

The Problem: Overview of Terrorist Financing

Introduction

Welcome to Introduction to Terrorist Financing! This course is designed to give you a basic understanding of what terrorist financing is and some of the major issues and themes of terrorist financing work.

Identifying, tracking and dismantling the financial structure supporting terrorists is a critical step toward successfully dismantling terrorist organizations and preventing future terrorist attacks. Simply put, terrorism requires funding—in some form—to exist and operate.

Terrorist financing can be part of an existing terrorism case, or the basis of a stand-alone investigation. This course will help you understand how financial investigations can provide uplift to your work against terrorism.

Transcript of President Bush's speech on terrorism.

President Bush's Speech

At 12:01 a.m. this morning, a major thrust of our war on terrorism began with the stroke of a pen. Today, we have launched a strike on the financial foundation of the global terror network. Make no mistake about it, I've asked our military to be ready for a reason. But the American people must understand this war on terrorism will be fought on a variety of fronts, in different ways. The front lines will look different from the wars of the past. So I told the American people we will direct every resource at our command to win the war against terrorists: every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence. We will starve the terrorists of funding, turn them against each other, rout them out of their safe hiding places and bring them to justice. I've signed an executive order that immediately freezes United States financial assets of and prohibits United States transactions with 27 different entities.

.....

We have developed the international financial equivalent of law enforcement's "Most Wanted" list. And it puts the financial world on notice. If you do business with terrorists, if you support or sponsor them, you will not do business with the United States of America. I want to assure the world that we will exercise this power responsibly. But make no mistake about it, we intend to, and we will, disrupt terrorist networks.

Introduction

This course is divided into three Modules.

- Module 1 – The Problem: Overview of Terrorist Financing
- Module 2 – The Response: Combatting Terrorist Financing
- Module 3 – In Depth View: Two Prevalent Funding Tools

This course should take approximately three (3) hours to complete. If you need to, you can complete part of it now and finish it later. There will be a quiz at the end of each module. To obtain credit for taking this course, an passing grade on each test is required. If you score less than the passing grade, you will be given up to to answer each question.

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Module Objectives

At the end of this module, you will be able to:

1. Recount the major elements of the origination and development of the Terrorist Finance Operations Section (TFOS).
2. Define terrorist financing and money laundering.
3. Compare and contrast money laundering and terrorist financing.
4. Categorize common money movement schemes as formal or informal, and summarize the benefits and disadvantages of each type.
5. Discuss and give examples of the sources of funds for terrorist networks and activities.
6. List the countries that the United States Government (USG) has designated as State Sponsors of Terrorism.
7. Explain the various terrorist designations and the purposes they serve.

Terrorist Financing Operations Section (TFOS)

TFOS began in the immediate aftermath of 9/11.

Before 9/11, there was no focal point for financial evidence collection or exploitation in terrorism cases. But after 9/11, the Financial Crimes Section gave most of its staff to become the Financial Review Group (FRG). This group was assigned to reconstruct the financial elements of the preparation for the 9/11 attacks.

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This reactive approach was very effective. It was the means through which the FBI began to financially investigate terrorists and their networks. But the FBI's counterterrorism efforts required a permanent, dedicated financial hub.

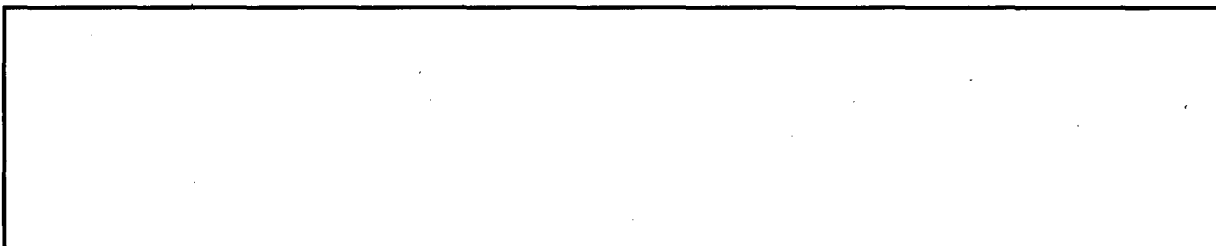
The FRG evolved into TFOS, adopting a mission to use the application of financial investigative techniques and the exploitation of financial intelligence to defeat terrorism with both reactive and proactive strategies. This more holistic effort is how the FBI works to identify, investigate, disrupt and dismantle terrorist financing and fund-raising activities.

Money Laundering and Terrorist Financing Definitions

Traditionally, the FBI has expertise in conducting complex criminal financial investigations. This expertise, and the resources that support it, must be fully integrated into the Counterterrorism Division to allow the FBI to bring its full assets to bear in the war on terrorism.

Money Laundering is the process whereby illegal proceeds from a specified unlawful activity (SUA) are cleaned or disguised and subsequently placed inside the banking or other mainstream financial system. In other words, any knowing use of the proceeds of a criminal activity is money laundering.

A Money Laundering Example



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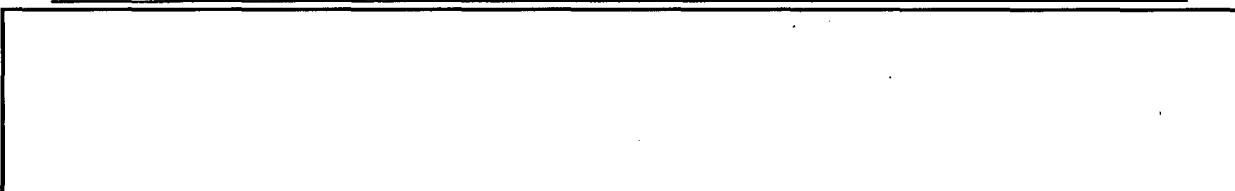


