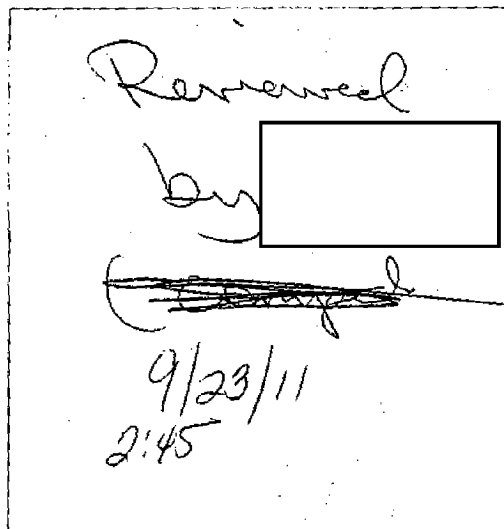




Virtual Academy Course:

Introduction to Terrorist Financing

(Unedited Version - Printed 9/22/2011)



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Introduction to Terrorist Financing

- ☐ The Problem: Overview of Terrorist Financing
- ☐ The Response: Combatting Terrorist Financing
- ☐ In Depth View: Two Prevalent Funding Tools

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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.](#)



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The Problem: Overview of Terrorist Financing

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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The Problem: Overview of Terrorist Financing

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.

The Problem: Overview of Terrorist Financing

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.

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.

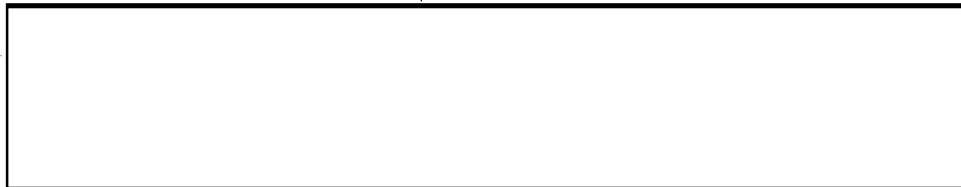
The FRG evolved into TFOS, adopting a mission to use the application of financial investigative techniques and the exploitation of financial intelligence to defeat terrorism with both reactive and proactive strategies. This more holistic effort is how the FBI works to identify, investigate, disrupt and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

The Problem: Overview of Terrorist Financing 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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Introduction to Terrorist Financing

A Money Laundering Example



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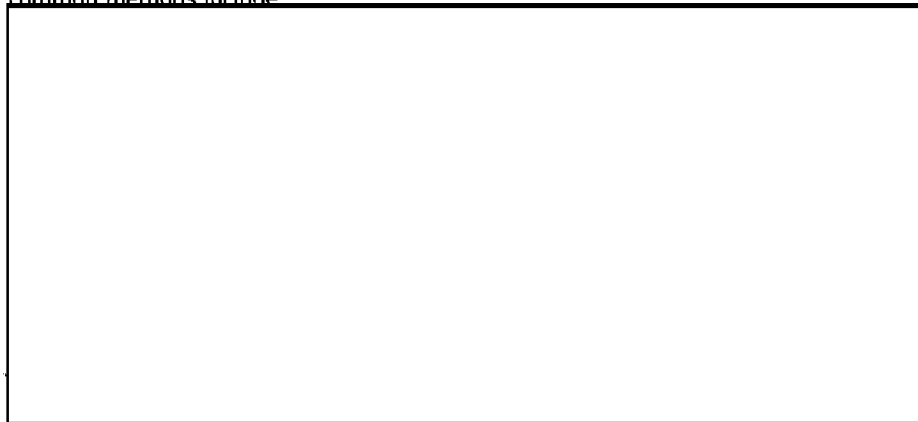
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The Problem: Overview of Terrorist Financing

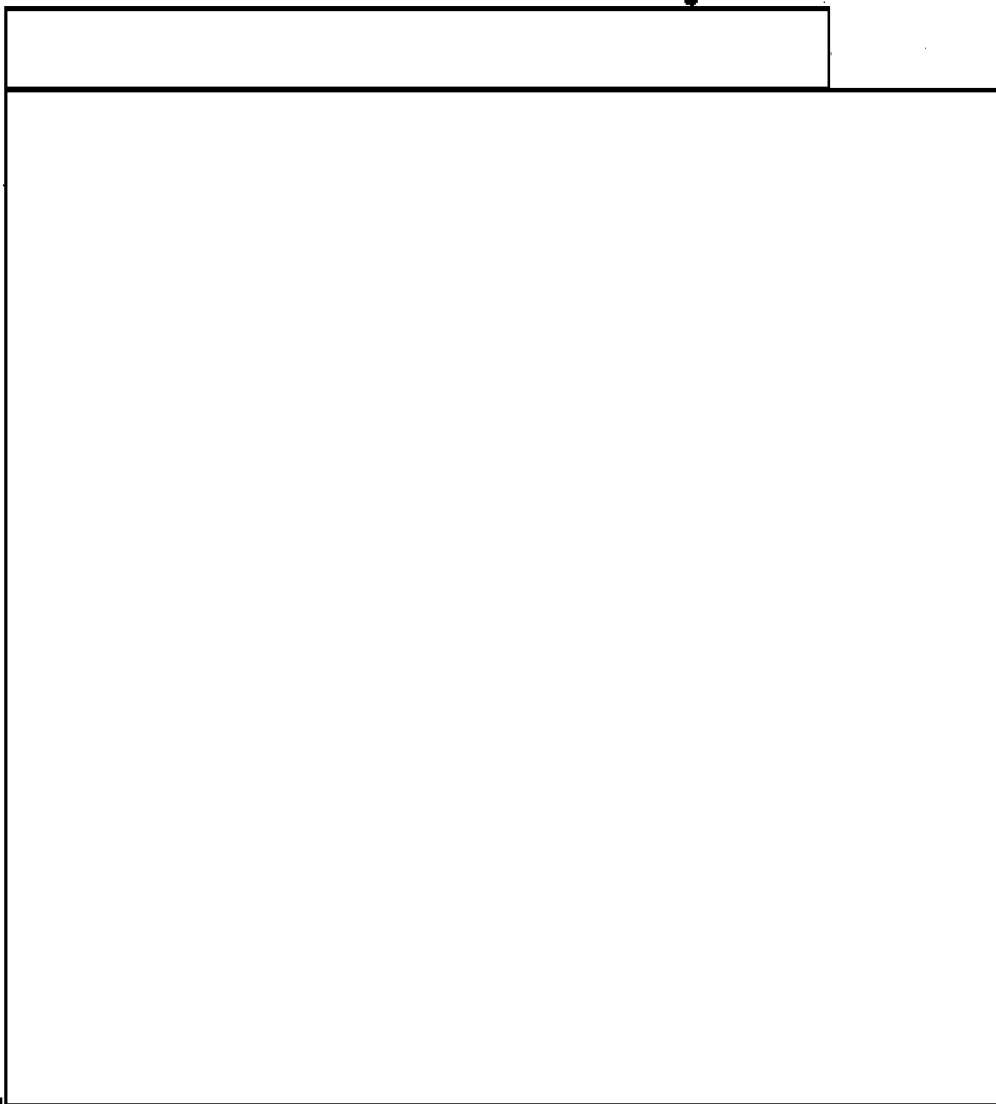
Money Laundering and Terrorist Financing - Similarities

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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The Problem: Overview of Terrorist Financing



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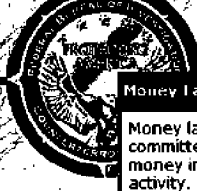
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Introduction to Terrorist Financing



Introduction to Terrorist Financing

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.

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The Problem: Overview of Terrorist Financing

Methods of Funds Transfer - [REDACTED]

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Benefits of using [REDACTED]

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Disadvantages of using [REDACTED]

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The Problem: Overview of Terrorist Financing

Methods of Funds Transfer



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Benefits of using

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The Problem: Overview of Terrorist Financing

Methods of Funds Transfer -

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The Problem: Overview of Terrorist Financing 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:

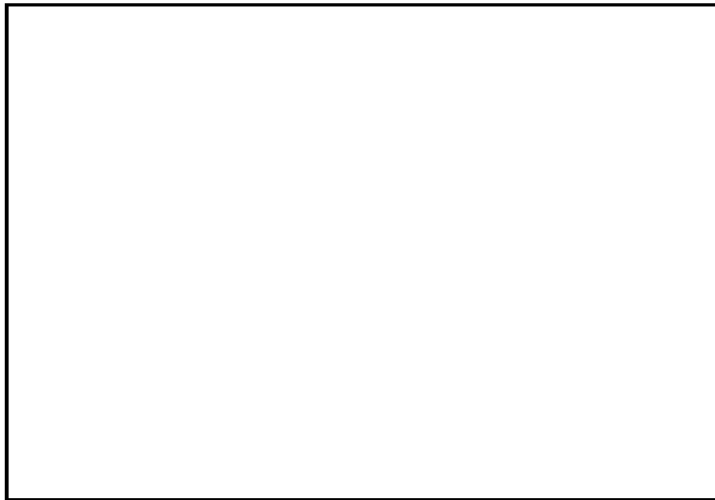
- Credit Card Fraud
 - They cloned credit cards to purchase bomb making materials and devices.
- Dealing of hashish
- Other violent crimes
 - Purse snatching
 - Assaults/robberies



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Donations from wealthy supporters

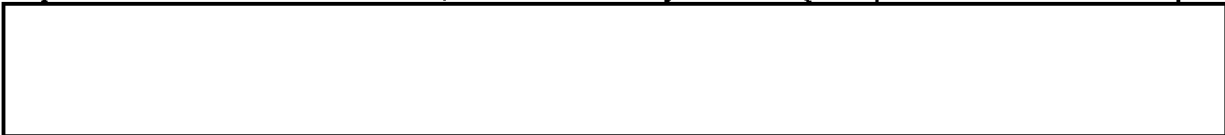
[REDACTED] bin Laden and [REDACTED] the Islamic Benevolence Committee, a charity that raised funds to support Al Qaeda and other terrorists.



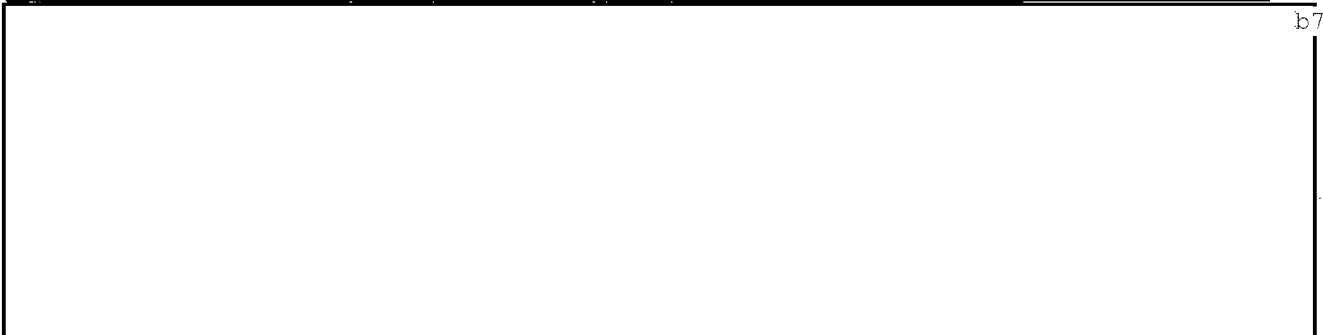
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Other terror groups/cells

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. 



Fund distribution for bombing 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.

Operation Smokescreen



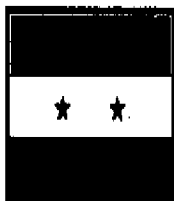
In 1996, ATF identified a cigarette smuggling operation between North Carolina and Michigan. Because of the difference in cigarette tax between the two states, the smugglers could turn a \$9.00 profit per carton--\$13,000 per truckload. Review of all the financial data revealed that a portion of the 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.



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The Problem: Overview of Terrorist Financing

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)

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

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The Problem: Overview of Terrorist Financing Terrorist Designations



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



The Problem: Overview of Terrorist Financing 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

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State Sponsors of Terrorism (SST)

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

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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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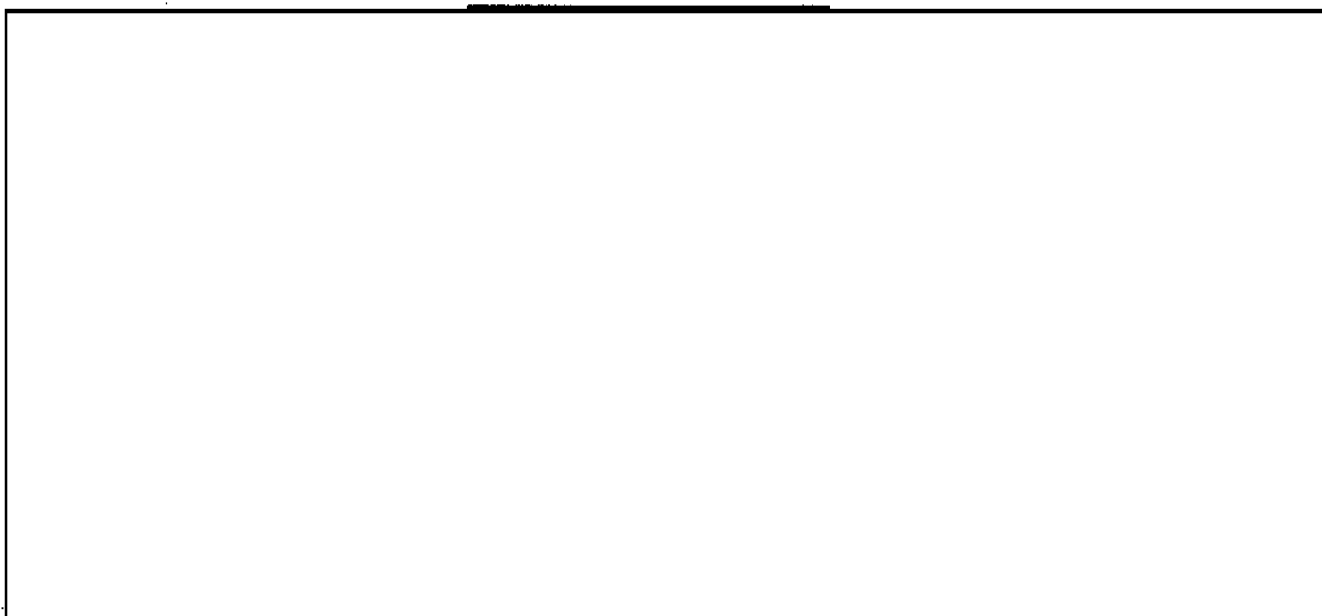
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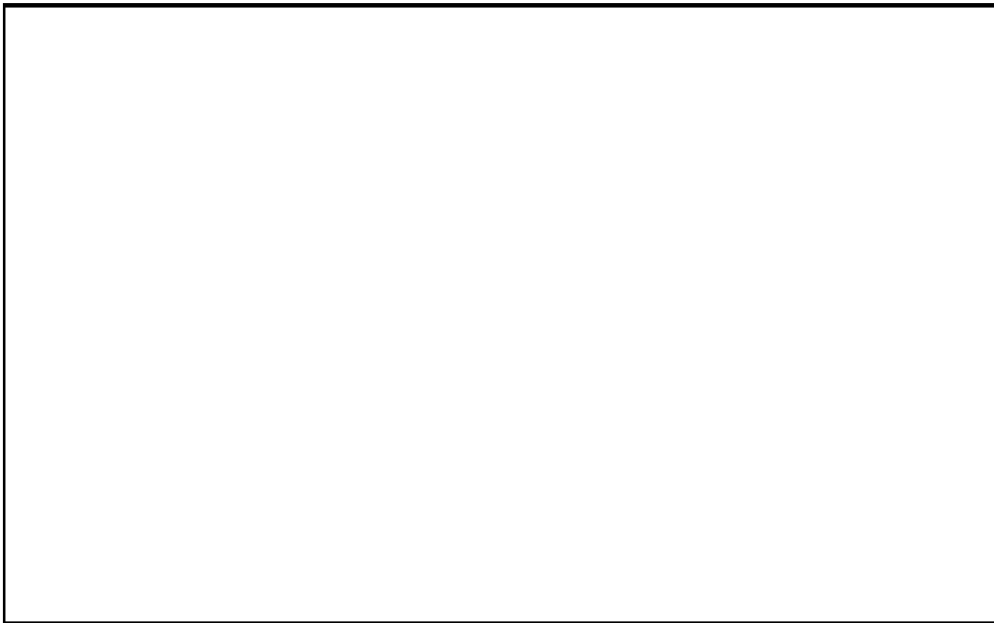
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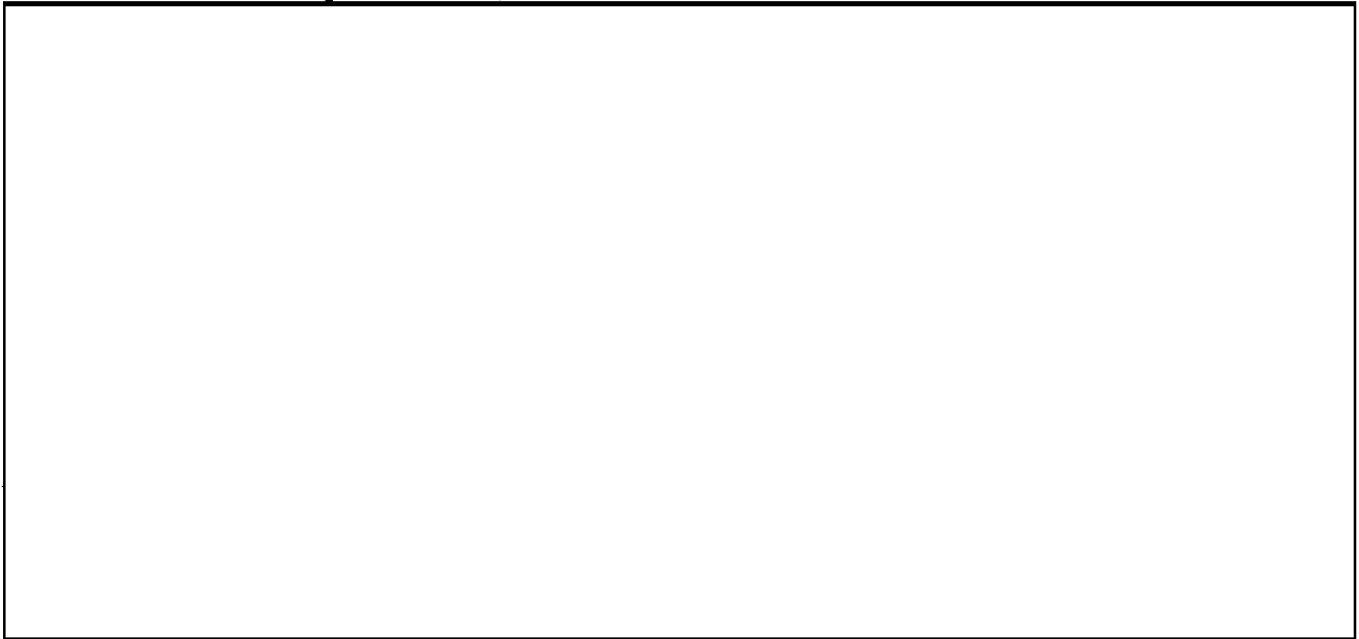
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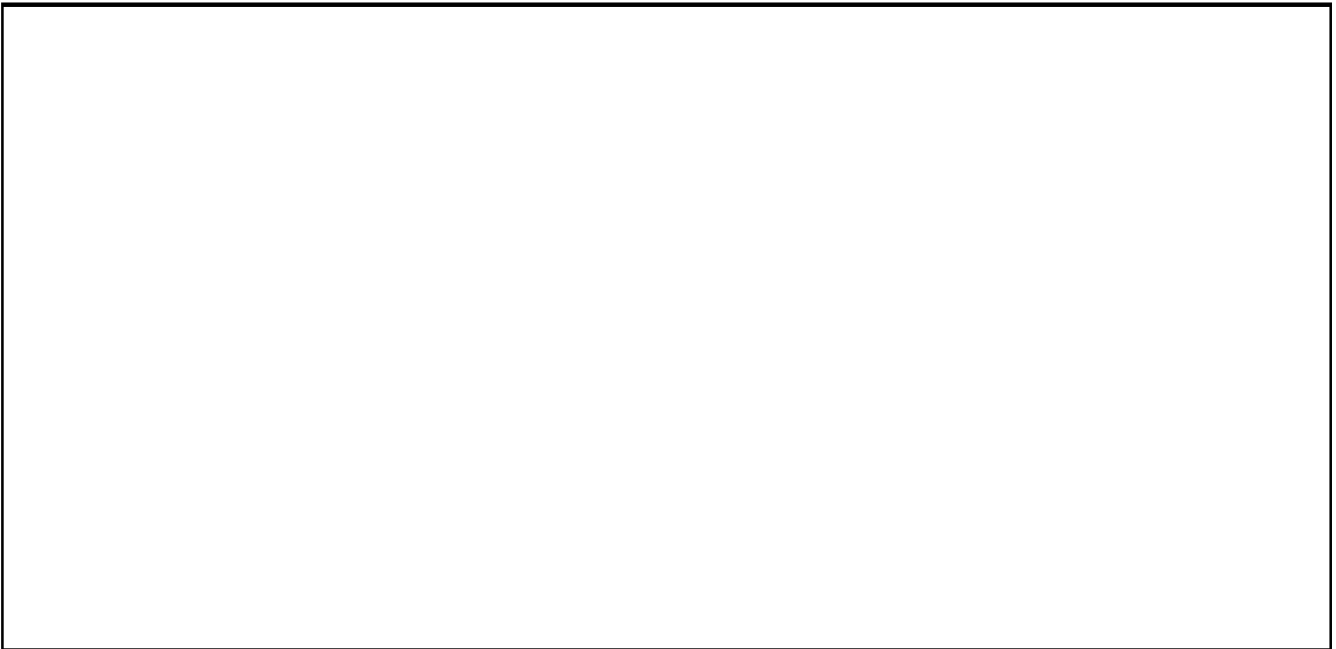
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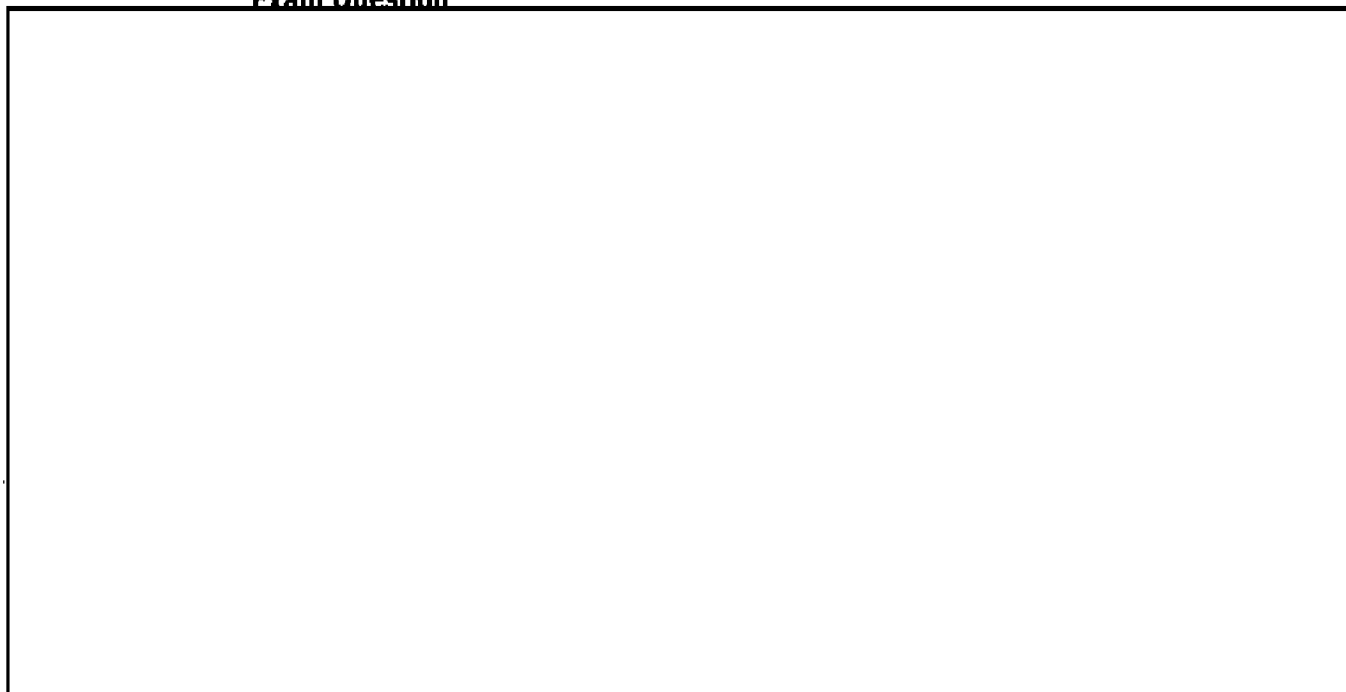


