of smuggling of people, arms, drugs and bulk cash

## Other organised crime

- Funds generated from prostitution, cybercrime, counterfeiting, piracy

## *Funds transfer methods include:*

- Alternative remittance and use of shell companies to disguise funds



## Use of legally-obtained funds

### Organisational subscriptions

- Collection of funds from membership of terrorist organisations
- Funds obtained from group events, publications and donations

### Business activities

- Funds from legitimate business activities conducted by organisations

### Self-funding

- Funds raised specifically for attacks e.g. London attack cost £8,000
- Benbrika et al. – planned attack on AFL Grand Final – alleged funds from sale of parts from stolen cars valued at \$10,000 (on appeal)
- Victorian case – funds of \$1.9 million allegedly transferred to LTTE

### Charitable donations

- Diversion of charitable donations for legitimate charities to terrorist activities (e.g. Jemaah Islamiyah and Al Qaeda)
- Funding of terrorist groups set up as unregulated charities



## The scale of the problem

### Number of terrorist attacks

- 24% decline in attacks in Europe from 2007-2008 (515 in 2008)

### Funding of terrorist attacks

Attack	Date	Estimated cost (US\$)
USS Cole attack	12 October 2000	\$10,000
Madrid train bombings	11 March 2004	\$14,000
London transport bombings	7 July 2005	\$15,000
Jakarta Marriott hotel bombing	5 August 2003	\$30,000
Istanbul truck bomb attacks	15,20 Nov 2003	\$40,000
Bali bombings	12 October 2002	\$50,000
East Africa Embassy bombings	7 August 1998	\$50,000
New York World Trade Centre	11 September 2001	\$500,000

### Funding terrorist organisations

- Hundreds of millions of dollars annually (Vassilieu 2003)<sup>x</sup>



Source	Type	Information
OFAC - 6355		PROMOTORA HOTEL BARRANQUILLA LTDA.
	add	Calle 74 No. 53-30 Barranquilla Colombia
	add	Apartado Aereo 51110 Barranquilla Colombia
	Remarks	NIT # 890111684-3 (Colombia).
OFAC - 6356		SURAMERICANA DE HOTELES LTDA.
	aka	SURATEL
	add	Calle 74 No. 53-30 Barranquilla Colombia
	Remarks	NIT # 800011603-0 (Colombia).
OFAC - 6365	individual	BIN LADIN Usama bin Muhammad bin Awad
	aka	BIN LADIN Usama
	aka	BIN LADEN Usama
	aka	BIN LADEN Osama
	aka	BIN LADIN Osama
	aka	BIN LADIN Osama bin Muhammad bin Awad
	Remarks	DOB 30 Jul 57; alt. DOB 1958; POB Jeddah Saudi Arabia; alt. POB Yemen.

## The scale of the problem

### Asset freezing evidence

- 3,397 groups or individuals on DFAT list in April 2009
- Australia has frozen \$2,197 of Int Sikh Youth Federation funds to date
- US OFAC has frozen US\$20.8 million in assets at 31 December 2007
- UK has frozen \$500 million in assets at 30 June 2008

### Australian terrorism-related charges

- 9 charges laid from 2002-03 to 2006-07
- 26 individuals charged to 30 June 2008
- 12 individuals convicted of terrorism offences to date
- 7 convictions for financing of terrorism (Jack Thomas quashed on appeal; Atik, Joud, Ahmed Raad, Ezzit Raad, Sayadi currently on appeal; LTTE case charges withdrawn; awaiting new trial; Faheem Khalid Lodhi 20 years' prison /15 years' non-parole in June 2006 for planning attack on Sydney electrical supply system)



## Conclusions

### Risks for Australia

- A wealthy country that can be a source of funds for terrorism
- No imminent risks from internal separatist terrorist groups
- Some risks from internal groups seeking to change specific policies
- Risks from extremist Muslim organisations overseas and internally

### The role of financial intelligence

- Transaction reports provide an important source of information
- Sound intelligence gathering is essential in responding to terrorism

### The role of education

- Informing business and individuals of the risks of financing terrorism inadvertently or intentionally, and how to avoid them
- Enhancing social inclusion of ethnic communities to counter the processes of radicalisation that can lead to attacks



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