Money Laundering and Terrorist Financing - Similarities

Money laundering and terrorist financing have various similarities—a natural result of two crimes sharing a similar (i.e. financial) basis. People who engage in these crimes use many of the same methods to earn, move and conceal their illegal funds. Some common methods include:

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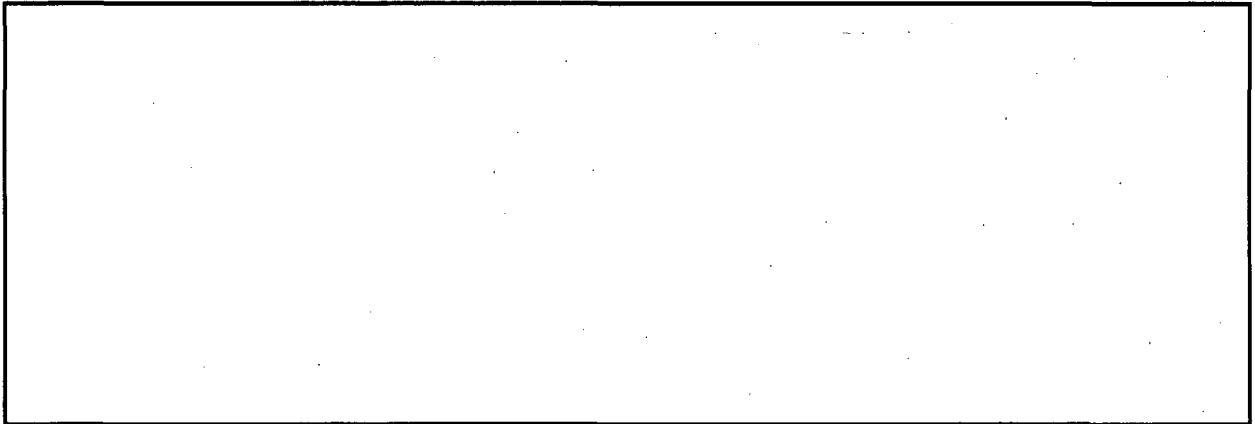


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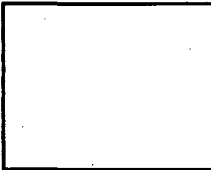
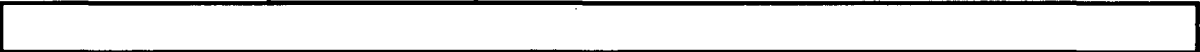
Money Laundering

Money laundering fits the mold of traditional crime that is committed for financial gain. Crime is the source of the money involved, or the money is used to further criminal activity.

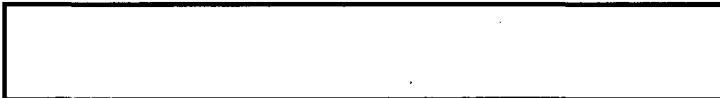
Terrorist Financing

Terrorist financing does not fit the traditional criminal mold. It is committed to support an ideologically held goal or belief, and does not necessarily involve any other criminal activity.

Methods of Funds Transfer



Benefits of using

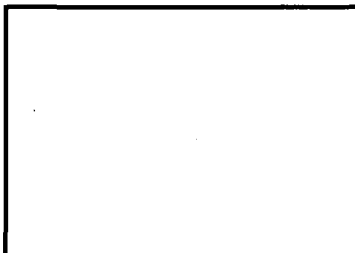


Disadvantages of using



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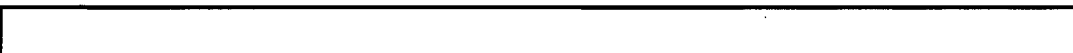
Methods of Funds Transfer



Benefits of using



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Methods of Funds Transfer - 
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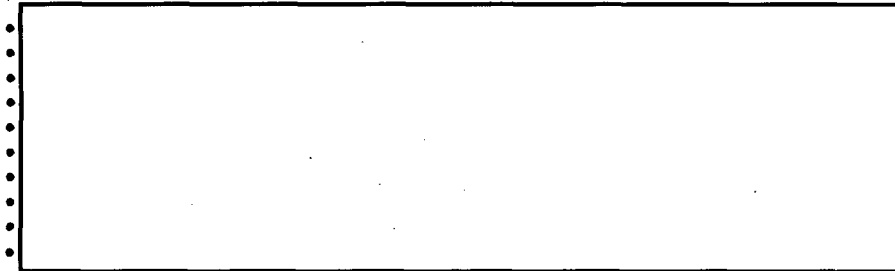
Disadvantages of using 



Funding Sources

Because the financing of terrorism and terrorist groups can come from legitimate and/or illicit sources, determining the funding source can be more challenging than in a traditional financial investigation.

Frequent sources include (click on underlined categories to see an example):



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Traditional Criminal Activities

The Frankfurt Al Qaeda cell obtained funding for the cell's terrorist activities through various criminal activities:

- Credit Card Fraud
 - They cloned credit cards to purchase bomb making materials and devices.
- Dealing of hashish
- Other violent crimes
 - Purse snatching
 - Assaults/robberies