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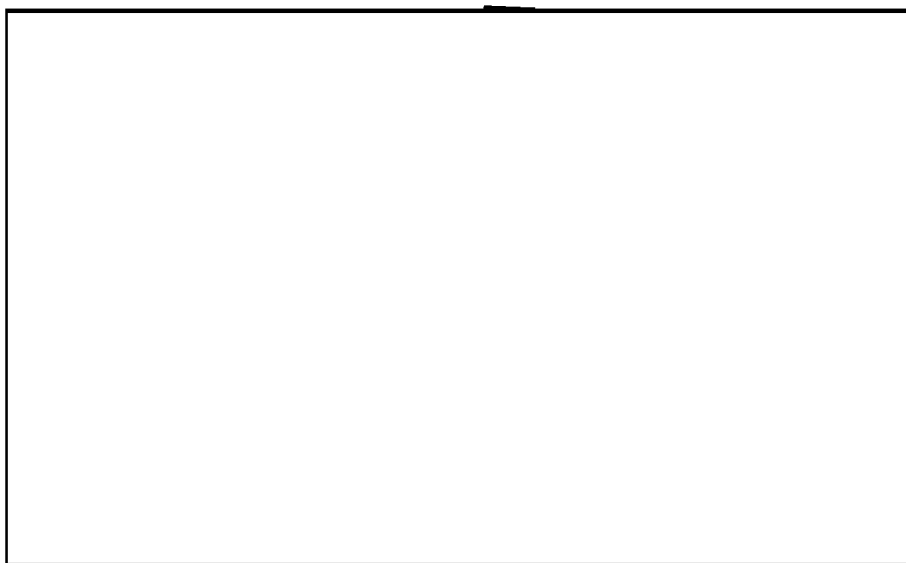
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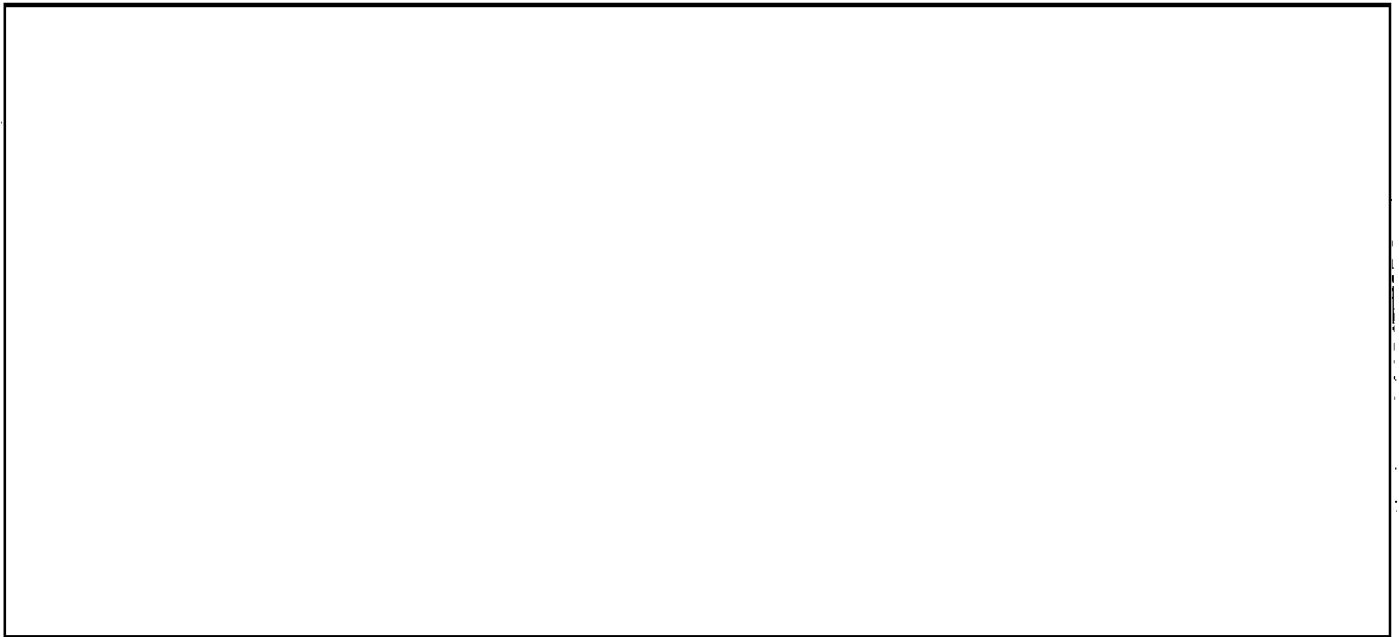
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The Response: Combatting Terrorist Financing

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.

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The Response: Combatting 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:

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

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The Response: Combatting Terrorist Financing Types of Financial Investigations

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Tracing financial activity provides information about:



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The Response: Combatting Terrorist Financing

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:



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

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The Response: Combatting Terrorist Financing

Types of Financial Investigations

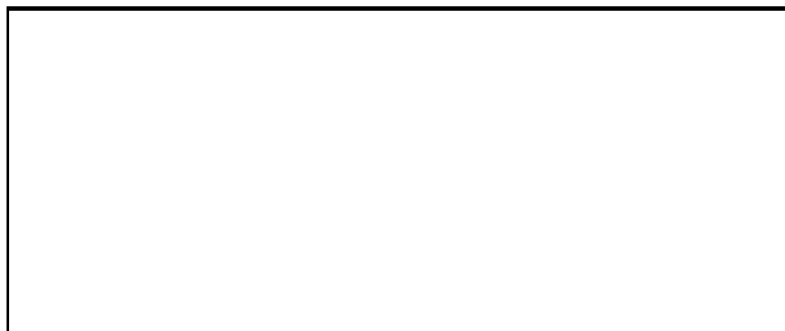
Non-governmental Organizations (Charities)

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:



NGOs are distanced from actual acts of terrorism by their indirect support of such activities through fundraising or  Terrorists have become adept at using NGOs to  funding through various money laundering techniques. Tracing such financial activity provides information about:

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The Response: Combatting Terrorist Financing

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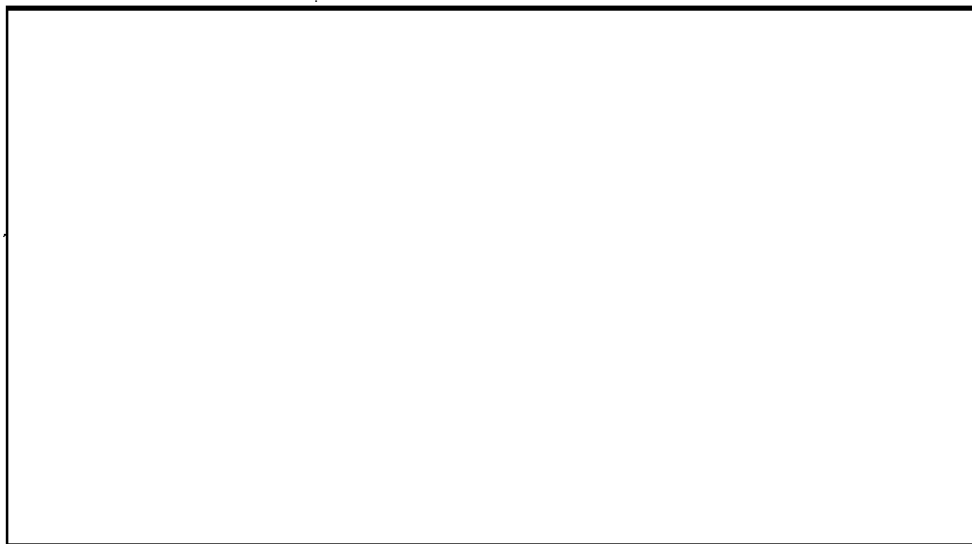
This type of investigation is conducted as any financial criminal investigation.

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The Response: Combatting Terrorist Financing Financial Evidence



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

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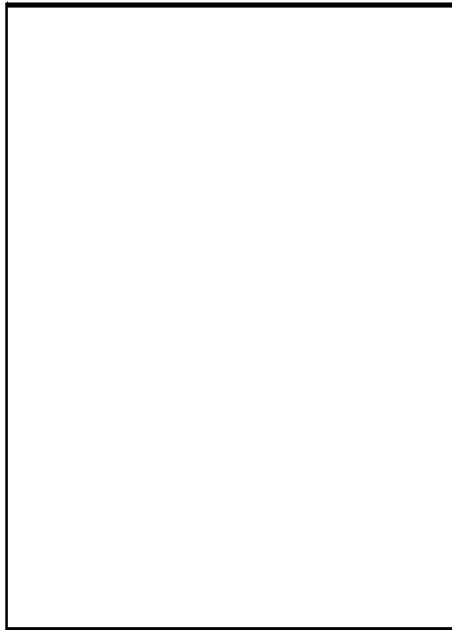
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The Response: Combatting Terrorist Financing Financial Evidence

Types of Evidence

Some of the available forms of financial evidence include:



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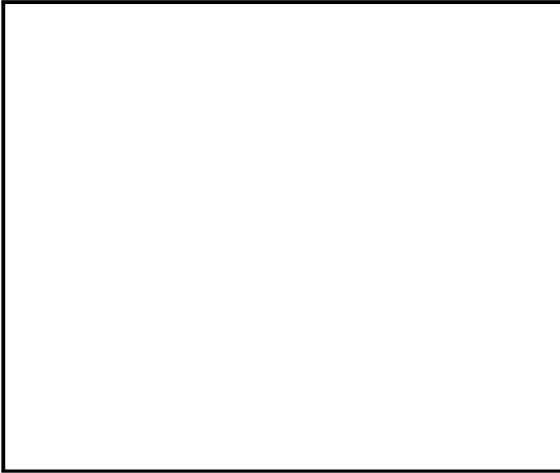
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Summary of Requirements



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Summary of Requirements



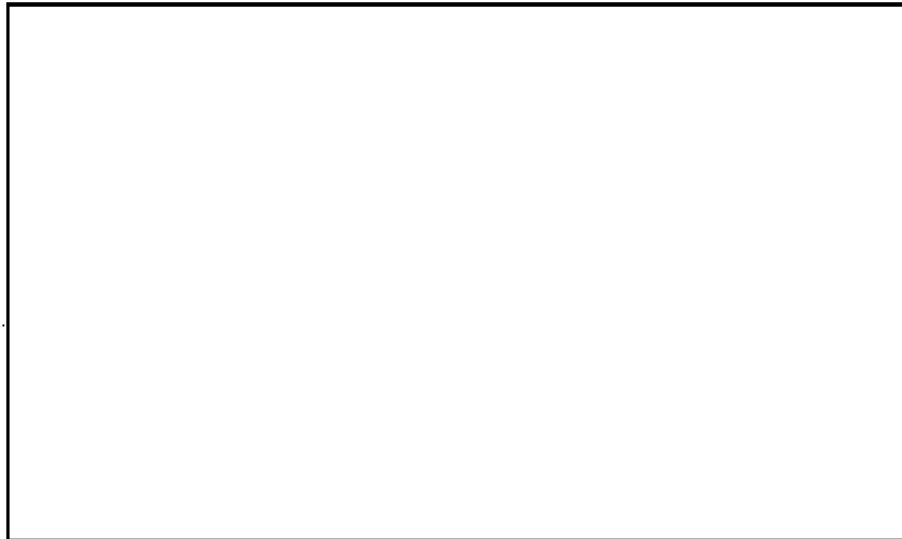
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The Response: Combatting Terrorist Financing Financial Evidence

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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The Response: Combatting Terrorist Financing

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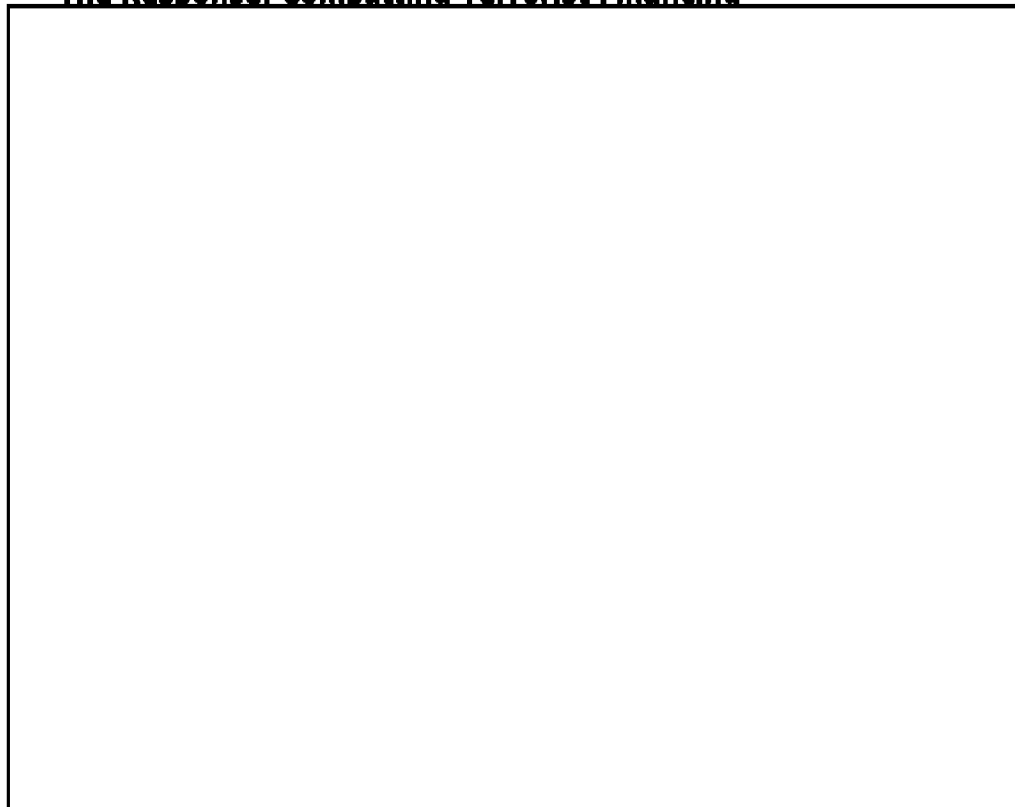
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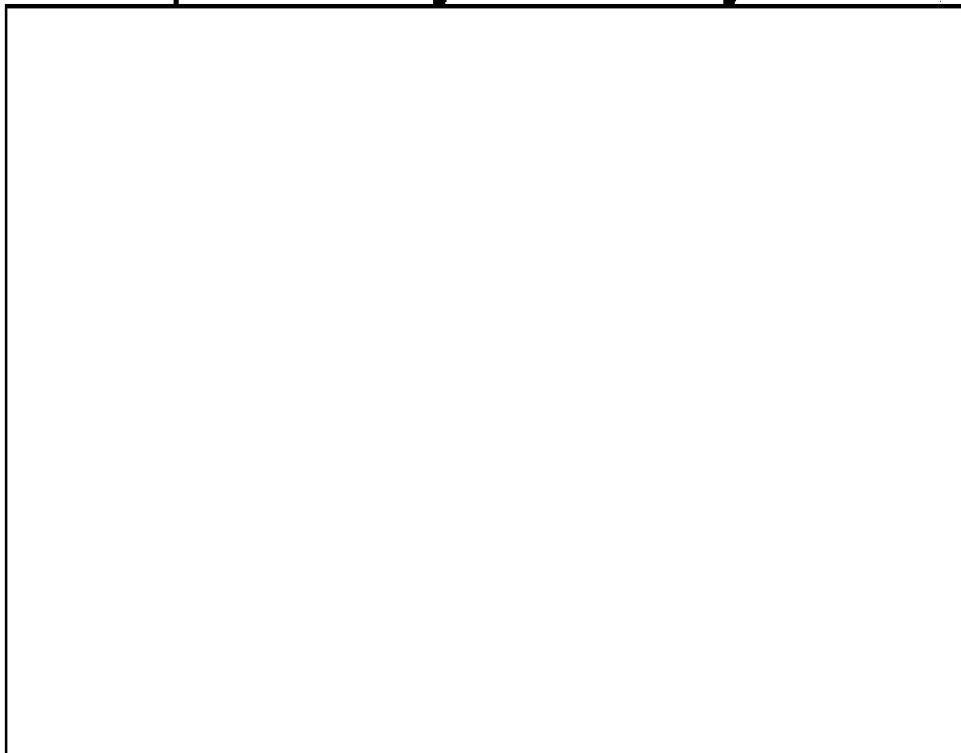
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The Response: Combatting Terrorist Financing