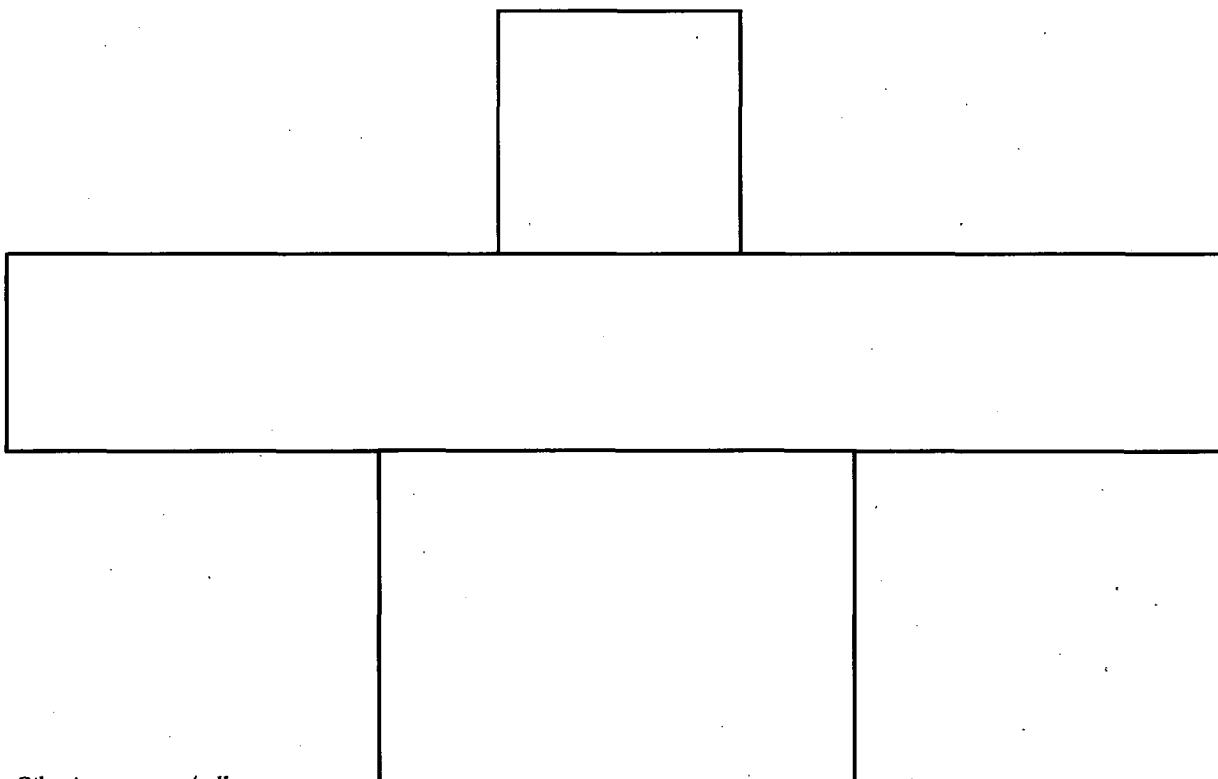
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Donations from wealthy supporters

 bin Laden and the  Islamic Benevolence Committee, a charity that raised funds to support Al Qaeda and other terrorists.

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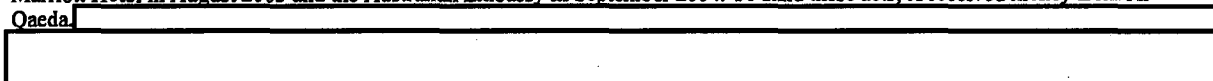
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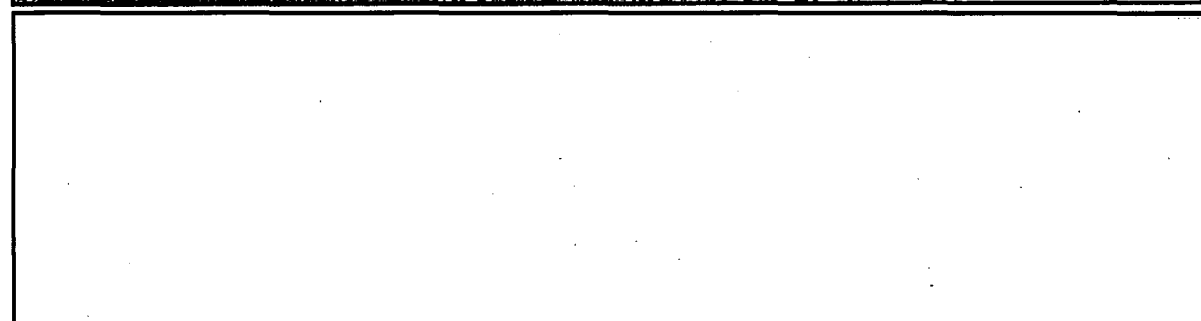
Other terror groups/cells

The South East Asian terrorist group, Jamaah Islamiyah (JI), was responsible for the bombings in Indonesia involving the JW Marriott Hotel in August 2003 and the Australian Embassy in September 2004. To fund these acts, JI received money from Al Qaeda.



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Al Qaeda's role in the bombings actions on the JW Marriott Hotel and the Australian Embassy – Police's Version



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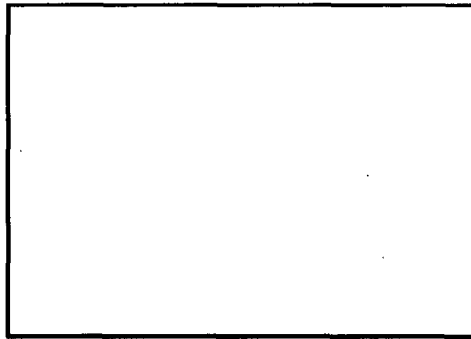
Legitimate businesses as 'fronts'

The Madrid Al Qaeda cell used multiple legitimate business platforms to support itself. Some cell members performed home repairs involving masonry, plumbing, and electrical work. Another enterprise operated by cell members purchased dilapidated automobiles, repaired them, and resold them. They purchased the cars in one European country and resold them in the country where the cell was located.

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Operation Smokescreen



In 1996, ATF identified a cigarette smuggling operation between North Carolina and Michigan. Because of the difference in cigarette tax between the two states, the smugglers could turn a \$9.00 profit per carton--\$13,000 per truckload. Review of all the financial data revealed that a portion of the proceeds was being sent to Hizballah, a terrorist group in Lebanon. Another intended use of the proceeds was to purchase military equipment for use by Hizballah members.



State Sponsors of Terrorism

State sponsorship is one way that terrorists find funding and other forms of support. States that are determined by the Secretary of State to have repeatedly provided support for acts of international terrorism are designated pursuant to three laws that, taken together, create four main categories of sanctions that restrict U.S. foreign assistance (except for humanitarian assistance), ban defense exports and sales to that country and entities in that country, limit and control exports of dual use items, and impose miscellaneous financial and other restrictions.

The following countries are State Sponsors of Terrorism (SST):

- Iran (1984)
- Sudan (1993)
- Syria (1979)
- Cuba (1982)
- North Korea (1988)

Iraq was removed from the list after the fall of Saddam Hussein's regime. Libya was removed from the list in June 2006.

Three Laws

Section 6(j) of the Export Administration Act, Section 40 of the Arms Export Control Act, Section 620A of the Foreign Assistance Act

Terrorist Designations

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Designation of a state sponsor is different than designation of an individual or organization. There are actually six different designation lists on which an entity can be placed. These categories are published as lists of terrorism supporters. The lists have multiple purposes, but many shared benefits. Designation on one of these lists:

- Reduces the proof of knowledge requirement when prosecuting someone for supporting one of these entities
- Reduces the need to prove end use of funds
- Removes the argument that the groups being supported are freedom fighters

State Sponsors of Terrorism

- State Sponsors of Terrorism (SST)
- Foreign Terrorist Organization (FTO)
- Specially Designated Global Terrorists (SDGT)
- Specially Designated Terrorists (SDT)
- Specially Designated Nationals & Blocked Persons (SDN)
- Terrorist Exclusion List (TEL)

Which list is most relevant to your cases?

The most important list to know is the Specially Designated Nationals and Blocked Persons List (SDN List), which is a compilation of four of the other lists, as well as other Treasury Department sanctions programs. This list, through the SDGT and SDT designations, is what is used to take enforcement action against persons, charities and other organizations that are found to be supporting terrorism. This is coordinated through the Office of Foreign Assets Control under the Treasury Department. Contact TFOS at Headquarters to get in touch with the [REDACTED]

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State Sponsors of Terrorism (SST)

- Iran (1984)
- Sudan (1993)
- Syria (1979)
- Cuba (1982)
- North Korea (1988)

Foreign Terrorist Organization (FTO)

- Designated by the Secretary of State
- Must be a foreign organization that engages in terrorist activity that threatens U.S. citizens or security
- Incurs financial and immigration sanctions

Specially Designated Global Terrorists (SDGT)

- Maintained by Treasury Department
- Created after 9/11
- Contains:
 - Persons who pose a risk of committing acts of terrorism that harm U.S. security
 - Persons controlled by SDGT entities
 - Persons who support acts of terrorism
- Incurs financial sanctions

Specially Designated Terrorists (SDT)

- Same as SDGT, but focused on disrupters of Mideast Peace Process

Specially Designated Nationals & Blocked Persons (SDN)
Treasury Department master list of SST, FTO, SDGT, and SDT
Specially Designated Nationals & Blocked Persons (SDN)

- Maintained by the State Department
 - Created under the Patriot Act for immigration purposes
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The Response: Combatting Terrorist Financing
Module Objectives

At the end of this module, you will be able to:

- Describe the five types of financial investigations relating to terrorism.
- Describe financial evidence, how to gain access to that evidence, and how that evidence can support an investigation.
- Identify suspicious banking activity and patterns.
- Recall the FBI guidelines associated with terrorist financing cases.
- Explain the legislation used to prosecute terrorist financing.

Types of Financial Investigations

There are five main types of terrorist financing investigations. The differences between them lie in the purpose and subject of the investigation. Accordingly, the strategies differ between types, but many of the tools are the same.

Financial Autopsy

A financial autopsy investigation occurs after a large attack, such as the 9/11 attacks. This method of investigation:

- [REDACTED]
- [REDACTED]

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The types of records used in this investigation can come from the following sources:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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Types of Financial Investigations

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Tracing financial activity provides information about:

- [REDACTED]
- [REDACTED]
- [REDACTED]

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Types of Financial Investigations

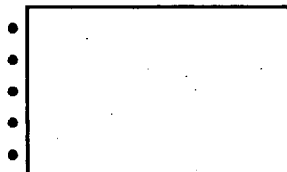
Terrorist/Terrorist Cell

A terrorist/terrorist cell financial investigation focuses on a single operative or cell believed to be in the planning or pre-attack stages of a terrorist attack. This kind of investigation uses financial information to further identify:

[REDACTED]

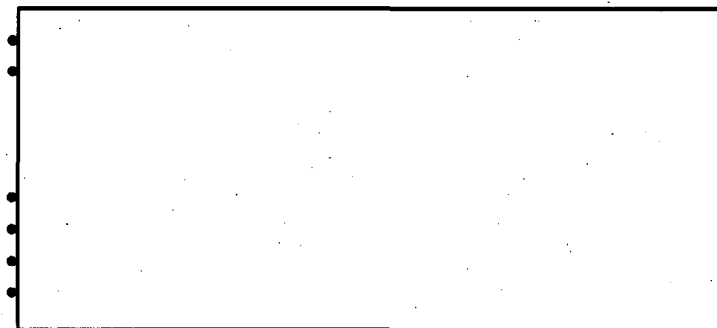
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Tracing financial activity can help prevent a terrorist attack and provide information about:

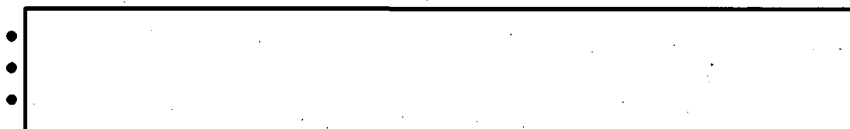


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Types of Financial Investigations

Non-governmental Organizations (Charities)