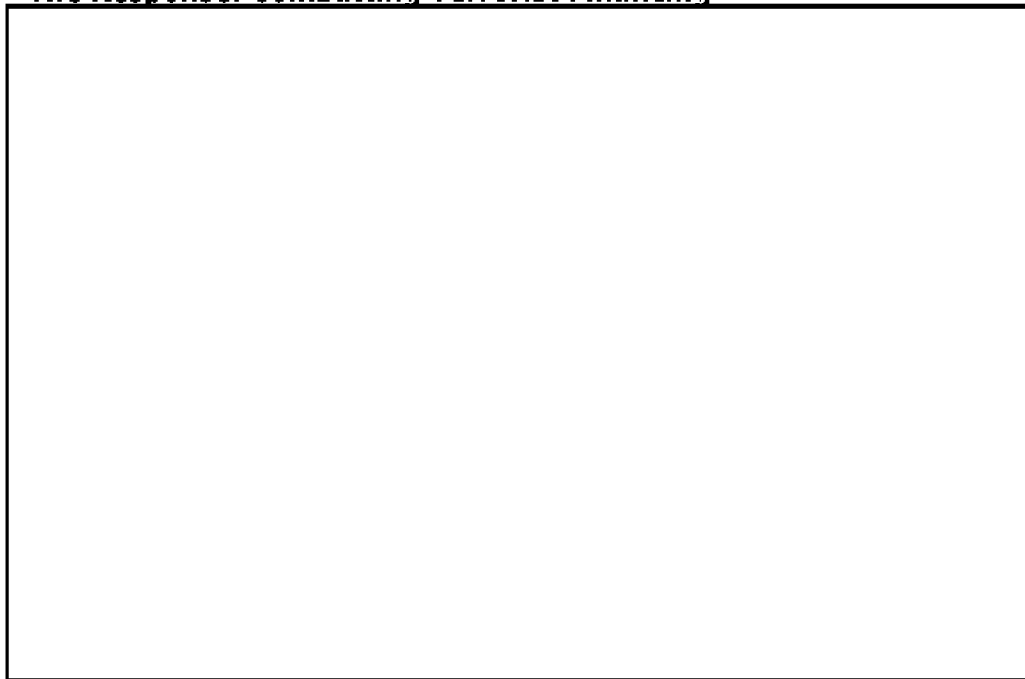
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The Response: Combatting Terrorist Financing



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The Response: Combatting Terrorist Financing FBI Terrorist Financing Case Guidelines



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The Response: Combatting Terrorist Financing

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

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The Response: Combatting Terrorist Financing

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:



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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

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 08/19/2005

To: All Field Offices

Attn: ADIC and/or SAC(s)
ASAC(s)
JTTF Supervisor
[REDACTED]

Each JTTF SA/Officer
FBIHQ, Manuals Desk

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Inspection

Attn: Chief Inspector
[REDACTED]

Criminal Investigative

All Legats

From: Counterterrorism
[REDACTED]

Contact: SC Michael F. A. Morehart, 202-324-5082

Approved By: [REDACTED]

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Drafted By: [REDACTED] ms

Case ID #: 66F-HQ-A1390507 Serial 311
[REDACTED]

Title: [REDACTED]
FINANCIAL INVESTIGATIVE STEPS IN
COUNTERTERRORISM MATTERS

Synopsis: Instant communication sets forth a mandatory requirement that field offices ~~create a financial investigative subfile~~ for each pending and future [REDACTED] b7E

[REDACTED] This communication also sets forth basic financial related investigative steps that should be given strong consideration relative to the conduct of all counterterrorism investigative matters.

Reference: 66F-HQ-A1323588-Serial 796

Administrative: This communication sets forth basic financial related investigative steps that should be given strong consideration relative

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to the conduct of all counterterrorism investigative matters. These steps are not designed to stand alone, but rather to complement other probative investigative techniques. A more comprehensive financial investigative guide has been completed and will soon be disseminated to each field office and Legat. The guide will detail the full range of financial investigative techniques and resources available to personnel assigned to counterterrorism investigative matters.

Details:



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Pursuant to The Attorney General's Guidelines for FBI National Security Investigations (hereafter AG Guidelines), three levels of investigative activity in national security investigations are authorized: (1) threat assessments; (2) preliminary investigations; and (3) full investigations. While the AG Guidelines set forth specific limitations on the investigative techniques that can be employed relative to each of the levels of investigative activity, each can benefit from the prudent application of financial related investigative steps. The reader is encouraged to review the AG Guidelines (see "Note" below as to where the AG Guidelines can be found on the [redacted] and the FBI NFIP manual for guidance as to investigative techniques allowed for each level of investigative activity, i.e., threat assessment, preliminary investigation and full investigation. Moreover, the reader is encouraged to coordinate the use of the techniques discussed in instant EC, and the forthcoming financial investigative guide mentioned below, with their Chief Division Counsel to ensure compliance with applicable guidelines, rules, regulations and laws.

(Note: The AG Guidelines can be found on the [redacted] by accessing "Library" on the home page, then clicking on "National Foreign Intelligence Manual" and then clicking on "Attorney General NSI Guidelines.") b7E

As previously mentioned, a more comprehensive financial investigative guide has been compiled and will be distributed to the field in the near future. The guide will also be available on the [redacted] b7E under the [redacted] CTD website under "Resources." In the meantime, personnel assigned to the investigation of counterterrorism matters are directed to familiarize themselves with and, where appropriate, strongly consider employing the following financial related investigative techniques in counterterrorism investigative matters:

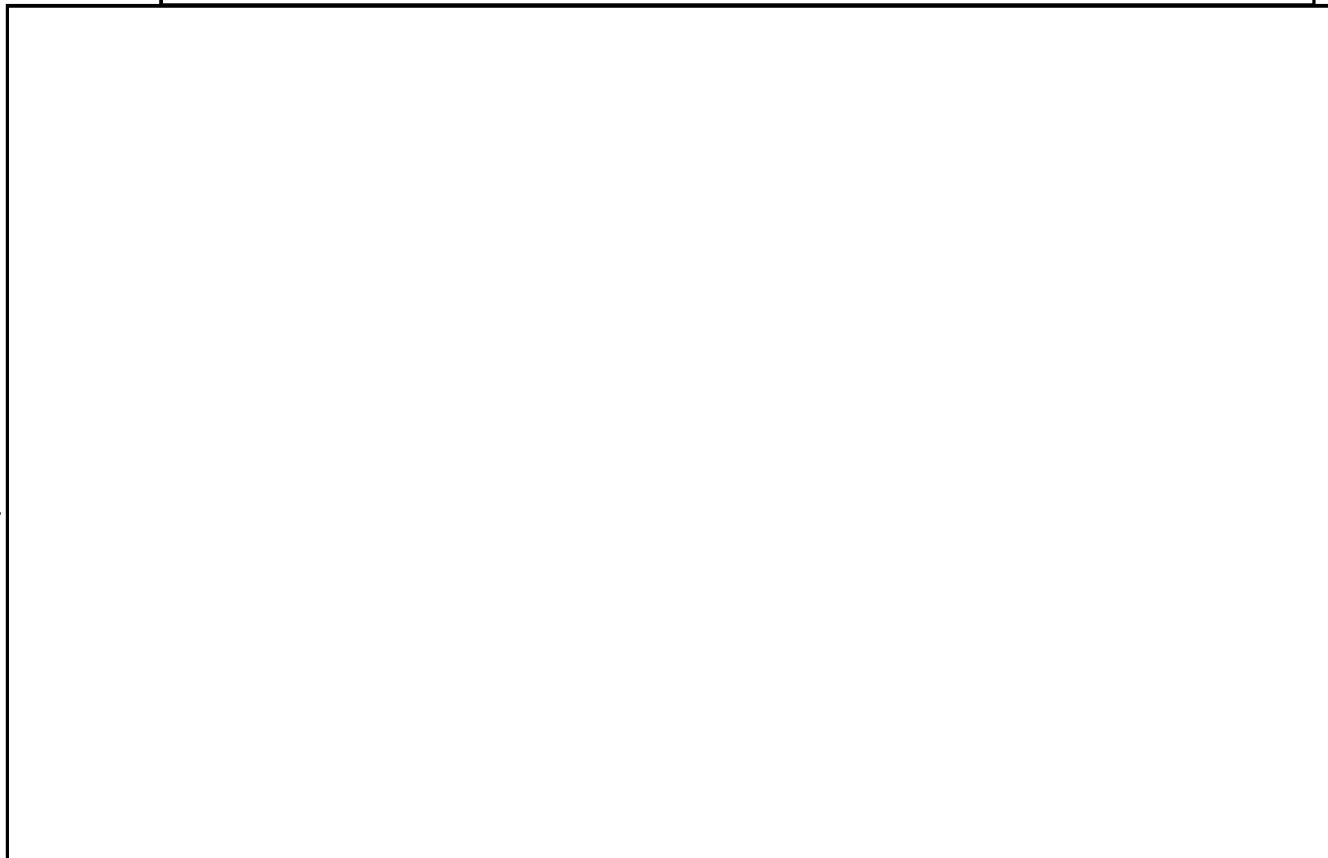
- FBI database inquiries
- [redacted] inquiries
- Government-wide database inquiries
- Public and commercial database inquiries

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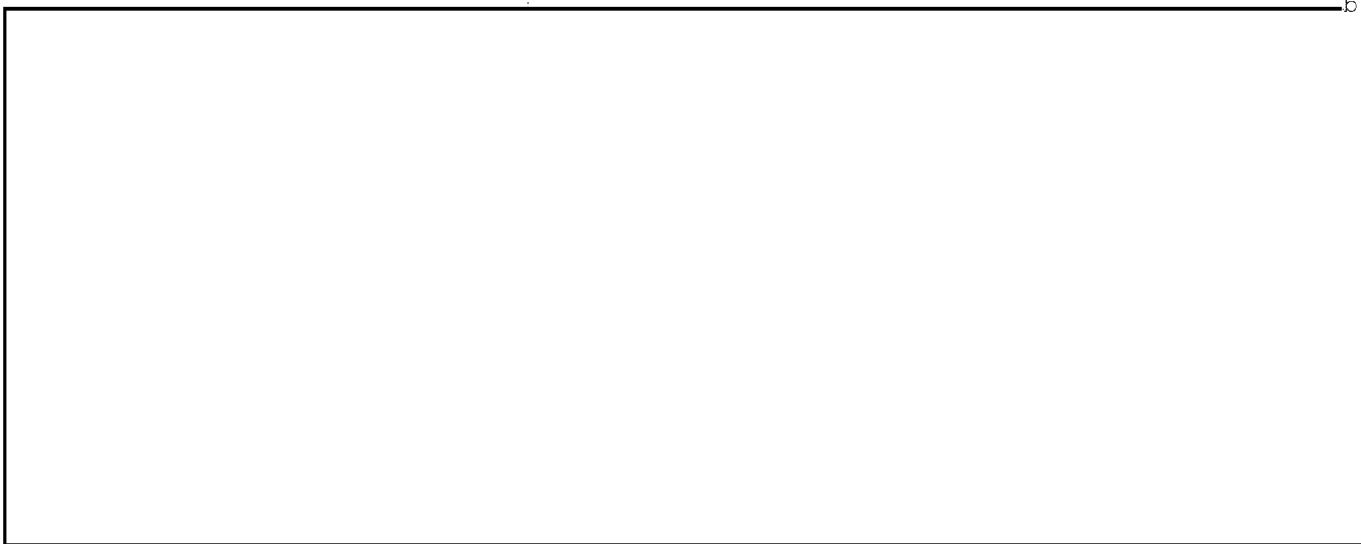
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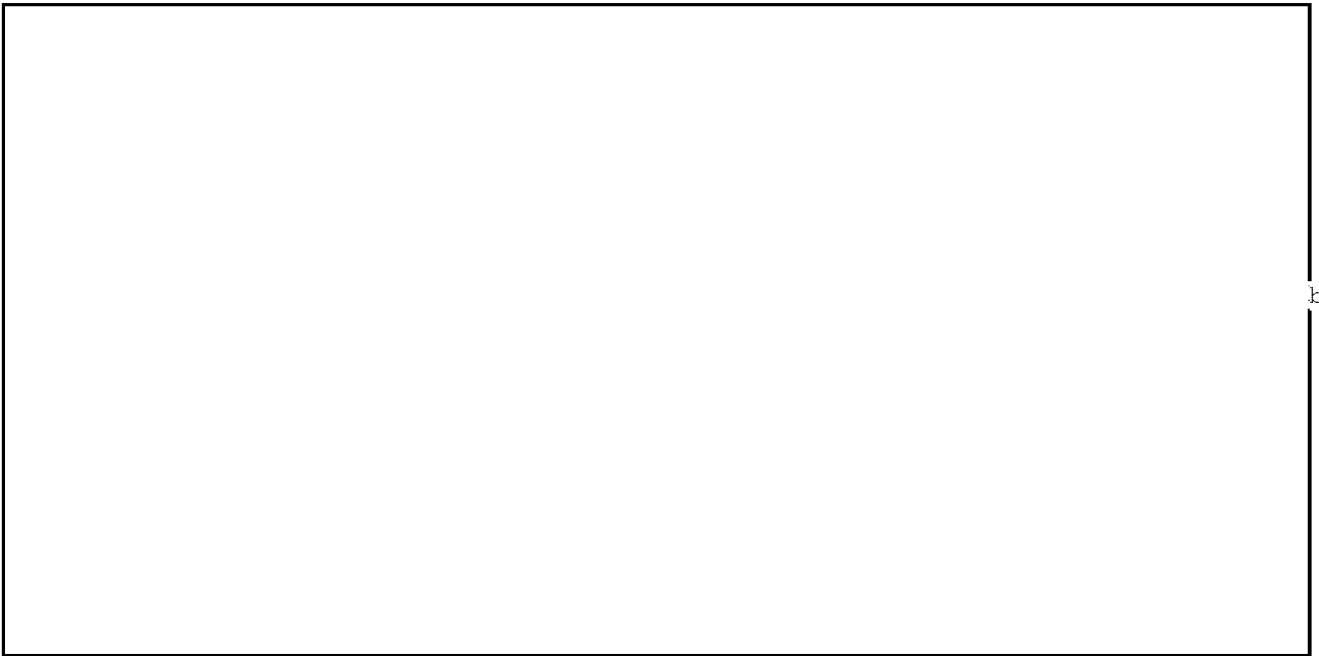


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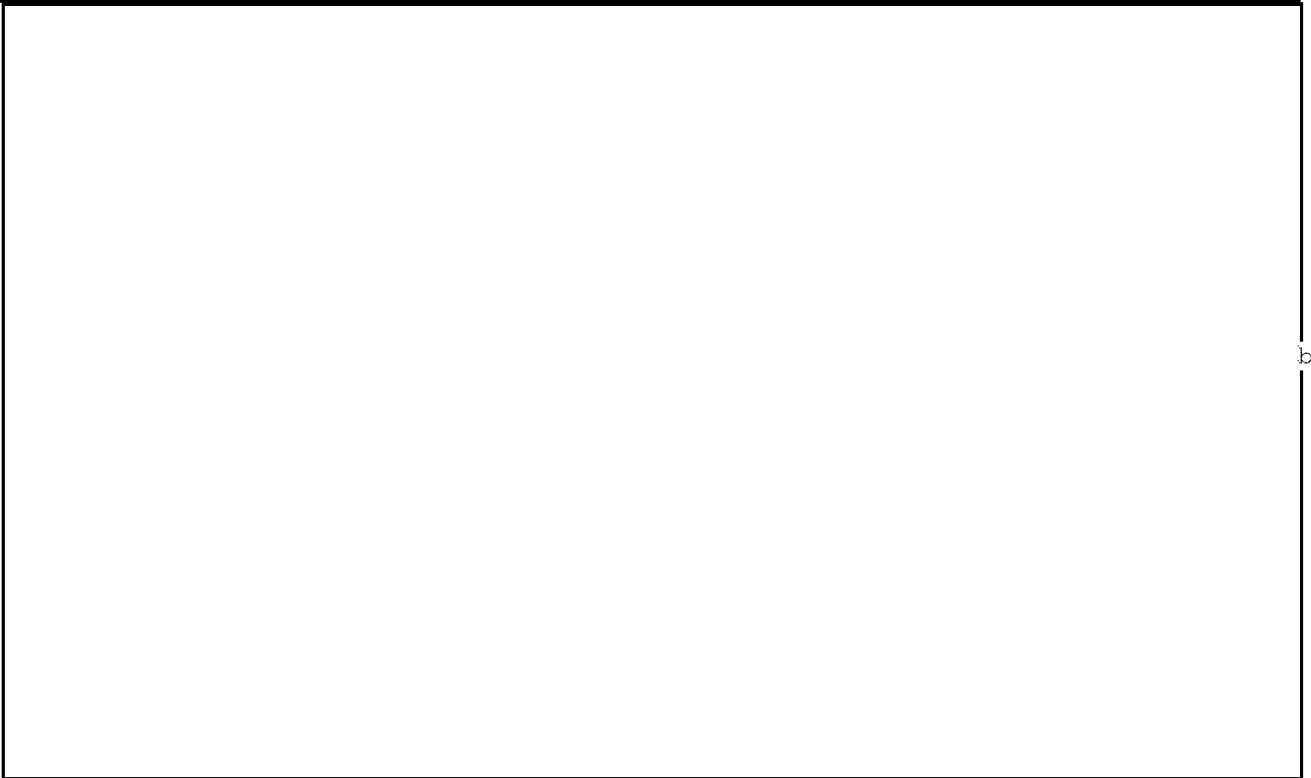


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GOVERNMENT-WIDE DATABASE CHECKS

Field offices should also review databases maintained by local and state government agencies. For example, such databases are maintained for business incorporation, various boards of certification and courthouse records. Field offices should also consider the myriad databases maintained by other Federal agencies, i.e., [REDACTED] b7E

PUBLIC AND COMMERCIAL DATABASES

Public records are often available on the Internet and contain valuable information regarding the financial history and status of subjects. For example, civil and criminal court records pertaining to civil suits and settlements and criminal actions may lead to [REDACTED] These records can also provide valuable information relative to [REDACTED]

Likewise, divorce and legal separation records may lead to [REDACTED]

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Other sources of information available in public databases include: bankruptcy records (Federal Bankruptcy Court), which could lead to [REDACTED]

[REDACTED] real estate records; probate and death records, which might tax assessor's records, which may indicate [REDACTED]

[REDACTED] b7E
[REDACTED]
and secretary of state records. [REDACTED]
[REDACTED]

With respect to the various commercial databases that investigators may access, valuable information is also available to the investigator and may serve as a starting point for more in-depth investigation. Commercial databases are constantly changing, but information commonly available regarding [REDACTED] includes [REDACTED] b7E

[REDACTED] b7E
[REDACTED] investigators should adhere to applicable Bureau guidelines on Internet usage.

CREDIT HISTORY CHECKS

Applications for credit may reveal [REDACTED]
[REDACTED] Monthly statements may provide [REDACTED]
[REDACTED] Other items of interest may include [REDACTED]
[REDACTED]

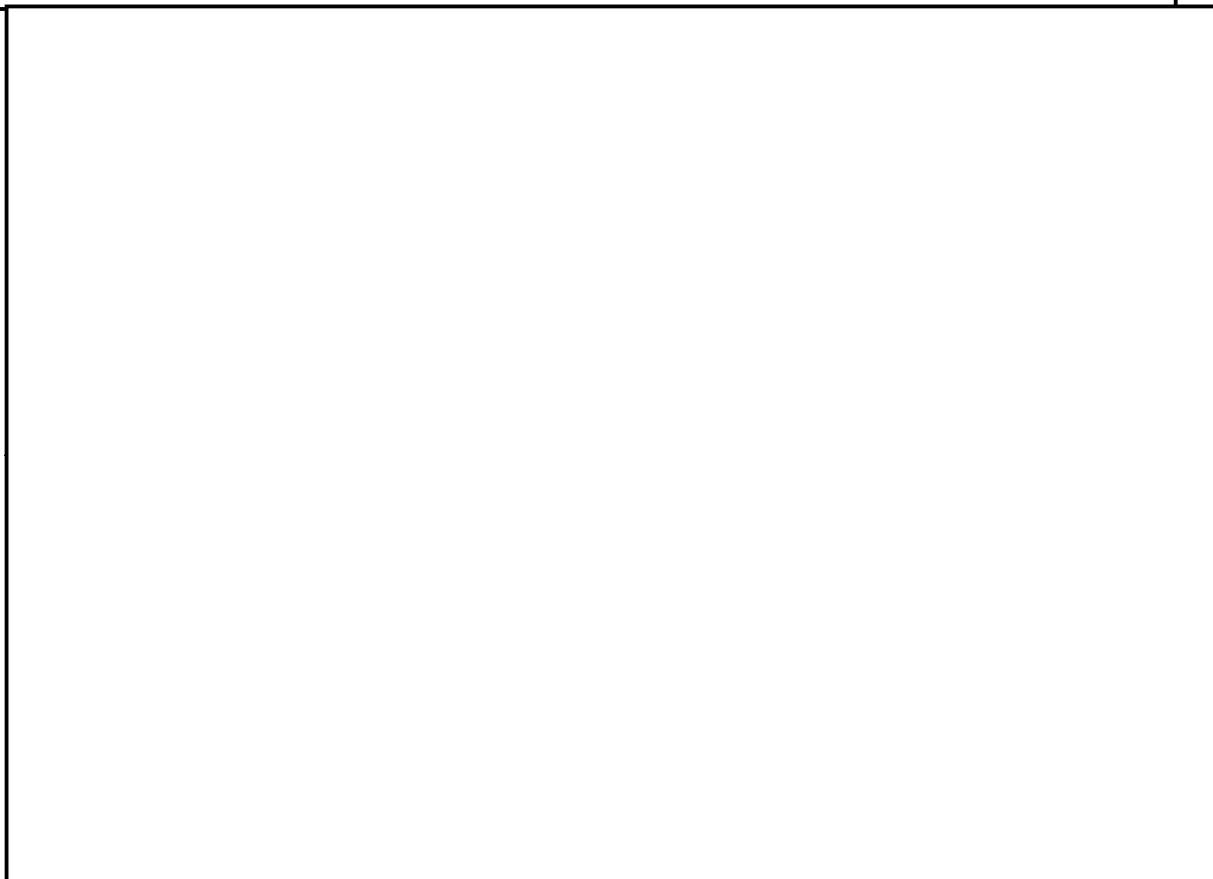
Investigators should also attempt to determine the existence of credit card accounts. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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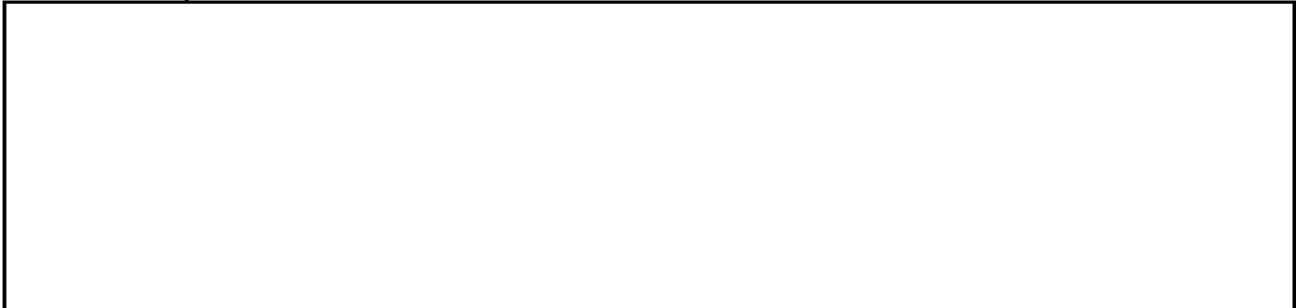
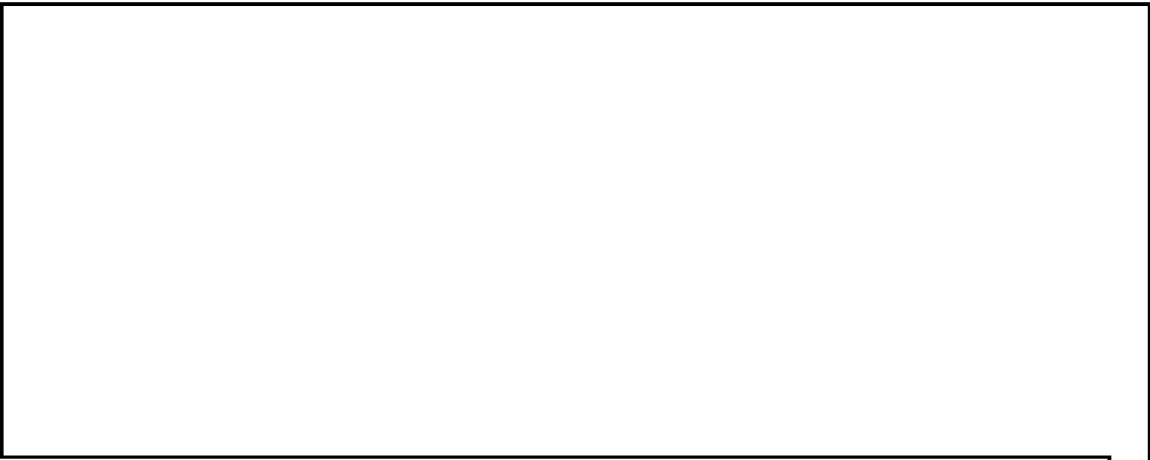


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Requests

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FINANCIAL ANALYSTS

The Financial Analyst program, although coordinated and managed by the Criminal Investigative Division, is responsive to the Bureau's priorities. As such, the use of Financial Analysts to assist in addressing the financial aspects of counterterrorism investigations should be considered by all field offices.

CONCLUSION

Instant communication sets forth a requirement that each field office create a financial investigative subfile for each pending and future [REDACTED] This communication also sets forth financial related investigative steps that should be given strong consideration relative to the conduct of all counterterrorism investigative matters. [REDACTED] is available to provide guidance where necessary; however, it is expected that TFCs, in coordination with their SSA, will actively ensure that appropriate financial investigative steps are taken relative to the conduct of all counterterrorism investigative matters. [REDACTED] encourages investigators to coordinate the use of the aforementioned techniques with their Chief Division Counsel to ensure compliance with applicable guidelines, rules, regulations and laws. b7E

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LEAD(s) :

Set Lead 1: (Action)

ALL RECEIVING OFFICES

Each field office is instructed to immediately create a financial investigative subfile for each pending and future

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Each field office is requested to ensure that each JTTF SSA, SA and Officer, and other personnel as deemed appropriate, are provided instant EC and are aware of the benefits to be derived from the sound implementation of basic financial related investigate steps.

Each Legat is requested to read and clear.

Set Lead 2: (Action)

INSPECTION

AT WASHINGTON, DC

Inspection Division will develop and implement necessary inspection protocols to ensure field office compliance with instant EC.

Set Lead 3: (Info)

CRIMINAL INVESTIGATIVE

AT WASHINGTON, DC

Read and clear.

♦♦

Summary of Requirements

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-
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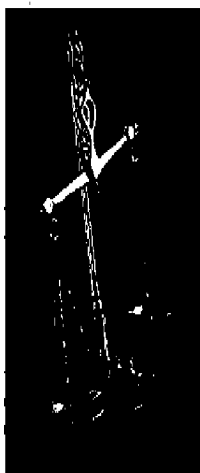


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The Response: Combatting Terrorist Financing Statutes for Indicting Terrorism Financiers

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

Cont'd

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The Response: Combatting Terrorist Financing Statutes for Indicting Terrorism Financiers

(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.](#)

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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

Cont'd from fdps pg 104

The Response: Combatting Terrorist Financing 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.

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.

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X. Table Depicting Specified Unlawful Activity

The following Table lists all of those violations of federal and state or foreign law identified as "specified unlawful activity" under 18 U.S.C. § 1956(c)(7):

SPECIFIED UNLAWFUL ACTIVITY¹
18 U.S.C. § 1956 and § 1957
[Money Laundering Control Act of 1986 as amended]

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
7	2024	Food Stamp Program (felony violations involving a quantity of coupons having a value of not less than \$5,000)	1956(c)(7)(D)	10/28/94
8	1324	Immigration And Nationality (bringing in and harboring certain aliens, if the act indictable was committed for the purpose of financial gain)	1961(1)(F)	4/24/96
8	1327	Immigration And Nationality (aiding or assisting certain aliens to enter, if the act indictable was committed for the purpose of financial gain)	1961(1)(F)	4/24/96
8	1328	Immigration And Nationality (importation of alien for immoral purpose, if the act indictable was committed for the purpose of financial gain)	1961(1)(F)	4/24/96

¹ Also included, but not listed in the chart above are any offenses involving fraud in the sale of securities.

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
11	101 et seq.	Bankruptcy (any offense involving fraud connected with a case under Title 11 except a case under 11 U.S.C. § 157)	1961(1)(D)	10/27/86
15	78m 78dd-1 78dd-2 78ff	Foreign Corrupt Practices Act (felony violations of the Foreign Corrupt Practices Act)	1956(c)(7)(D)	10/28/92
18	32	Aircraft And Motor Vehicles (destruction of aircraft or aircraft facilities)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	37	Aircraft And Motor Vehicles (violence at international airports)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	81	Arson (arson within special maritime and territorial jurisdiction)	1961(1)(G)	10/26/01
18	115	Assault (influencing, impeding, or retaliating against a Federal official by threatening or injuring a family member)	1956(c)(7)(D)	4/24/96
18	152	Bankruptcy (concealment of assets; false oaths and claims; bribery)	1956(c)(7)(D)	10/27/86
18	175 175b	Biological Weapons (prohibitions with respect to biological weapons)	1961(1)(G) 1961(1)(B)	10/26/01
18	175c	Biological Weapons (variola virus)	1956(c)(7)(D)	12/17/04
18	201	Bribery, Graft And Conflicts Of Interest (bribery of public officials and witnesses)	1961(1)(B)	10/27/86
18	215	Bribery, Graft And Conflicts Of Interest (receipt of commissions or gifts for procuring loans)	1956(c)(7)(D)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18; Section:	Effective Date:
18	224	Bribery, Graft And Conflicts Of Interest (bribery in sporting contests)	1961(1)(B)	10/27/86
18	229	Chemical Weapons (prohibitions with respect to chemical weapons)	1961(1)(G)	10/26/01
18	287	False claims involving Health Care programs	1956(c)(7)(F)	8/21/96
18	351(a), (b), (c), or (d)	Congressional, Cabinet, And Supreme Court Assassination, Kidnaping, And Assault (Congressional, Cabinet, and Supreme Court assassination, kidnaping, and assault; penalties)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	371	Conspiracy involving Health Care programs	1956(c)(7)(F)	8/21/96
18	471	Counterfeiting And Forgery (obligations or securities of United States)	1961(1)(B)	10/27/86
18	472	Counterfeiting And Forgery (uttering counterfeit obligations or securities)	1961(1)(B)	10/27/86
18	473	Counterfeiting And Forgery (dealing in counterfeit obligations or securities)	1961(1)(B)	10/27/86
18	500	Counterfeiting And Forgery (money orders)	1956(c)(7)(D)	10/27/86
18	501	Counterfeiting And Forgery (postage stamps, postage meter stamps, and postal cards)	1956(c)(7)(D)	10/27/86
18	502	Counterfeiting And Forgery (postage and revenue stamps of foreign governments)	1956(c)(7)(D)	10/27/86
18	503	Counterfeiting And Forgery (postmarking stamps)	1956(c)(7)(D)	10/27/86
18	513	Counterfeiting And Forgery (securities of the States and private entities)	1956(c)(7)(D)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	541	Customs (goods falsely classified)	1956(c)(7)(D)	10/26/01
18	542	Customs (entry of goods by means of false statements)	1956(c)(7)(D)	11/18/88
18	545	Customs (smuggling goods into the United States)	1956(c)(7)(D)	10/27/86
18	549	Customs (removing goods from Customs custody, breaking seals)	1956(c)(7)(D)	11/18/88
18	554	Customs (smuggling goods from the United States)	1956(c)(7)(D)	3/9/06
18	641	Embezzlement And Theft (public money, property or records)	1956(c)(7)(D)	10/27/86
18	656	Embezzlement And Theft (theft, embezzlement, or misapplication by bank officer or employee)	1956(c)(7)(D)	10/27/86
18	657	Embezzlement And Theft (lending, credit, and insurance institutions)	1956(c)(7)(D)	11/18/88
18	658	Embezzlement And Theft (property mortgaged or pledged to farm credit agencies)	1956(c)(7)(D)	11/18/88
18	659	Embezzlement And Theft (felonious theft from interstate shipment)	1961(1)(B)	10/27/86
18	664	Embezzlement And Theft (theft or embezzlement from employee benefit plan)	1961(1)(B)	10/27/86
		Involving a Health Care Offense	1956(c)(7)(F)	8/21/96

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	666	Embezzlement And Theft (theft or bribery concerning programs receiving Federal funds) Involving a Health Care Offense	1956(c)(7)(D) 1956(c)(7)(F)	10/27/86 8/21/96
18	669	Theft and embezzlement involving Health Care Offenses	1956(c)(7)(F)	8/21/96
18	793	Espionage And Censorship (gathering, transmitting, or losing defense information)	1956(c)(7)(D)	10/27/86
18	794	Espionage And Censorship (gathering or delivering defense information to aid foreign government)	1956(c)(7)(D)	10/27/86
18	798	Espionage And Censorship (disclosure of classified information)	1956(c)(7)(D)	10/27/86
18	831	Explosives And Other Dangerous Articles (prohibited transactions involving nuclear materials)	1956(c)(7)(D) 1961(I)(G) 1961(I)(B)	4/24/96 10/26/01
18	842(m) or (n)	Explosive Materials (plastic explosives)	1961(I)(G)	10/26/01
18	844(f) 844(i)	Importation, Manufacture, Distribution And Storage Of Explosive Materials (damage or destruction by means of fire or explosives of Government property or property affecting interstate or foreign commerce)	1956(c)(7)(D) 1961(I)(G)	4/24/96 10/26/01
18	875	Extortion And Threats (interstate communications)	1956(c)(7)(D)	10/27/86
18	892	Extortionate Credit Transactions (making extortionate extensions of credit)	1961(I)(B)	10/27/86
18	893	Extortionate Credit Transactions (financing extortionate extensions of credit)	1961(I)(B)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	894	Extortionate Credit Transactions (collection of extensions of credit by extortionate means)	1961(1)(B)	10/27/86
18	922(l)	Firearms (unlawful importation of firearms)	1956(c)(7)(D)	10/26/01
18	924(n)	Firearms (firearms trafficking)	1956(c)(7)(D)	10/26/01
18	930(c)	Firearms (killing or attempted killing during attack on Federal facility with a dangerous weapon)	1961(1)(G)	10/26/01
18	956	Foreign Relations (conspiracy to injure property of a foreign government)	1956(c)(7)(D)	4/24/96
18	956(a)(1)	Foreign Relations (conspiracy to murder, kidnap, or main persons abroad)	1961(1)(G)	10/26/01
18	1001	Fraud and False Statements involving a Health Care Offense	1956(c)(7)(F)	8/21/96
18	1005	Fraud And False Statements (fraudulent bank entries, reports and transactions)	1956(c)(7)(D)	11/29/90
18	1006	Fraud And False Statements (fraudulent Federal credit institution entries, reports and transactions)	1956(c)(7)(D)	11/29/90
18	1007	Fraud And False Statements (fraudulent Federal Deposit Insurance Corporation transactions)	1956(c)(7)(D)	11/29/90
18	1014	Fraud And False Statements (fraudulent loan and credit applications)	1956(c)(7)(D)	11/29/90
18	1027	False statement/ERISA involving Health Care Offenses	1956(c)(7)(F)	8/21/96
18	1028	Fraud And False Statements (fraud and related activity in connection with identification documents)	1961(1)(B)	4/24/96

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	1029	Fraud And False Statements (fraud and related activity in connection with access devices)	1961(1)(B)	11/18/88
18	1030	Fraud And False Statements (computer fraud and abuse)	1956(c)(7)(D) 1961(1)(G)	10/26/01
18	1032	Fraud And False Statements (concealment of assets from conservator, receiver, or liquidating agent of financial institution)	1956(c)(7)(D)	11/29/90
18	1035	False statements regarding Health Care Offenses	1956(c)(7)(F)	8/21/96
18	1084	Gambling (transmission of wagering information)	1961(1)(B)	10/27/86
18	1111	Homicide (murder)	1956(c)(7)(D)	4/24/96
18	1114	Homicide (protection of officers and employees of the United States)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	1116	Homicide (murder or manslaughter of foreign officials, official guests, or internationally protected persons)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	1201	Kidnaping	1956(c)(7)(D)	10/27/86
18	1203	Kidnaping (hostage taking)	1956(c)(7)(D) 1961(1)(G)	10/27/86 10/26/01
18	1341	Mail Fraud (frauds and swindles)	1961(1)(B)	10/27/86
		Involving a Health Care Offense	1956(c)(7)(F)	8/21/96