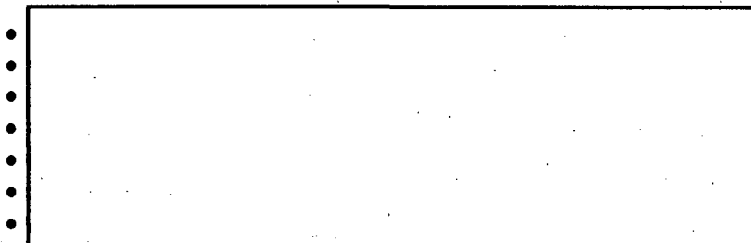
NGOs are non-profit entities that engage in activities designed to serve the needs of a group of people or an organization. Investigations of NGOs focus on activities of NGOs that are engaged primarily in charitable fundraising. Investigations must:



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NGOs are distanced from actual acts of terrorism by their indirect support of such activities through fundraising on [Redacted]. Terrorists have become adept at using NGOs to [Redacted] funding through various money laundering techniques.

Tracing such financial activity provides information about:

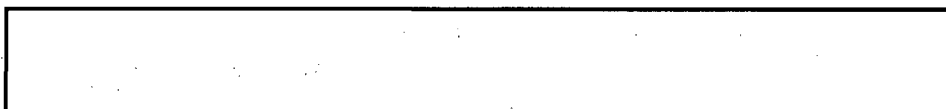


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Types of Financial Investigations

Criminal Activity

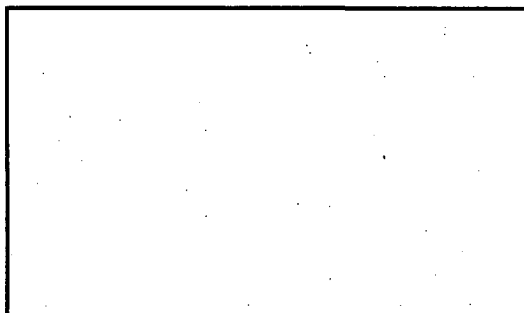
Terrorist groups often use criminal activities as a way to fund their operations, or they "strong arm" criminal groups into providing a portion of their profits to support the terrorists' cause.



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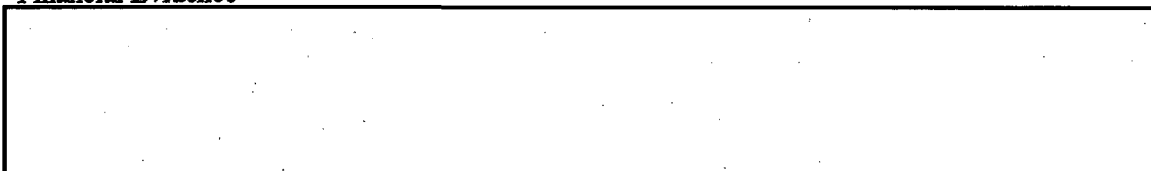
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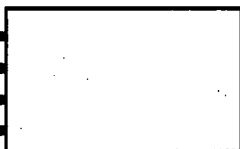
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This type of investigation is conducted as any financial criminal investigation.

Financial Evidence



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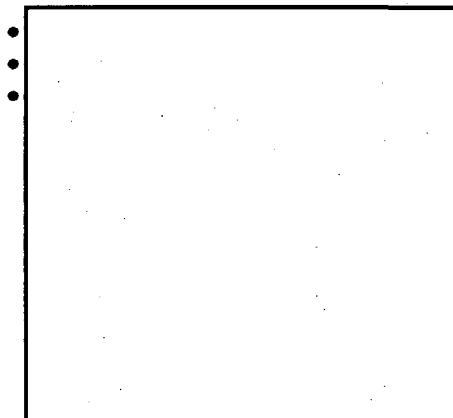
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These investigations are often [redacted] when a direct link to terrorist financing cannot be proven.

Financial Evidence

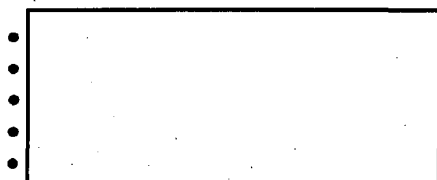
Types of Evidence

Some of the available forms of financial evidence include:

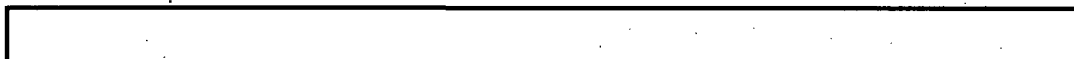


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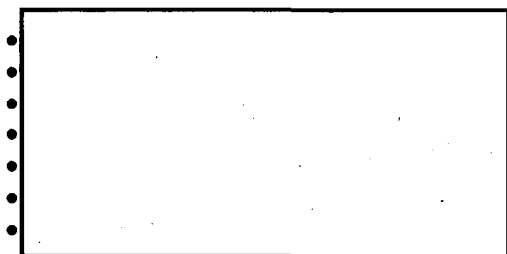
Summary of Requirements



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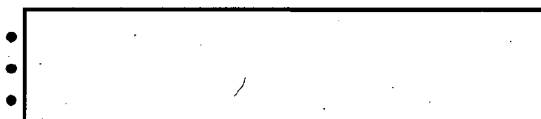


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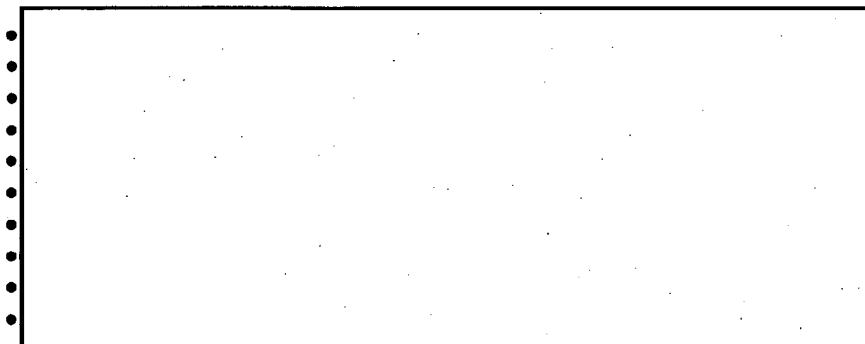
Summary of Requirements