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	1343	Wire Fraud (fraud by wire, radio, or television) Involving a Health Care Offense	1961(1)(B) 1956(c)(7)(F)	10/27/86 8/21/96
18	1344	Bank Fraud (defrauding a federally chartered or insured financial institution)	1961(1)(B)	8/9/89
18	1347	Health Care Fraud	1956(c)(7)(F)	8/21/96
18	1361	Malicious Mischief (willful injury of Government property)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	1362	Malicious Mischief (destruction of communication lines, stations, or systems)	1961(1)(G)	10/26/01
18	1363	Malicious Mischief (damage or destruction of buildings or property within special maritime and territorial jurisdiction)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	1366(a)	Malicious Mischief (destruction of an energy facility)	1961(1)(G)	10/26/01
18	1425	Nationality and Citizenship (procurement of citizenship or naturalization unlawfully)	1961(1)(B)	9/30/96
18	1426	Nationality and Citizenship (reproduction of naturalization or citizenship papers)	1961(1)(B)	9/30/96
18	1427	Nationality and Citizenship (sale of naturalization or citizenship papers)	1961(1)(B)	9/30/96
18	1461	Obscenity (mailing obscene or crime-inciting matter)	1961(1)(B)	10/27/86
18	1462	Obscenity (importation or transportation of obscene matters)	1961(1)(B)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	1463	Obscenity (mailing indecent matter on wrappers or envelopes)	1961(1)(B)	10/27/86
18	1464	Obscenity (broadcasting obscene language)	1961(1)(B)	10/27/86
18	1465	Obscenity (transportation of obscene matters for sale or distribution)	1961(1)(B)	10/27/86
18	1503	Obstruction Of Justice (influencing or injuring officer or juror generally)	1961(1)(B)	10/27/86
18	1510	Obstruction Of Justice (obstruction of criminal investigations)	1961(1)(B)	10/27/86
18	1511	Obstruction Of Justice (obstruction of State or local law enforcement)	1961(1)(B)	10/27/86
18	1512	Obstruction Of Justice (tampering with a witness, victim, or an informant)	1961(1)(B)	11/10/86
18	1513	Obstruction Of Justice (retaliating against a witness, victim, or an informant)	1961(1)(B)	11/10/86
18	1518	Obstruction of Justice (obstruction, criminal investigation regarding Health Care Offenses)	1956(c)(7)(F)	8/21/96
18	1542	Passports And Visas (false statement in application and use of passport)	1961(1)(B)	4/24/96
18	1543	Passports And Visas (forgery or false use of passport)	1961(1)(B)	4/24/96
18	1544	Passports And Visas (misuse of passport)	1961(1)(B)	4/24/96
18	1546	Passports And Visas (fraud and misuse of visas, permits, and other documents)	1961(1)(B)	4/24/96

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	1581	Peonage And Slavery (peonage; obstructing enforcement)	1961(1)(B)	4/24/96
18	1582	Peonage And Slavery (vessels for slave trade)	1961(1)(B)	4/24/96
18	1583	Peonage And Slavery (enticement into slavery)	1961(1)(B)	4/24/96
18	1584	Peonage And Slavery (sale into involuntary servitude)	1961(1)(B)	4/24/96
18	1585	Peonage And Slavery (seizure, detention, transportation or sale of slaves)	1961(1)(B)	4/24/96
18	1586	Peonage And Slavery (service on vessels in slave trade)	1961(1)(B)	4/24/96
18	1587	Peonage And Slavery (possession of slaves aboard vessel)	1961(1)(B)	4/24/96
18	1588	Peonage And Slavery (transportation of slaves from United States)	1961(1)(B)	4/24/96
18	1589	Peonage And Slavery (forced labor)	1961(1)(B)	12/19/03
18	1590	Peonage And Slavery (trafficking with respect to peonage, slavery, involuntary servitude, or forced labor)	1961(1)(B)	12/19/03
18	1591	Peonage And Slavery (sex trafficking of children or by force, fraud, or coercion)	1961(1)(B)	12/19/03
18	1708	Theft from the Mail	1956(c)(7)(D)	10/28/92
18	1751	Presidential And Presidential Staff Assassination, Kidnaping, And Assault	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	1951	Racketeering (interference with commerce by threats or violence)	1961(1)(B)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	1952	Racketeering (interstate and foreign travel or transportation in aid of racketeering enterprises)	1961(1)(B)	10/27/86
18	1953	Racketeering (interstate transportation of wagering paraphernalia)	1961(1)(B)	10/27/86
18	1954	Racketeering (offer, acceptance, or solicitation to influence operations of employee benefit plan)	1961(1)(B)	10/27/86
		Involving a Health Care Offense	1956(c)(7)(F)	8/21/96
18	1955	Racketeering (prohibition of illegal gambling businesses)	1961(1)(B)	10/27/86
18	1956	Racketeering (laundering of monetary instruments)	1961(1)(B)	10/27/86
18	1957	Racketeering (engaging in monetary transactions in property derived from specified unlawful activity)	1961(1)(B)	10/27/86
18	1958	Racketeering (use of interstate commerce facilities in the commission of murder-for-hire)	1961(1)(B)	11/18/88
18	1960	Racketeering (money transmitting business)	1961(1)(B)	3/9/06
18	1992	Railroads (wrecking trains)	1961(1)(G)	10/26/01
18	1993	Railroads (terrorist attacks and other acts of violence against mass transportation systems)	1961(1)(G)	10/26/01
18	2113	Robbery And Burglary (bank robbery and incidental crimes)	1956(c)(7)(D)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	2114	Robbery And Burglary (mail, money, or other property of United States)	1956(c)(7)(D)	10/27/86
18	2155	Sabotage (destruction of national defense materials, premises, or utilities)	1961(1)(G)	10/26/01
18	2156	Sabotage (production of defective national defense materials, premises, or utilities)	1961(1)(G)	12/17/04
18	2251	Sexual Exploitation And Other Abuse Of Children (sexual exploitation of children)	1961(1)(B)	11/18/88
18	2251A	Sexual Exploitation And Other Abuse Of Children (selling or buying of children)	1961(1)(B)	11/18/88
18	2252	Sexual Exploitation And Other Abuse Of Children (certain activities relating to material involving the sexual exploitation of minors)	1961(1)(B)	11/18/88
18	2260	Sexual Exploitation And Other Abuse Of Children (production of sexually explicit depictions of a minor for importation into the United States)	1961(1)(B)	9/13/96
18	2280	Shipping (violence against maritime navigation)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	2281	Shipping (violence against maritime fixed platforms)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	2312	Stolen Property (interstate transportation of stolen motor vehicles)	1961(1)(B)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	2313	Stolen Property (sale or receipt of stolen motor vehicles)	1961(1)(B)	10/27/86
18	2314	Stolen Property (interstate transportation of stolen property)	1961(1)(B)	10/27/86
18	2315	Stolen Property (sale, receipt, or possession of stolen property moved interstate)	1961(1)(B)	10/27/86
18	2318	Stolen Property (trafficking in counterfeit labels for phonorecords, copies of computer programs or computer program documentation or packaging, and copies of motion pictures or other audio visual works, and trafficking in counterfeit computer program documentation or packaging)	1961(1)(B)	7/2/96
18	2319	Stolen Property (criminal infringement of a copyright)	1956(c)(7)(D) 1961(1)(B)	11/18/88 7/2/96
18	2319A	Stolen Property (unauthorized fixation of and trafficking in sound recordings and music videos of live musical performances)	1961(1)(B)	7/2/96
18	2320	Stolen Property (trafficking in counterfeit goods or services)	1956(c)(7)(D) 1961(1)(B)	9/13/94 7/2/96
18	2321	Stolen Property (trafficking in certain motor vehicles or motor vehicle parts)	1961(1)(B)	10/27/86
18	2332	Terrorism (terrorist acts abroad against U.S. Nationals)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	2332a	Terrorism (use of weapons of mass destruction)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	2332b	Terrorism (international terrorist acts transcending national boundaries)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	2332f	Terrorism (bombing of public places and facilities)	1961(1)(G)	10/26/01
18	2332g	Terrorism (missile systems designed to destroy aircraft)	1956(c)(7)(D) 1961(1)(G)	12/17/04 12/17/04
18	2332h	Terrorism (radiological dispersal devices)	1956(c)(7)(D) 1961(1)(G)	12/17/04 12/17/04
18	2339	Terrorism (harboring terrorists)	1961(1)(G)	10/26/01
18	2339A 2339B	Terrorism (providing material support to terrorists or terrorist organizations)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
18	2339C	Terrorism (financing of terrorism)	1956(c)(7)(D) 1961(1)(G)	3/9/06 10/26/01
18	2339D	Terrorism (military-type training from a foreign terrorist organization)	1956(c)(7)(D)	3/9/06
18	2340A	Torture (torture)	1961(1)(G)	10/26/01
18	2342	Trafficking In Contraband Cigarettes (unlawful acts)	1961(1)(B)	10/27/86
18	2343	Trafficking In Contraband Cigarettes (recordkeeping and inspection)	1961(1)(B)	10/27/86
18	2344	Trafficking In Contraband Cigarettes (penalties)	1961(1)(B)	10/27/86
18	2345	Trafficking In Contraband Cigarettes (effect on State law)	1961(1)(B)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
18	2346	Trafficking In Contraband Cigarettes (enforcement and regulations)	1961(1)(B)	10/27/86
18	2421	Transportation For Illegal Sexual Activity (transportation of an individual interstate to engage in criminal sexual activity)	1961(1)(B)	10/27/86
18	2422	Transportation For Illegal Sexual Activity (coercion and enticement to travel interstate to engage in criminal sexual activity)	1961(1)(B)	10/27/86
18	2423	Transportation For Illegal Sexual Activity (transportation of minors interstate to engage in criminal sexual activity)	1961(1)(B)	10/27/86
18	2424	Transportation For Illegal Sexual Activity (filing factual statement about alien individuals)	1961(1)(B)	10/27/86
19	1590	Tariff Act of 1930 (aviation smuggling)	1956(c)(7)(D)	11/18/88
21	841	Drug Abuse Prevention And Control (felony violations of certain prohibited acts)	1961(1)(D) 1956(c)(7)(D)	10/27/86 11/29/90
21	842	Drug Abuse Prevention And Control (subsequent violations of subparagraph (A) after one or more prior convictions of a drug-related offense)	1961(1)(D) 1956(c)(7)(D)	10/27/86 11/29/90
21	843	Drug Abuse Prevention And Control (felony violations of certain other prohibited acts)	1961(1)(D) 1956(c)(7)(D)	10/27/86 11/29/90

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
21	844	Drug Abuse Prevention And Control (penalties for simple possession after one or more prior convictions for any drug or narcotic offense)	1961(1)(D)	10/27/86
21	846	Drug Abuse Prevention And Control (attempt and conspiracy to commit any felonious offense defined in Subchapter I)	1961(1)(D)	10/27/86
21	848	Drug Abuse Prevention And Control (continuing criminal enterprise)	1956(c)(7)(C) 1961(1)(D)	10/27/86 10/27/86
21	854	Drug Abuse Prevention And Control (investment of illicit drug profits obtained from a felonious violation of either Subchapter I or Subchapter II)	1961(1)(D)	10/27/86
21	856	Drug Abuse Prevention And Control (establishment of manufacturing operations)	1961(1)(D)	10/27/86
21	858	Drug Abuse Prevention And Control (endangering human life while illegally manufacturing a controlled substance)	1961(1)(D)	10/27/86
21	859	Drug Abuse Prevention And Control (felonious distribution to persons under age twenty-one)	1961(1)(D)	10/27/86
21	860	Drug Abuse Prevention And Control (felonious distribution or manufacturing in or near schools and colleges)	1961(1)(D)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
21	861	Drug Abuse Prevention And Control (felonious employment of persons under 18 years of age)	1961(1)(D)	10/27/86
21	863	Drug Abuse Prevention And Control (transportation of drug paraphernalia)	1961 (1)(D) 1956(c)(7)(D)	10/27/86 11/18/88
21	952	Drug Abuse Prevention And Control (felonious importation of controlled substances)	1961(1)(D)	10/27/86
21	953	Drug Abuse Prevention And Control (felonious exportation of controlled substances)	1961(1)(D)	10/27/86
21	955	Drug Abuse Prevention And Control (felonious possession on board vessels, etc., arriving in or departing from the United States)	1961(1)(D)	10/27/86
21	957	Drug Abuse Prevention And Control (felonious offenses by persons required to register)	1961(1)(D)	10/27/86
21	959	Drug Abuse Prevention And Control (felonious possession, manufacture, or distribution for purpose of unlawful importation)	1961(1)(D)	10/27/86
21	960	Drug Abuse Prevention And Control (certain unlawful acts and penalties defined)	1961(1)(D) 1956(c)(7)(D)	10/27/86 11/29/90
21	962	Drug Abuse Prevention And Control (second or subsequent offenses penalties defined)	1961(1)(D)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
21	963	Drug Abuse Prevention And Control (attempt and conspiracy to commit any felonious offense defined in Subchapter II)	1961(1)(D)	10/27/86
22	611 et seq.	Foreign Agents Registration Act of 1938 (felony violations of FARA of 1938)	1956(c)(7)(D)	10/26/01
22	2778(c)	Arms Export Control (criminal violations of Arms Export Control Act of 1979)	1956(c)(7)(D)	10/27/86
29	186	Labor-Management Relations (restrictions on financial transactions)	1961(1)(C)	10/27/86
29	501(c)	Reporting And Disclosure (fiduciary responsibility of officers of labor organizations embezzlement of assets)	1961(1)(C)	10/27/86
33	1251 et seq.	Federal Water Pollution Control Act (felony violations concerning the discharge of pollutants into the Nation's waters)	1956(c)(7)(E)	11/29/90
33	1401 et seq.	Ocean Dumping Act (felony violations concerning the dumping of materials into ocean waters)	1956(c)(7)(E)	11/29/90
33	1901 et seq.	Act to Prevent Pollution From Ships (felony violations concerning the discharge of pollutants from ships)	1956(c)(7)(E)	11/29/90
42	1490s(a)	Housing Act of 1949 (equity skimming)	1956(c)(7)(D)	12/27/00
42	2122 (Sec. 92)	Atomic Energy Act of 1954 (prohibitions governing atomic weapons)	1956(c)(7)(D) 1961(1)(G)	12/17/04 12/17/04

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
42	2284 (Sec. 236)	Atomic Energy Act of 1954 (sabotage of nuclear facilities or fuel)	1961(1)(G)	10/26/01
42	300f et seq.	Safe Drinking Water Act (felony violations concerning the safety of public water systems)	1956(c)(7)(E)	11/29/90
42	6901 et seq.	Resources Conservation And Recovery Act (felony violations concerning resource conservation and recovery)	1956(c)(7)(E)	11/29/90
49	46502	Special Aircraft Jurisdiction Of The United States (aircraft piracy)	1956(c)(7)(D) 1961(1)(G)	4/24/96 10/26/01
49	46504 (2nd sentence)	Special Aircraft Jurisdiction Of The United States (assault on a flight crew with a dangerous weapon)	1961(1)(G)	10/26/01
49	46505(b)(3) or (c)	Special Aircraft Jurisdiction Of The United States (explosive or incendiary devices, or endangerment of human life by means of weapons, on aircraft)	1961(1)(G)	10/26/01
49	46506	Special Aircraft Jurisdiction Of The United States (application of certain criminal laws to acts on aircraft - if homicide or attempted homicide involved)	1961(1)(G)	10/26/01
49	60123(b)	Safety (destruction of interstate gas or hazardous liquid pipeline facility)	1961(1)(G)	10/26/01
50	1705	Emergency Economic Powers (willful violations of the International Emergency Economic Powers Act)	1956(c)(7)(D)	10/27/86
50	App. 16	Trading With Enemy Act (offenses and punishment)	1956(c)(7)(D)	10/27/86

Title:	Section:	Violations of Federal Law Relating to:	Appearing in Title 18, Section:	Effective Date:
50	App. 2410	Export Regulation (knowingly violating the provisions of the Export Administration Act of 1979)	1956(c)(7)(D)	10/27/86

Any Act Or Threat (chargeable under State Law and punishable by imprisonment for more than one year) Involving:	Appearing in 18 U.S.C., Section:	Effective Date:
Murder	1961(1)(A)	10/27/86
Kidnaping	1961(1)(A)	10/27/86
Gambling	1961(1)(A)	10/27/86
Arson	1961(1)(A)	10/27/86
Robbery	1961(1)(A)	10/27/86
Bribery	1961(1)(A)	10/27/86
Extortion	1961(1)(A)	10/27/86
Dealing In Obscene Matter	1961(1)(A)	10/27/86
Dealing in a Controlled Substance or Listed Chemical (as defined in 21 U.S.C. § 802)	1961(1)(A)	10/27/86

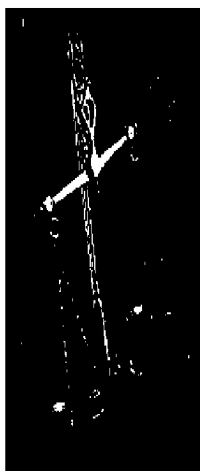
An Offense Against A Foreign Nation (with respect to a financial transaction occurring in whole or in part in the United States) Involving:	Appearing in 18 U.S.C., Section:	Effective Date:
The Manufacture, Importation, Sale, or Distribution of a Controlled Substance	1956(c)(7)(B)(i)	10/27/86
Murder	1956(c)(7)(B)(ii)	4/24/96
Kidnaping	1956(c)(7)(B)(ii)	10/28/92
Robbery	1956(c)(7)(B)(ii)	10/28/92
Extortion	1956(c)(7)(B)(ii)	10/28/92
Destruction of Property by Means of Explosive or Fire or a Crime of Violence	1956(c)(7)(B)(ii)	4/24/96
Fraud, or Any Scheme or Attempt to Defraud, By or Against a Foreign Bank (as defined in 12 U.S.C. § 3101(7))	1956(c)(7)(B)(iii)	10/28/92
Bribery of a Public Official, or the Misappropriation, Theft, or Embezzlement of Public Funds by or for the Benefit of a Public Official	1956(c)(7)(B)(iv)	10/26/01
Smuggling or Export Control Violations (involving an item controlled on the U.S. Munitions List, Section 38 of the Arms Export Control Act (22 U.S.C. 2778) or an item controlled under the Export Administration Act of 1977 (15 C.F.R. Parts 730-774))	1956(c)(7)(B)(v)	10/26/01
U.S. Obligation by a Multilateral Treaty to Extradite or Prosecute the Offender (if offender located within territory of U.S.)	1956(c)(7)(B)(vi)	10/26/01

Cont'd from fdps pg 106

The Response: Combatting Terrorist Financing 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.

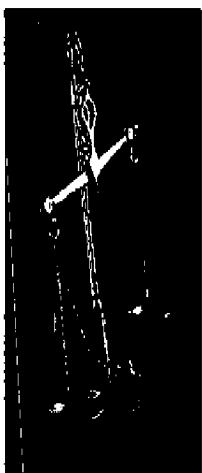
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The Response: Combatting Terrorist Financing Statutes for Indicting Terrorism Financiers

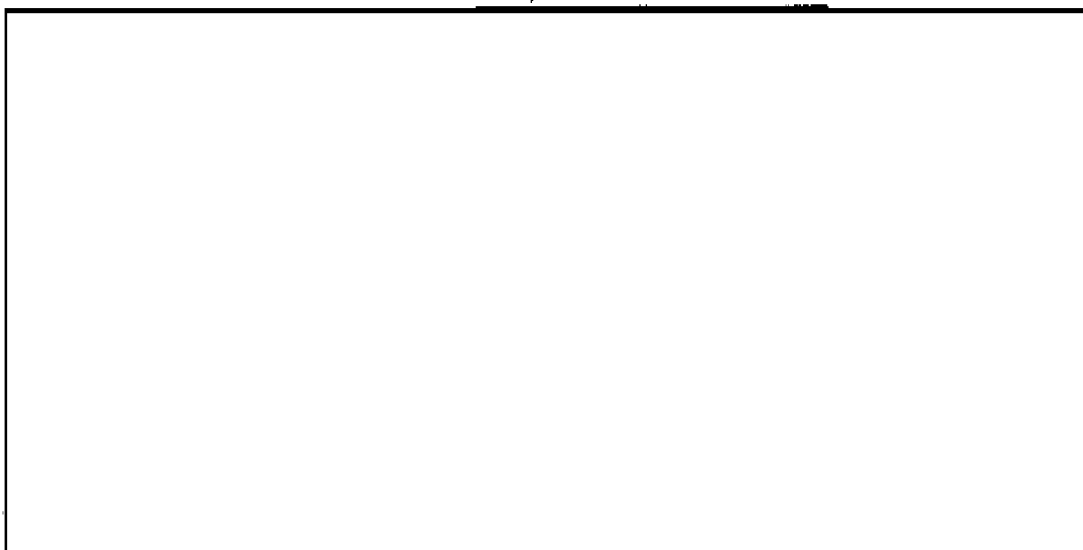
Money Laundering - Changes under the USA PATRIOT Act



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.

The Response: Combatting Terrorist Financing Exam Question



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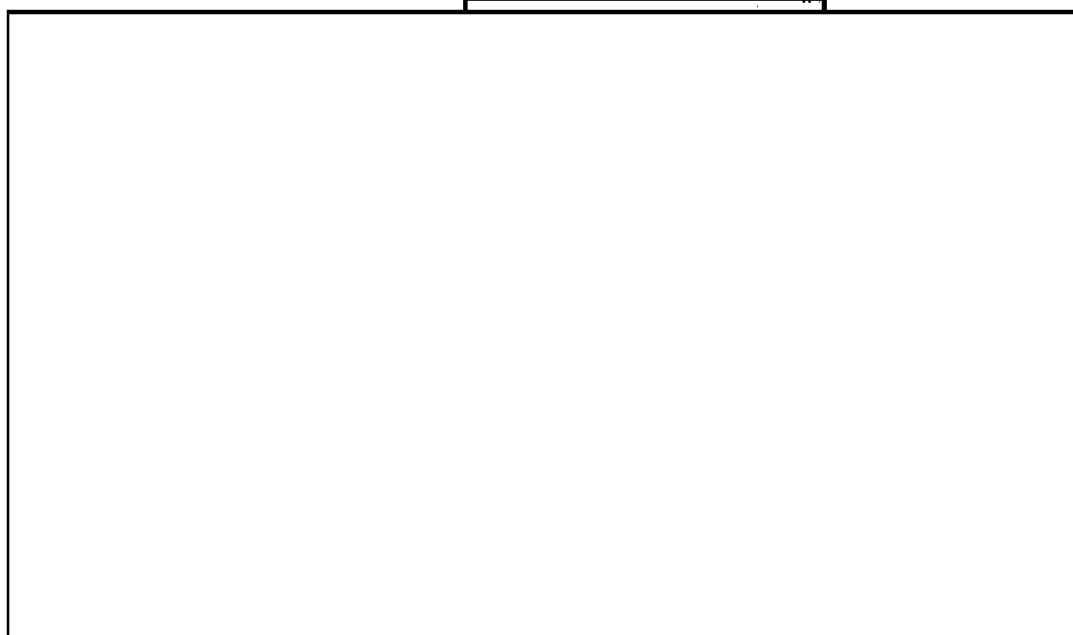
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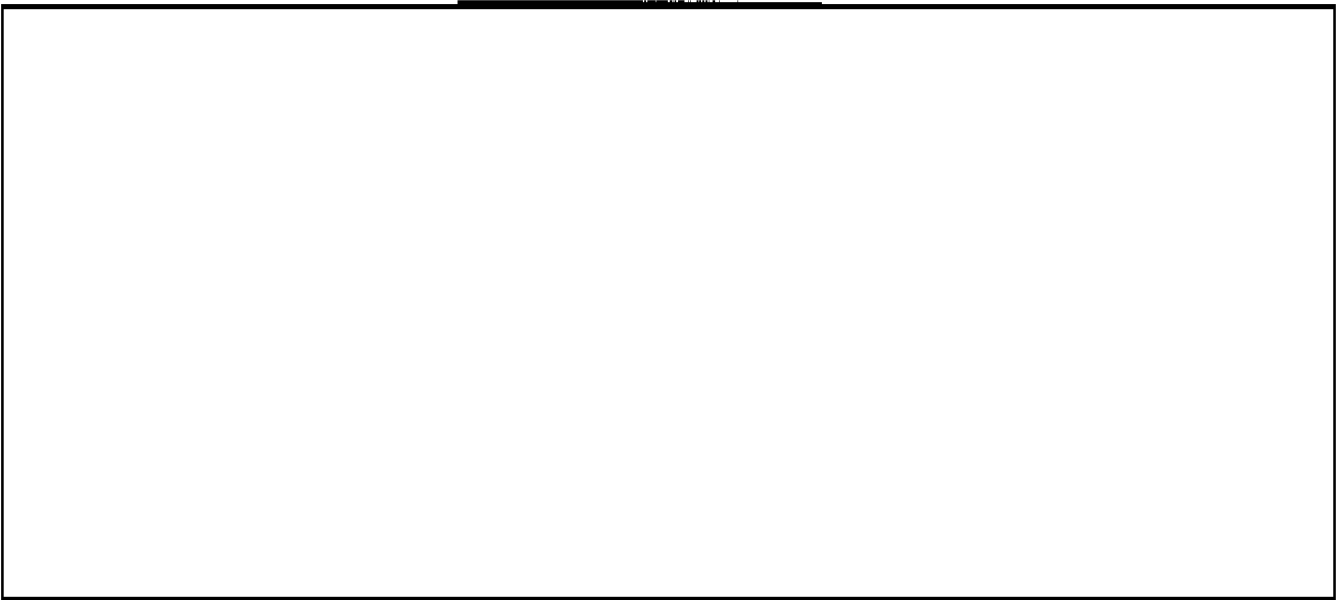
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In Depth View: Two
Prevalent Funding Tools

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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.

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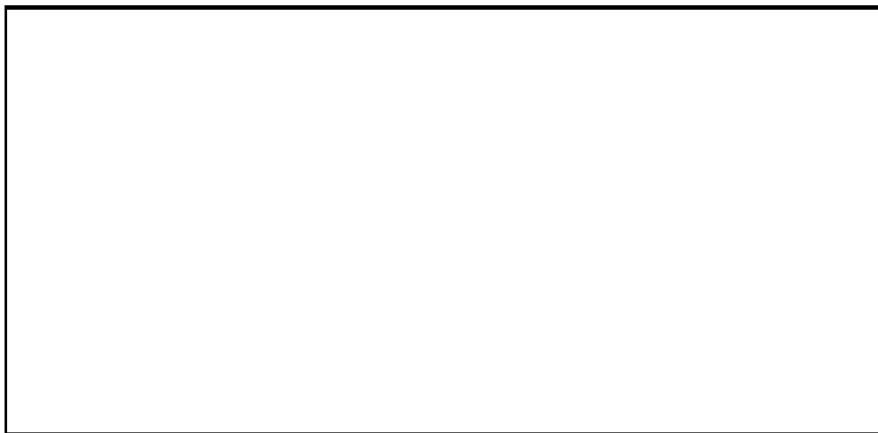
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In Depth View: Two Prevalent Funding Tools NGOs and Charities

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:



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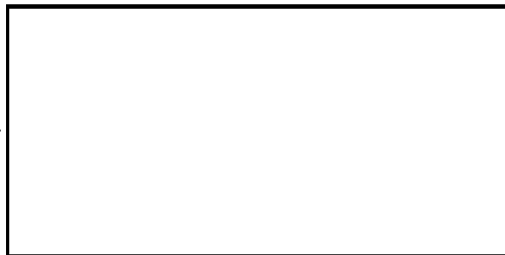
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In Depth View: Two Prevalent Funding Tools NGOs and Charities

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



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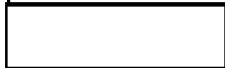
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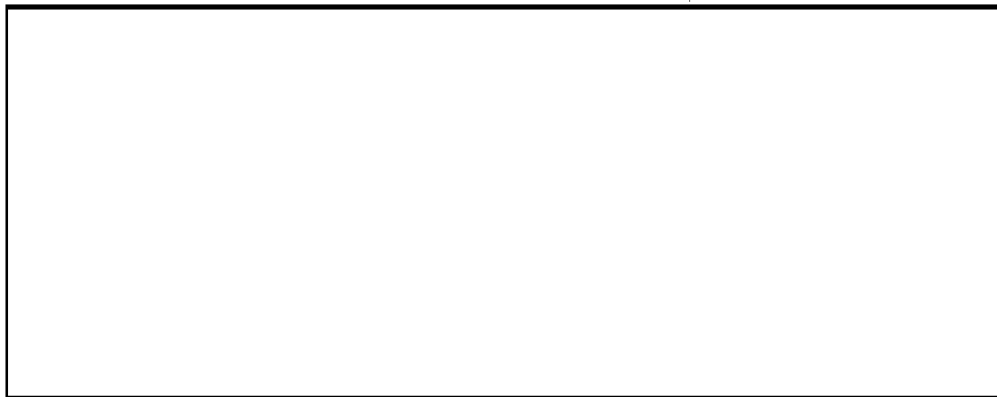
In Depth View: Two Prevalent Funding Tools



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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



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In Depth View: Two Prevalent Funding Tools NGO Abuses

Fraudulent Solicitation of Donations

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

[REDACTED]

Scenario Example

[REDACTED]

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[REDACTED]

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In Depth View: Two Prevalent Funding Tools NGO Abuses

Branch Offices Defrauding Headquarters

In this situation

Scenario Example

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In Depth View: Two Prevalent Funding Tools 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]
[REDACTED]

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Scenario Example

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

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In Depth View: Two Prevalent Funding Tools Analyzing an NGO

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



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In Depth View: Two Prevalent Funding Tools 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.

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In Depth View: Two Prevalent Funding Tools 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 [REDACTED]

[REDACTED] In general, suspicious behavior is characterized by [REDACTED]

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



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In Depth View: Two Prevalent Funding Tools 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.

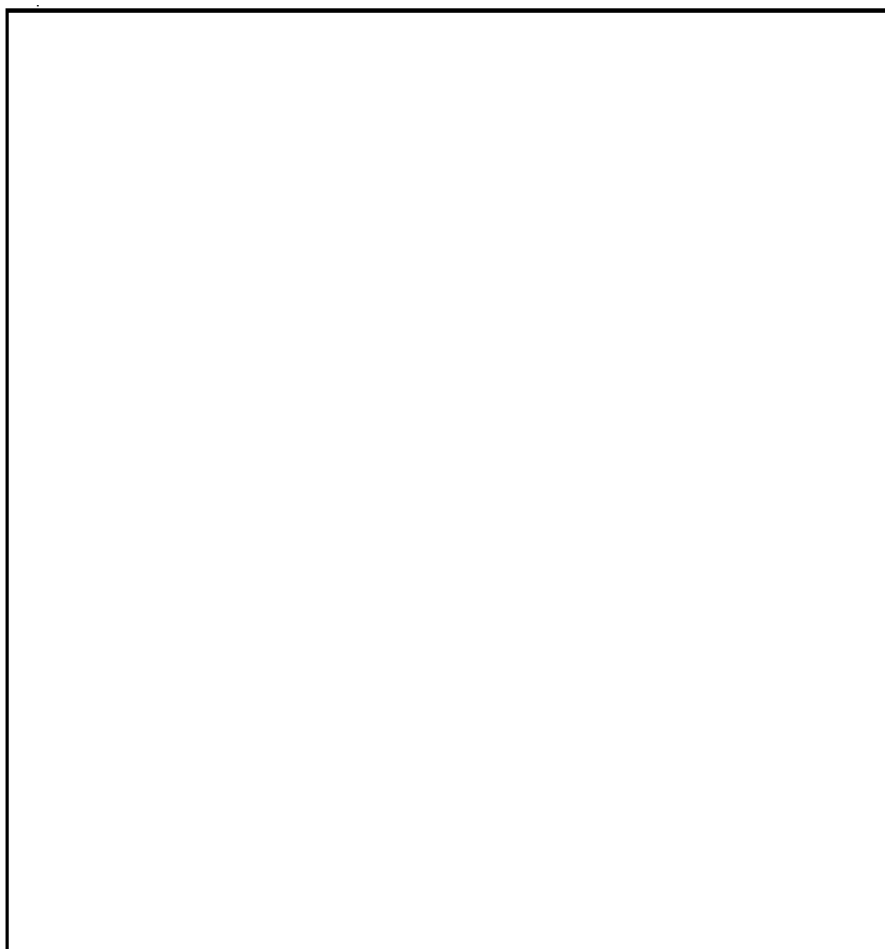
The word *hawala* means 'transform,' but the definition has evolved to include 'trust,' 'reference' and 'exchange.' The word *hundi* means 'bill of exchange' or 'promissory note.' *Hawaladar* or *hundiwala* refers to the broker or banker of the hawala.

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.

In Depth View: Two Prevalent Funding Tools 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.

In Depth View: Two Prevalent Funding Tools Simulated Hawala Transaction



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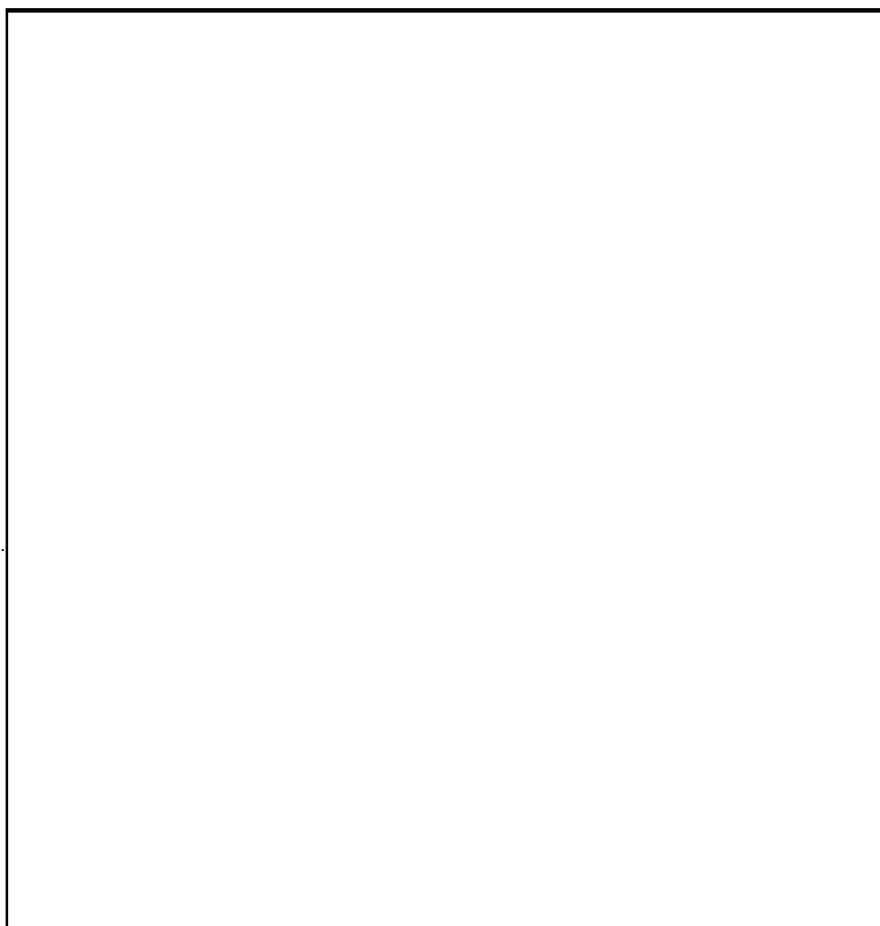
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In Depth View: Two Prevalent Funding Tools Simulated Hawala Transaction