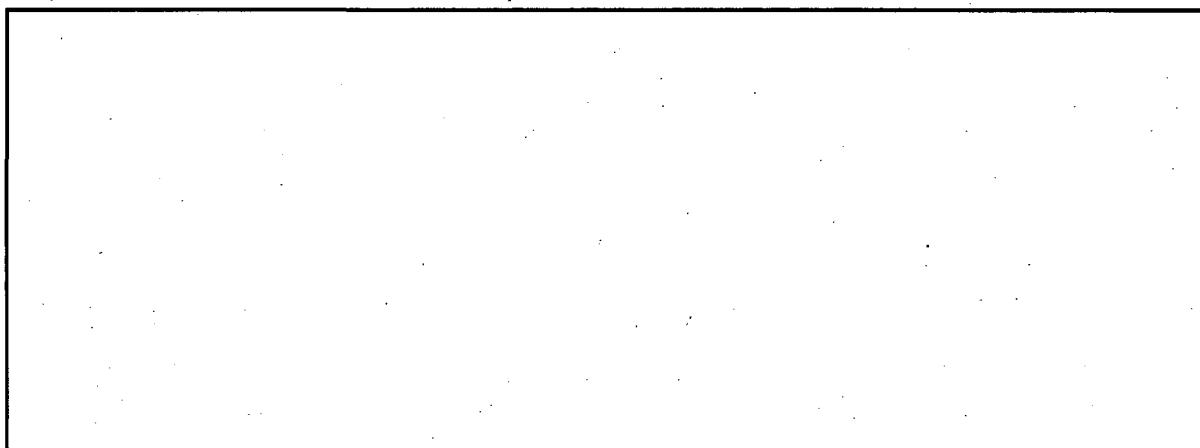
**Financial Evidence
Investigative Uplift**

Gathering financial evidence can provide investigative uplift in a variety of ways. Financial evidence can lead to other documentary evidence, connect people to each other, and/or connect people to assets and events.

Some of the ways financial evidence supports investigations are:



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- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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[REDACTED]

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FBI Terrorist Financing Case Guidelines

[REDACTED]

FBI Terrorist Financing Case Guidelines

All 315 cases are required, in the NFIP Manual, Section 19-902, Subsection D, Paragraph 2, to include the reporting of [REDACTED]

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[REDACTED]

FBI Terrorist Financing Case Guidelines

To meet the NFIP Manual reporting requirement, all 315 cases must have a financial subfile. (Note EC 66F-HQ-A1390507 Serial 311 to review this requirement in detail.) This subfile should include such things as:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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[REDACTED]

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• [REDACTED]

All 315 cases should be reviewed by the Terrorism Financing Coordinator (TFC) in each Field Division and/or TFOS's Program Management and Coordination Unit (PMCU), Program Management Group (PMG) to determine the status of that case, statistical accomplishments, and to identify any parallel investigations.

The closing communication of any Full Investigation must include notification to TFOS/PMCU.

Summary of Requirements

Summary of Requirements

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- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Statutes for Indicting Terrorism Financiers

Title 18 USC § 2339 – Material Support

This three-part statute prohibits material support to terrorists.

Title 18 USC § 2339A

Prohibits directly and knowingly providing material support for the commission of terrorist crimes, or conspiring to do so.

- Penalty: Fined and/or imprisoned not more than 15 years if no deaths result; imprisoned for any term of years or for life if deaths result.

Title 18 USC § 2339B

Prohibits providing material support or resources to designated foreign terrorist organizations, or conspiring to do so.

- Penalty: Fined and/or imprisoned not more than 15 years if no deaths result; imprisoned for any term of years or for life if deaths result.

Requires financial institutions that become aware of possession of, or control over, any funds in which a foreign terrorist organization or agent has an interest, to:

- Retain possession of, or maintain control over, those funds.
- Report the existence of such funds to the Treasury Department

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Statutes for Indicting Terrorism Financiers

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(Title 18 USC § 2339B)Cont'd

- Penalty for failure to comply: \$50,000 per violation, or twice the amount over which the financial institution was required to retain possession or control.

Title 18 USC § 2339C

Prohibits financing, or conspiring to finance any act intended to cause death or injury if the purpose is to intimidate a population, or to compel a government or international organization to do or to abstain from doing any act.

- Penalty: Fined and/or imprisoned not more than 10 years.

Prohibits acts which violate certain terrorism- and WMD-related treaties as implemented by the United States.

- Penalty: Fined and/or imprisoned not more than 20 years.

*It is not necessary that the funds were actually used to carry out a predicate act.

Summary table of the statutes.**Summary of Requirements**

	2339A	2339B	2339C
Crime	Support for the commission of violation of a terrorist- or WMD-related statute	Support for a designated terrorist entity	Support for any act violating a terrorism- or WMD-related treaty, or an act of terrorism
Penalty	No deaths- Fined and/or imprisoned up to 15 years Deaths- Fined and/or imprisoned for any amount of years or life	No deaths- Fined and/or imprisoned up to 15 years Deaths- Fined and/or imprisoned for any amount of years or life	Treaty- Fined and/or imprisoned up to 20 years, or both Terrorism- Fined and/or imprisoned up to 10 years

Statutes for Indicting Terrorism Financiers**Title 18 USC § 1956 – Money Laundering**

In addition to providing material support to terrorists, terrorist financiers often violate money-laundering statutes. For this reason, a strong familiarity with money laundering violations can be helpful when developing a case against a terrorist financier. Title 18 USC 1956 is the primary statute used against money launderers.