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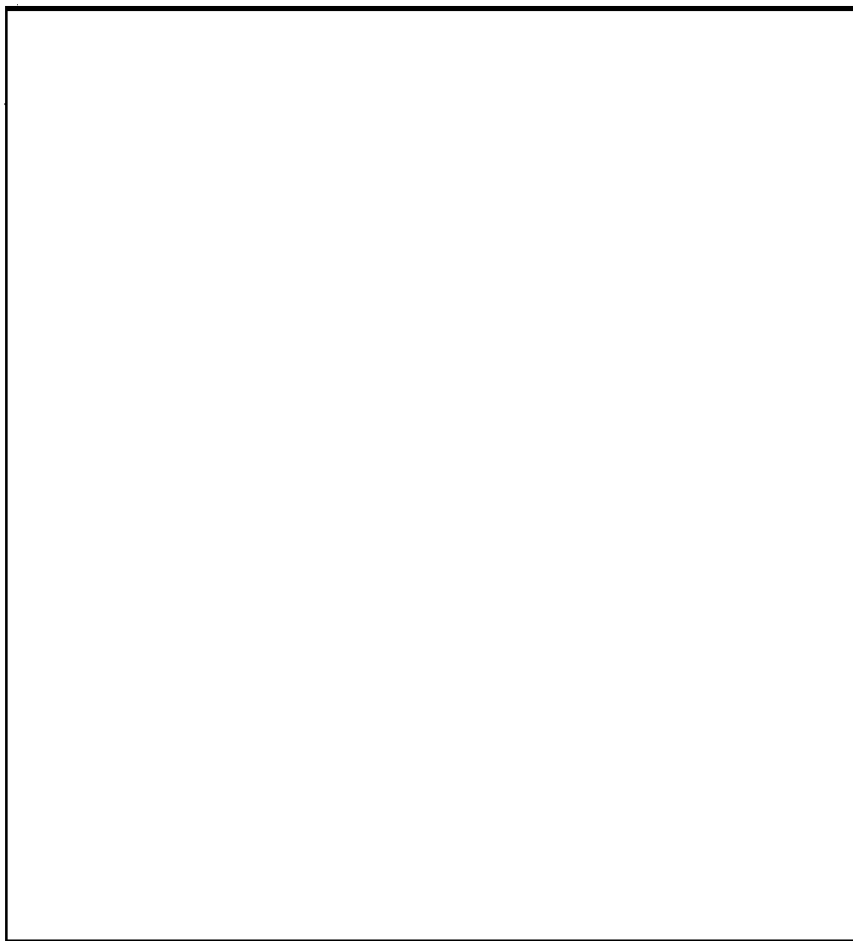
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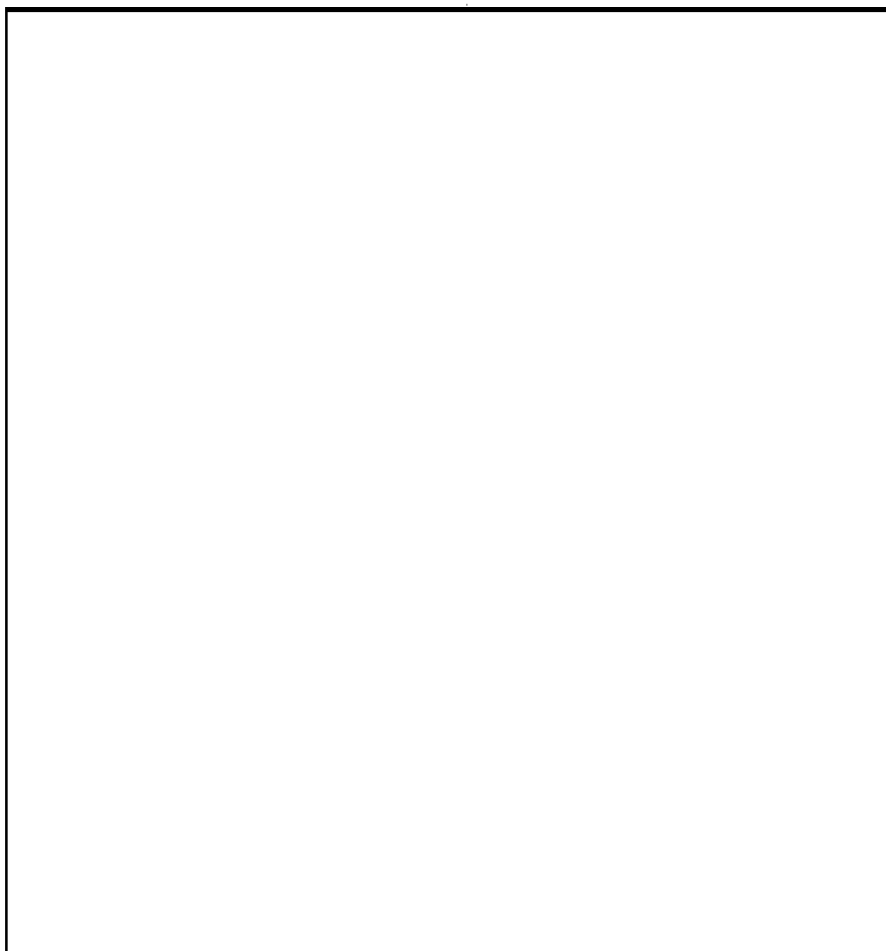
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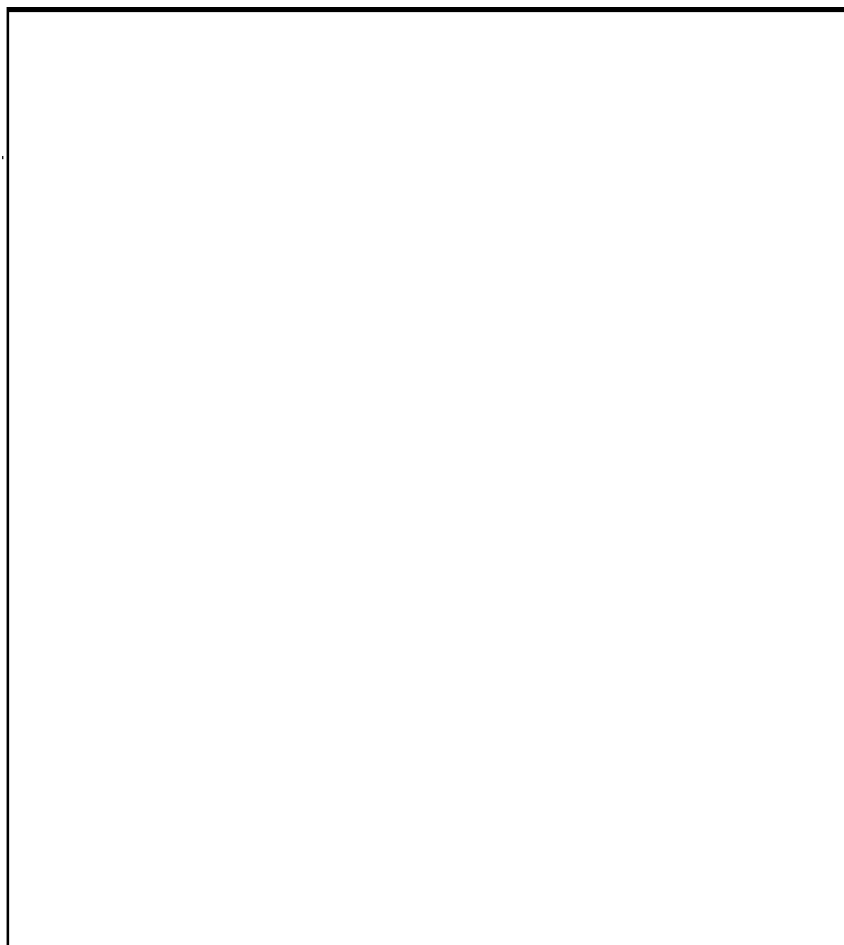
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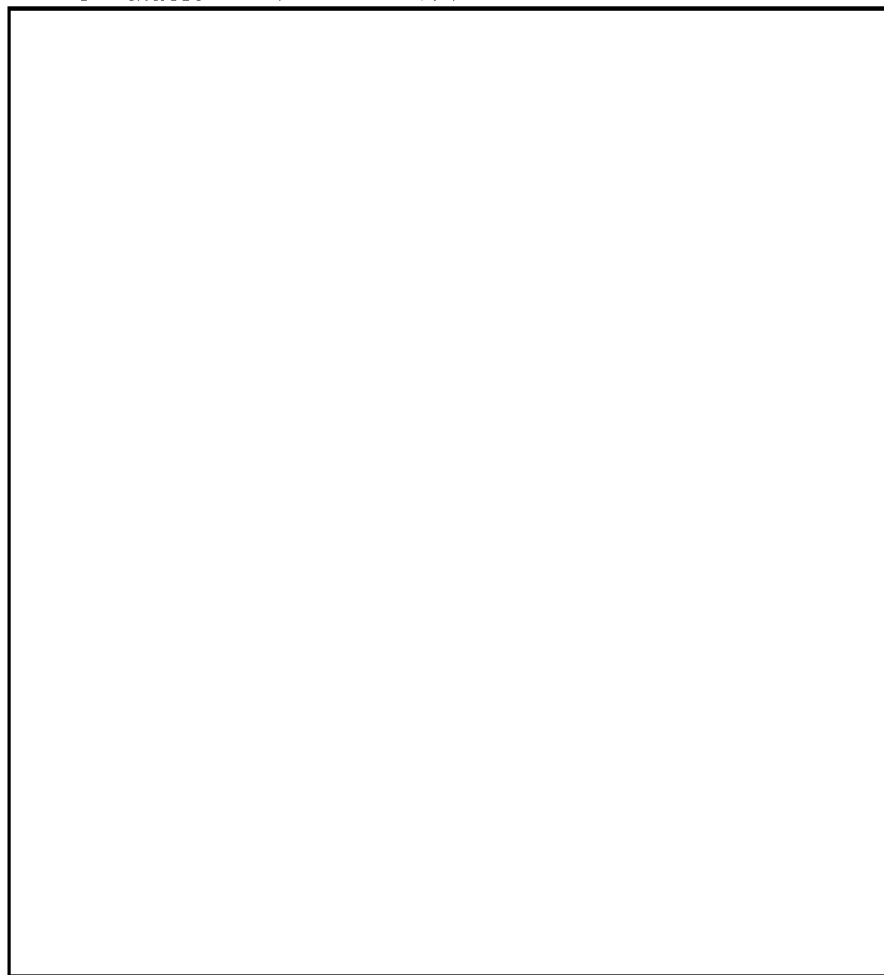
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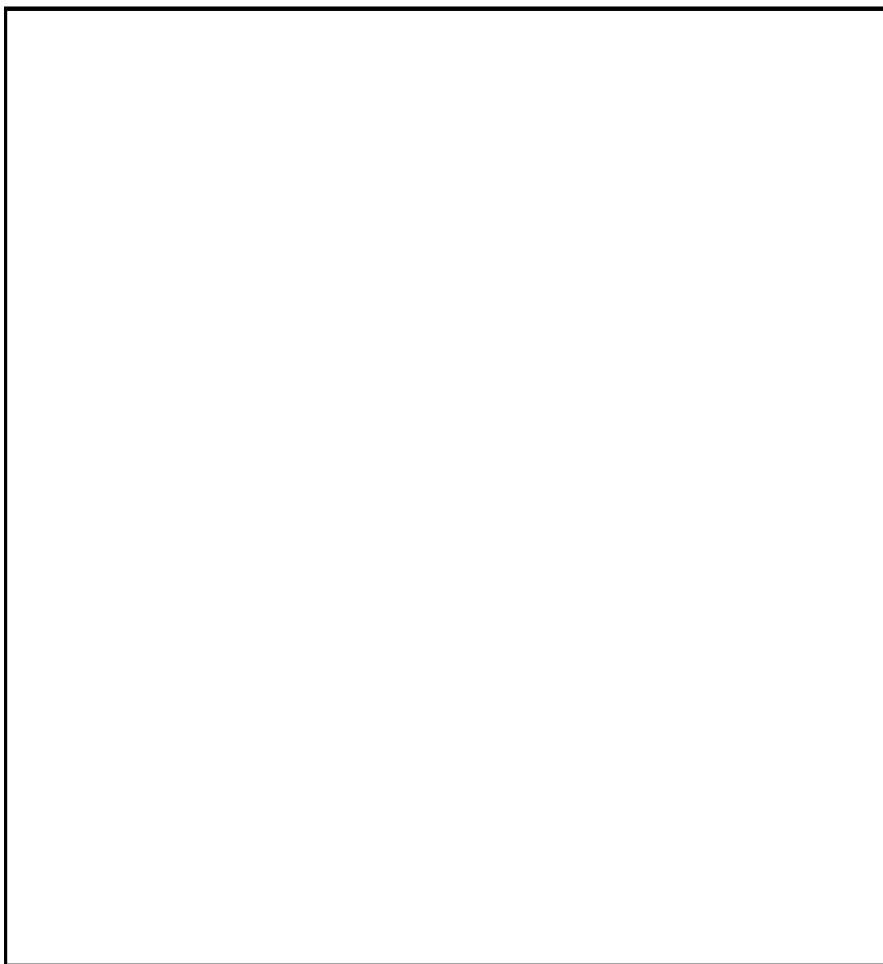
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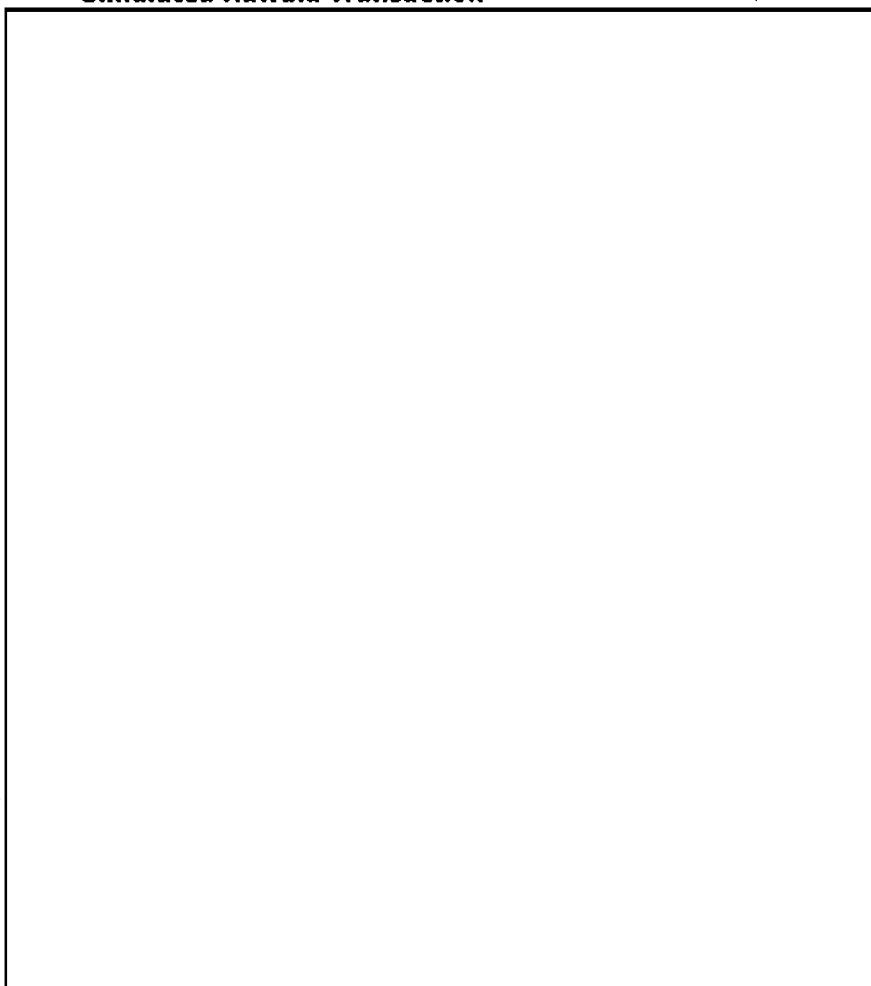
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In Depth View: Two Prevalent Funding Tools Simulated Hawala Transaction



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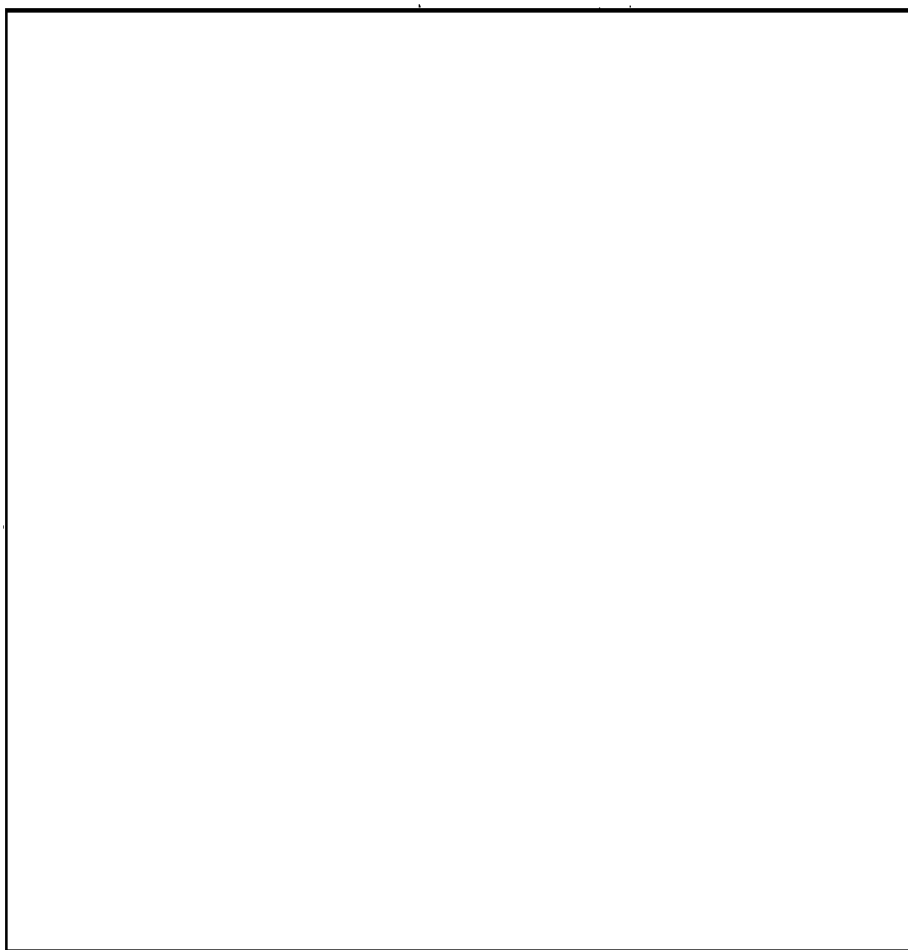
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In Depth View: Two Prevalent Funding Tools: Simulated Hawala Transaction



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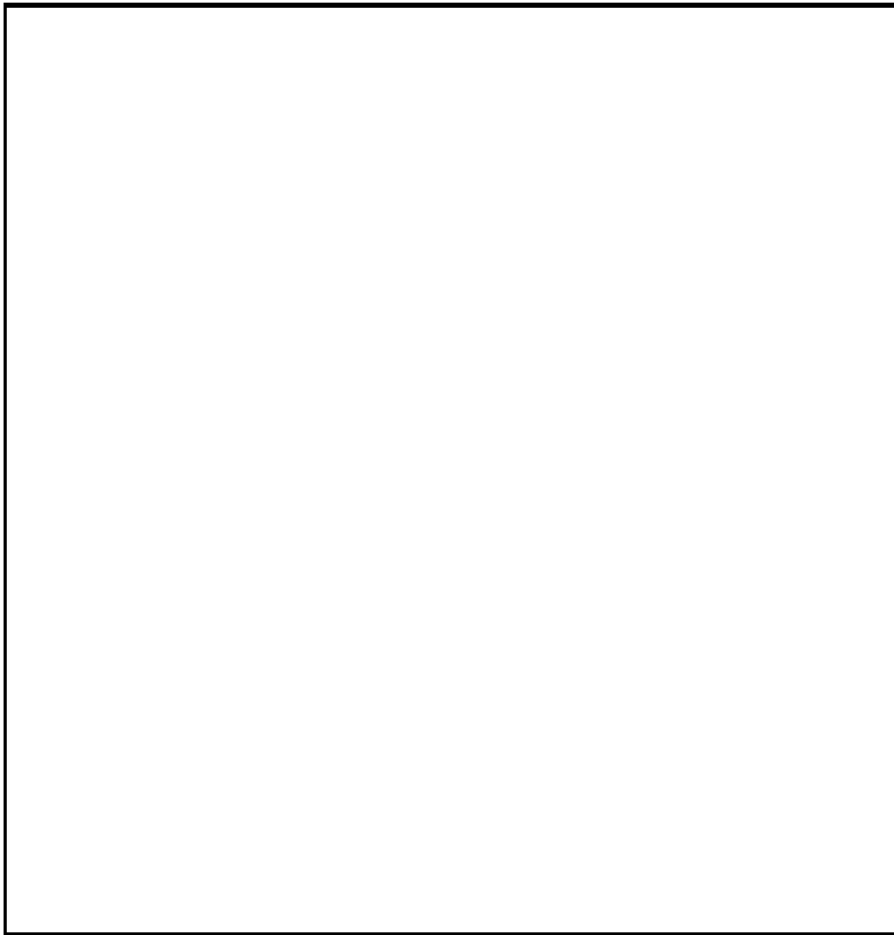
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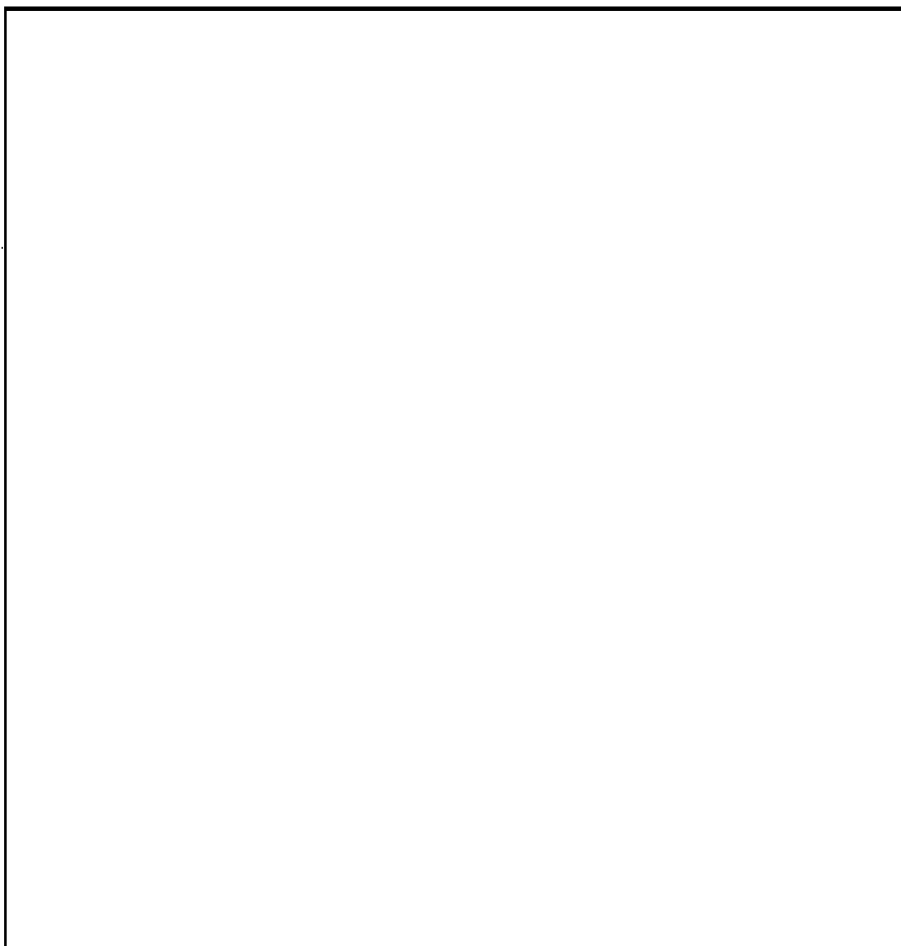
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In Depth View: Two Prevalent Funding Tools Simulated Hawala Transaction

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In Depth View: Two Prevalent Funding Tools

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.