Title 18 USC § 1956(a)(1)

Elements of the crime:

1. Financial transaction or attempted financial transaction (not necessarily money, but anything of value, such as gifts or loans)
2. Proceeds acquired from an SUA
3. Knowledge that the property or funds involved are the proceeds of a felony under federal, state, or foreign law
4. Intent to: (a) promote an SUA, (b) evade taxes, (c) conceal or disguise the proceeds of an SUA, or (d) avoid reporting requirements.

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List of SUA's

Terrorist Financing an SUA

Harboring, providing material support to, and funding terrorists were added to the list of SUAs under the USA PATRIOT Act on October 26, 2001, and the USA PATRIOT Improvement and Reauthorization Act on March 9, 2006.

Statutes for Indicting Terrorism Financiers

Title 18 USC § 1956(a)(2)

Elements of the crime:

- Transportation of a monetary instrument
- To, from or through the United States
- With the intent to promote the carrying on of specified unlawful activity, OR knowing that the monetary instrument or funds involved represent the proceeds of some form of unlawful activity, AND knowing that
 - The transportation, transmission, or transfer of such is designed in whole or in part to conceal or disguise the nature, location, source, ownership, or control of the proceeds of a specified unlawful activity, OR
 - To avoid the transaction reporting requirement

Penalties (Criminal and/or Civil)

Criminal

Fined not more than \$500,000 or twice the value of the property involved, whichever is greater, and/or imprisonment for not more than twenty years.

Civil

Fined the value of the property involved, or not more than \$10,000, whichever is greater.

*All property involved in a money laundering offense can be forfeited.

Statutes for Indicting Terrorism Financiers

Money Laundering – Changes under the USA PATRIOT Act

The PATRIOT Act made a number of changes to money laundering regulations:

- Added more Specified Unlawful Activities (SUA's) and criminal acts related to money laundering.
- Added reporting requirements for financial institutions (under the Bank Secrecy Act) and strengthened the FBI's relationship with the Financial Crimes Enforcement Network (FinCEN).
- Granted more access to foreign money launderers and financial institutions.
- Expanded civil and criminal forfeiture provisions.

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In Depth View: Two Prevalent Funding Tools Module Objectives

At the end of this module, you will be able to:

- Explain how and why terrorists use non-governmental organizations (NGOs) or charities.
- List the elements that make up a thorough analysis of an NGO.
- Identify the indicators of terrorist-funding NGOs.
- Define Hawala and Alternative Value Transfer System (AVTS).
- Summarize the current and past use of Hawalas, the reasons for using them, and their legal and regulatory requirements.
- Explain over and under invoicing, specifically as used by people trying to hide money transfers.

NGOs and Charities

NGO stands for non-governmental organization, and refers to not-for-profit entities, commonly known as charities. However, other types of organizations can also be NGOs (i.e. think tanks and research institutes, religious organizations, amateur sports groups, etc). NGOs must file under Internal Revenue Code 501(c)(3) in order to receive tax-exempt status as a charity or other not-for-profit entity, and must follow certain guidelines to maintain this status.

Terrorists, as well as traditional criminals, can find a number of benefits from using NGOs, including:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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NGOs and Charities

Protecting Charities

The potential for misuse and diversion of charitable funds poses a serious threat. The direct harm caused by terrorist acts is compounded when facilitated by charitable organizations. Public confidence in the integrity of the charitable community lags, causing a reduction in assistance for essential humanitarian missions.

Types of Potential Abuses

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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terrorists. The organization appears to be a legitimate organization or religious entity that is used to conceal the activities of a terrorist network. This provides a means for terrorists to conceal travel, movement of money, communications, employment, and training.

Scenario Example

[Redacted]

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NGO Abuses

Fraudulent Solicitation of Donations

NGOs often solicit donations from the public, other local charities, religious organizations or community centers. In a [Redacted]

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[Redacted]

Scenario Example

[Redacted]

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NGO Abuses

Branch Offices Defrauding Headquarters

In this situation [Redacted]

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[Redacted]

Scenario Example

[Redacted]

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NGO Abuses

Aid Workers' Misuse of Position

Similar to the above scenario, [Redacted] an employee of an NGO uses a legitimate non-profit organization to provide support to a terrorist cause. In this case, the support provided [Redacted] An employee, working for an aid organization in a war-ravaged region, [Redacted]

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[Redacted]

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[Redacted]

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Scenario Example

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Analyzing an NGO

When initiating an investigation of a charity or NGO, develop information on the NGO's:

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Analyzing an NGO

Ask the following questions to help determine if a charity is engaged in criminal activity, specifically terrorist financing:

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Except for the last question, each factor, by itself, does not provide a conclusive indication of unlawful activities or terrorism. Rather, they establish the need for further inquiry.

Indicators of Terrorist-Funding NGOs

Because patterns can change over time, specific indicators are less helpful to know than general effects of behavior. Two hallmarks of a "good" charity are

In general, suspicious behavior is characterized by

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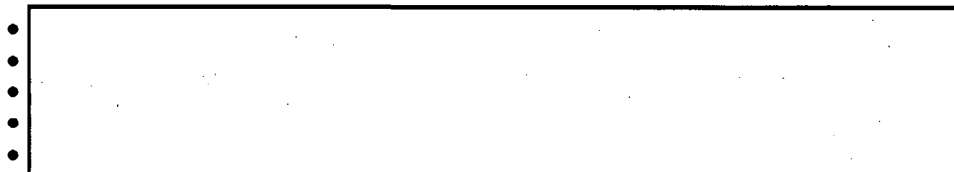
However, there are certain characteristics and behaviors that should raise suspicions of illegal behavior:

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Alternative Value Transfer Systems (AVTS's)

An AVTS is a means of transferring money or its equivalent through a banking system that exists outside the formal financial institutional system. Such systems exist all over the world, and are known by various names. In the Philippines, the primary AVTS is called Padala. In Hong Kong, it is Hui Kuan. In Thailand, it is Phei Kwan. A similar Chinese system is known as 'chop' or 'chit.' The most common term, "hawala," comes from Arabic. This system also goes by the Sanskrit term, Hundi.

The word *hawala* means 'transform,' but the definition has evolved to include 'trust,' 'reference' and 'exchange.' The word *hundi* means 'bill of exchange' or 'promissory note.' *Hawaladar* or *hundiwala* refers to the broker or banker of the hawala.

Hawala is an alternative or parallel remittance system that operates outside of, and parallel to, formal banking or financial channels. It is an informal system for domestic or international money payments, and is currently a major remittance system used around the world.

Hawalas

In a hawala system, a hawaladar (or series of hawaladars) takes the place of a formal money remitter to transfer money from one person to another. Involvement in the transaction is based on trust between parties based on family, ethnic or business relationships; there is no collateral, and money often transfers without actual money movement. Account reconciliation is conducted between hawaladars – debts between the hawaladars offset each other. Remittance can use the formal banking system but involves layering before it reaches a destination. Settling accounts could also involve over- or under-invoicing of commodities.

Simulated Hawala Transaction

Background on Hawala Use

Hawala began centuries ago, originating in South Asia. It was created because of a lack of formal banking systems, and is used to avoid large losses due to currency exchange rates and country imposed fees. It is often cheaper to use hawala than the formal banking system, especially for small, frequent monetary transfers.

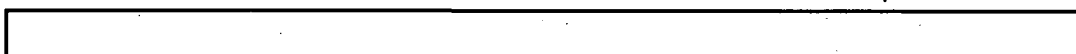
Hawala use is widely accepted in many countries, and is used in parallel with the Western banking system. Because of its inherent lack of transparency, hawala is especially popular in countries with an unstable (or nonexistent) financial infrastructure. It is used commonly by criminal elements, tax evaders, and people wishing to circumvent currency control regulations. However, it is also used legitimately by a variety of groups, including low income wage earners, individuals that do not trust the formal banking system, and businesspeople.

Background on Hawala Use

Reasons to Use Hawala

Hawalas offer many benefits to users, including:

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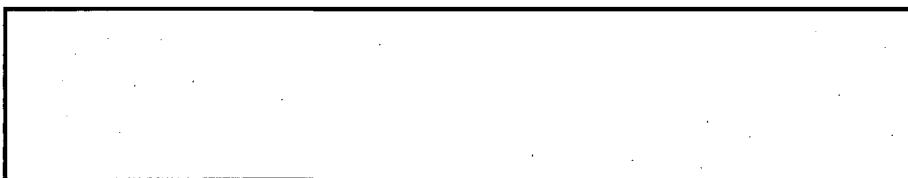
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- They are confidential.
- Many countries accept them as legitimate money services businesses.
- Using them is convenient – 24 hour availability.
- Funds are transferred immediately.
- There are no excess bank charges.
- Paper trails are minimal or nonexistent, and bureaucracy is nonexistent.
- There is no outside audit or examination of records.
- A vast difference is possible between official currency exchange rates and the rates charged in hawala.
- They compensate for a lack of formal banking systems in remote areas.
- Restrictive currency controls and heavy taxes/levies on accumulated wealth can be circumvented.
- They are popular with cultures that don't use or trust formal the banking system.

Hawalas

Reasons to Use Hawala

Criminals have particular interest in benefits of using hawalas, including:



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Treatment of Hawalas - Hawala Alternative Remittance System

Hawalas

Laws and regulations

Hawalas, while problematic for combatting money laundering and terrorist financing, are legal in the U.S. if they are registered.

What laws regulate hawalas and other money transmitting businesses?

Title 18 USC § 1960

Under this section of the U.S. Code, whoever knowingly conducts, controls, manages, supervises, directs or owns all or part of an unlicensed money transmitting business shall be fined or imprisoned not more than 5 years, or both.

Under the USA PATRIOT Act, the knowledge factor was removed from the statute, no longer requiring that the defendant have knowledge of the registration requirements.

"Unlicensed Money Transmitting Business" means a money transmitting business which affects interstate or foreign commerce in any manner or degree and: 1) is operated without the appropriate state license, if required 2) fails to comply with Title 31 USC § 5330 and/or 3) the funds are derived from criminal activity or intended for use in criminal activity, and either is known to the defendant.

Cont'd

Hawalas

Title 18 USC § 1960 Cont'd

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This statute defines "money transmitting" as: Transferring funds on behalf of the public by any and all means, including but not limited to transfers within this country or to locations abroad by wire, check, draft, facsimile, or courier.

Title 31 USC § 5330

This statute requires registration with the Secretary of Treasury within 180 days of establishment of a money transmitting business, as well as registration with state authorities, where required. Filing false or incomplete information in registering is considered failure to comply.

Follow this link to a more thorough treatment of Hawalas: [Hawala Alternative Remittance System](#)

Over and Under Invoicing

Over and under invoicing are methods of making and receiving payments within the context of a sale of commodities or goods. Funds move through the guise of, and commingle with, a legitimate transaction. The financial transaction is concealed by the shipment of physical goods, and invoice manipulation is difficult to detect when market values of the items are unknown or unstable.

Summary

Congratulations! You have successfully completed Introduction to Terrorist Financing. You should now have a basic understanding of how terrorists raise funds and how financial evidence can enhance any terrorism investigation. You should also know what steps you can take toward detecting, disrupting, and dismantling those operations.

To print the certificate for this course, please visit the Administration Center under the Virtual Academy main menu and click on Records and then Student Transcript.

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