In Depth View: Two Prevalent Funding Tools Background on Hawala Use

Reasons to Use Hawala

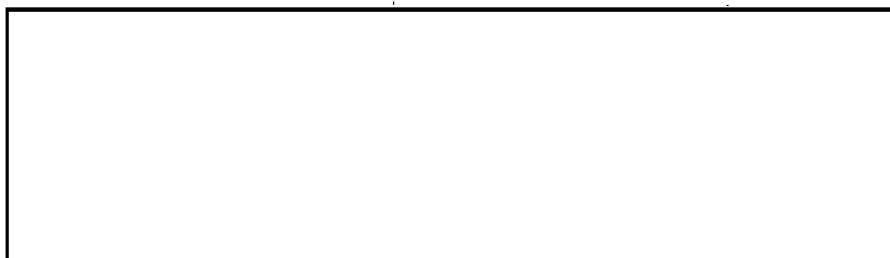
Hawalas offer many benefits to users, including:

- 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.

In Depth View: Two Prevalent Funding Tools Hawalas

Reasons to Use Hawala

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



Treatment of Hawalas - Hawala Alternative Remittance System

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The Hawala Alternative Remittance System and Its Role in Money Laundering

Interpol General Secretariat, Lyon, January 2000

Patrick M. Jost
United States Department of the
Treasury
Financial Crimes Enforcement Network
(FinCEN)

Harjit Singh Sandhu
Interpol
Funds Derived from Criminal Activities
(FOPAC)

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Executive summary

This paper presents a description of the hawala (also referred to as hundi) alternative remittance system. Hawala is an ancient system originating in South Asia; today it is used around the world to conduct legitimate remittances. Like any other remittance system, hawala can, and does, play a role in money laundering. In addition to serving as a 'tutorial' on hawala transaction, this paper will also discuss the way in which hawala is used to facilitate money laundering.

What is hawala?

Hawala (1) is an alternative or parallel remittance system. It exists and operates outside of, or parallel to 'traditional' banking or financial channels. It was developed in India, before the introduction of western banking practices, and is currently a major remittance system used around the world. It is but one of several such

systems; another well known example is the 'chop', 'chit' or 'flying money' system indigenous to China, and also, used around the world. These systems are often referred to as 'underground banking'; this term is not always correct, as they often operate in the open with complete legitimacy, and these services are often heavily and effectively advertised.

The components of hawala that distinguish it from other remittance systems are trust and the extensive use of connections such as family relationships or regional affiliations. Unlike traditional banking or even the 'chop' system, hawala makes minimal (often no) use of any sort of negotiable instrument. Transfers of money take place based on communications between members of a network of hawaladars, or hawala dealers (2).

How does hawala work?

Hawala works by transferring money without actually moving it. In fact 'money transfer without money movement' is a definition of hawala that was used, successfully, in a hawala money laundering case.

An effective way to understand hawala is by examining a single hawala transfer. In this scenario, which will be used throughout this paper, Abdul is a Pakistani living in New York and driving a taxi. He entered the country on a tourist visa, which has long since expired. From his job as a taxi driver, he has saved \$5,000 that he wants to send to his brother, Mohammad, who is living in Karachi (3).

Even though Abdul is familiar with the hawala system, his first stop is a major bank. At the bank, he learns several things:

The bank would prefer that he open an account before doing business with them;

The bank will sell him Pakistani rupees (Rs) at the official rate (4) of 31 to the dollar; and

The bank will charge \$25 to issue a bank draft.

This will allow Abdul to send Mohammad Rs 154,225. Delivery would be extra; an overnight courier service (surface mail is not always that reliable, especially if it contains something valuable) can cost as much as \$40 to Pakistan and take as much as a week to arrive. Abdul believes he can get a better deal through hawala, and talks to Iqbal, a fellow taxi driver who is also a part-time hawaladar.

Iqbal offers Abdul the following terms:

A 5% 'commission' for handling the transaction;

35, instead of 31, rupees for a dollar; and

Delivery is included.

This arrangement will allow Abdul to send Mohammad Rs 166,250. As we will see, the delivery associated with a hawala transaction is faster and more reliable than in bank transactions. He is about to make arrangements to do business with Iqbal when he sees the following advertisement (5) in a local 'Indo-Pak' newspaper (such advertisements are very common):

MUSIC BAZAAR AND TRAVEL SERVICES AGENCY

- Cheap tickets to India, Pakistan, Bangladesh, Sri Lanka, Dubai
- Great rupee deals (service to India and Pakistan)
- Large movie rental selection
- Video conversions
- Latest Bollywood hits on CD and cassette
- Prepaid international calling cards
- Pager and cellular activations (trade-ins welcome)
- Conveniently located in Jackson Heights

(718) 555-1111 ask for Nizam or Yasmeen
(718) 555-2222 [fax]
(718) 555-2121 [pager]

Abdul calls the number, and speaks with Yasmeen. She offers him the following deal:

A fee of 1 rupee for each dollar transferred;

37 rupees for a dollar; and

Delivery is included.

Under these terms (6), Abdul can send Mohammad Rs 180,000. He decides to do business with Yasmeen.

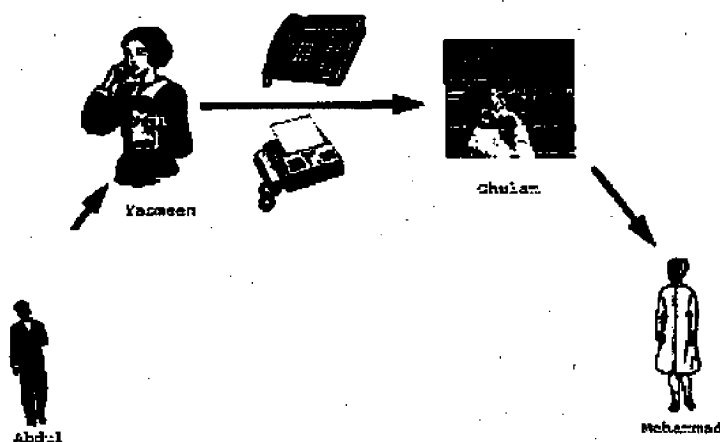
The hawala transaction proceeds as follows:

Abdul gives the \$5,000 to Yasmeen;

Yasmeen contacts Ghulam in Karachi, and gives him the details;

Ghulam arranges to have Rs 180,000 delivered to Mohammad.

This diagram summarizes the transaction:



Even though this is a simple example, it contains the elements of a hawala transaction. First, there is trust between Abdul and Yasmeen. Yasmeen did not give him a receipt, and her recordkeeping, such as it may be, is designed to keep track of how much money she owes Ghulam, instead of recording individual remittances she has made. There are several possible relationships she can have with Ghulam (these will be discussed later); in any case she trusts him to make the payment to Mohammad. This delivery almost always takes place within a day of the initial payment (a consideration here is time differences), and the payment is almost always made in person. Finally, in some scenarios, he trusts her to repay him the equivalent of either \$5,000 or Rs 180,000.

Connections are of equal importance. Yasmeen has to be connected to Ghulam in Karachi to arrange this payment. As her advertisement indicates, she also offers service to India, so she either knows, or has access to, someone who can arrange payment there. Hawala networks tend to be fairly loose, communication usually takes place by phone or fax (but email is becoming more and more common). To complete this discussion, there are two related issues to be addressed. The first is the relationship between Yasmeen and Ghulam, and the second is how Ghulam 'recovers' the money that he paid to Mohammad on Abdul's behalf.

As was stated above, hawala works through connections. These connections allow for the establishment of a network for conducting the hawala transactions. In this transaction, Yasmeen and Ghulam are part of the same network. There are several possible ways in which this network could have been constructed.

The first possibility is that Yasmeen and Ghulam are business partners (or that they just do business together on a regular basis). For them, transferring money is not only another business in which they are engaged but a part of their normal business dealings with one another. Another possibility is that, for whatever reason, Ghulam owes Yasmeen money. Since many countries make it difficult to move money out of the country, Ghulam is repaying his debt to Yasmeen by paying her hawala customers; even though this is a very 'informal' relationship, it is quite typical for hawala. A third (and by no means the final) possibility is that Yasmeen has a 'rupee surplus' and Ghulam is assisting her in disposing of it.

In the last two cases, Ghulam does not need to recover any money; he is either repaying an existing debt to Yasmeen, or he is handling money that Yasmeen has

entrusted to him, but is unable to move out of the country. In the first case, where Yasmeen and Ghulam are partners, a more formal means of balancing accounts is needed.

One very likely business partner scenario is an import/export business. Yasmeen might import CDs and cassettes of Indian and Pakistani music and 22 carat gold (7) jewelry from Ghulam, and export telecommunications devices to Ghulam. In the context of such a business, invoices can be manipulated to 'conceal' the movement of money.

If Yasmeen needs to pay Ghulam the Rs 180,000 that he has given to Mohammad, she can do it by 'under invoicing' a shipment to him. She could, for example, send him \$20,000 worth of telecommunications devices, but only invoice him for \$15,000. Ghulam pays Yasmeen \$15,000 against this invoice. The 'extra' value of goods, in this case \$5,000 (the equivalent of Rs 180,000) is the money that she owes him.

In order to move money the other way (in this case, from Pakistan to New York), 'over invoicing' can be used. For this example, it is assumed that Ghulam owes Yasmeen \$5,000. She could buy \$10,000 of telecommunications devices, and send it to Ghulam with an invoice for \$15,000. Ghulam would pay her \$15,000; this covers the \$10,000 for the telecommunications devices as well as the other \$5,000.

Since many hawala transactions (legitimate and illegitimate) are conducted in the context of import/export businesses, the manipulation of invoices, as discussed above, is a very common means of settling accounts after the transactions have been made.

Why would anyone bother with hawala?

When compared to a 'traditional' means of remitting money, such as obtaining a check or ordering a wire transfer, hawala seems cumbersome and risky. In this section, we will examine the motivations for using the hawala system.

The primary reason is cost effectiveness. As was shown in this example, Abdul was able to obtain nearly Rs 30,000 more (averaging exchange rates, this is about US\$ 880), a significant savings by using the hawala system. Some of the reasons for this cost effectiveness, namely low overhead, exchange rate speculation and integration with existing business activities, will be discussed in the next section of this paper.

The second reason is efficiency. A hawala remittance takes place in, at most, one or two days. This can be contrasted with the week or so required for an international wire transfer involving at least one correspondent bank (as well as delays due to holidays, weekends and time differences) or about the same amount of time required to send a bank draft from North America to South Asia via a courier service (surface mail is not a reliable option where the contents are valuable, and it can also take several weeks to arrive).

The third reason is reliability. Complex international transactions, which might involve the client's local bank, its correspondent bank, the main office of a foreign bank and a branch office of the recipient's foreign bank, have the potential to be problematic. In at least one instance reported to the authors, money for a large

commercial transaction (money being sent from the United States to South Asia) was lost 'in transit' for several weeks while trying to conduct such a transaction. When the bank located the money, it was returned to the customer. He enlisted the services of a local hawaladar, who was able to complete the transaction in less than a day.

The fourth reason is the lack of bureaucracy. Abdul is living and working in the United States on an expired student visa; he does not have a social security number (and since he deals almost exclusively in cash, he really does not need one). It would be difficult, if not impossible for him to open a bank account as he does not have adequate identification. In addition, he does not completely trust banks and would prefer not to use them if at all possible. Iqbal and Yasmeen do not operate in a 'bureaucratic' framework, making them a preferable alternative to the bank.

The fifth reason is the lack of a paper trail. Even though Abdul earned the money that he sent to Mohammad legally, he would prefer to remain anonymous (this is a much more important consideration in illicit hawala transactions). Since it is rare for hawaladars to keep records of individual transactions, it is unlikely that Abdul's remittance will ever be identified as part of the business dealings between Yasmeen, Ghulam and their associates.

The sixth reason is tax evasion. In South Asia, the 'black' or parallel economy is 30%-50% of the 'white' or documented economy. Money remitted through official channels might invite scrutiny from tax authorities - hawala provides a scrutiny-free remittance channel.

Why does hawala work?

In brief, hawala 'works' - or competes effectively with other remittance mechanisms - because of its cost effectiveness. A secondary consideration is that hawala is often related or even integral to existing business dealings.

One reason for hawala's cost effectiveness is low overhead. A business like Yasmeen's 'Music Bazaar and Travel Services Agency' operates out of a rented storefront as opposed to a bank building (which has expensive vaults and alarm systems), and may even share space with another business (e.g. a sari or gold shop), further reducing rental expenses. Yasmeen's employees are paid less than bank officers, and they probably do not have insurance or access to a retirement plan. Some hawaladars operate with even less, using a table in a tea shop as an office and having little more than a cellular phone and notebook as overhead expenses.

The second reason is exchange rate speculation. In India, for example, the Foreign Exchange Regulation Act (FERA), 8(2) (8) states that '(e)xcept with the previous general or special permission of the Reserve Bank, no person, whether an authorised dealer or a moneychanger or otherwise, shall enter into any transaction which provides for the conversion of Indian currency into foreign currency or foreign currency into Indian currency at rates of exchange other than the rates for time being authorised by the Reserve Bank'. Since hawala dealers do not, in many if not most cases comply with such regulations, their transactions may be illegal (a more detailed discussion of the legality of hawala follows).

Depending on one's perspective (and possibly jurisdiction), hawaladars are either engaging in foreign exchange speculation or black market currency dealing. In any case, they exploit naturally occurring fluctuations in the demand for different currencies. This enables them to turn a profit from hawala transactions (which, in addition to being remittances, almost always have a foreign exchange component), and they are also able to offer their customers rates that are better than those offered by banks (most banks will only transact at authorized rates of exchange).

The rates cited in this paper (35 Rs/\$ for Iqbal, 37 Rs/\$ for Yasmeen and the official rate of 31 Rs/\$ as cited by the bank) reflect a difference of 12-19% over the official rate. These may actually be a little high. A U.S. hawaladar (9) involved in the laundering of drug proceeds as well as legitimate remittances told one of the authors of this paper that he could still make a profit on an exchange rate margin as small as 2%, making him much more competitive than a bank.

In addition, since many hawaladars are also involved in businesses where money transfers are necessary, providing remittance services fits well into these businesses' existing activities. Monies from remittances and business transfers are processed through the same bank accounts, and few, if any, additional operational costs are incurred by a business that offers hawala remittance services.

Finally, an important component of hawala is trust. Hawala dealers are almost always honest in their dealings with customers and fellow hawaladars. Breaches of trust are extremely rare. It is worth noting that one of the meanings attached to the word hawala is 'trust'!

Is hawala legal?

Since hawala is a remittance system, this question really addresses regulations governing remittance services (10) and the circumstances of the remittance. The assumption here, of course, is that these remittances are like Abdul's, and 'legitimate'; the illicit use of hawala in money laundering is discussed in the next section of this paper.

Even though hawala is illegal from a regulatory standpoint in some U.S. jurisdictions, hawaladars advertise their services widely in a variety of media (ethnic newspapers have been the traditional place to find them, now some are using the Internet). Enforcement of these regulations is difficult with respect to hawala. The advertisements are often printed in foreign languages, and wording like 'sweet rupee deals' does not necessarily suggest remittance services. Moreover, businesses like Yasmeen's do not conduct remittances as their primary activity.

In South Asia, the situation is more complicated. Many South Asian nations (such as India and Pakistan) have laws that prohibit speculation in the local currency, prohibit foreign exchange transactions at anything other than the official rate of exchange, and impose strict licensing requirements on money remitters and foreign exchange dealers. In addition, there are regulations governing inbound and outbound remittances.

A detailed discussion of these regulations is beyond the scope and intent of this paper. It is, however, possible to state 'hawala is illegal in India and Pakistan' with nearly complete accuracy.

The important point for our purposes is that the existence of these regulations is another reason hawala is still used. Many people in these countries have money that they would like to move to another country due to concerns about stability, to pay for education or medical treatment. Hawala provides a ready means of doing this, and its use as a facilitator of 'capital flight' on both large and small scales is very common. The existence of these laws also explains, in part, the prevalence of invoice manipulation as part of hawala schemes.

Another aspect of these regulations is the use of the United Arab Emirates, specifically Dubai, for hawala transactions. There are two main reasons for this. The first is the large population of expatriate workers from India and Pakistan; they use hawala to send money home. The second is Dubai's large gold market, which is the source of much of the gold sent (licitly and illicitly) to India and Pakistan. Dubai, unlike many other South Asian nations, allows essentially unregulated financial dealings. Because of this, many South Asian businessmen maintain offices in Dubai, and money is often wired there to circumvent regulations elsewhere. In addition, Dubai offers a neutral meeting place for Indian and Pakistani businessmen, as tension between these countries makes travel between them difficult if not impossible.

This paper should not, however, be considered a condemnation of the economic policies of India or Pakistan, both of which have taken concrete steps to combat money laundering. The efficiency and cost effectiveness of hawala make it an attractive means of remitting money under almost any regulatory regime.

How is hawala used to launder money?

Up to this point, no distinction has been made between hawala transactions where the source of the money is legitimate (e.g. Abdul's remittance to his brother) and where the source, and intent, of the transactions is illegitimate. Following Indian and Pakistani usage, the term 'white hawala' is used to refer to legitimate transactions, such as Abdul's. The term 'black hawala' refers to illegitimate transactions, specifically hawala money laundering (11).

This distinction is valuable for money laundering enforcement. Many 'white' hawala transactions are essentially remittances, and, while illegal under Indian and Pakistani law, are not illegal in other jurisdictions. 'Black' hawala transactions, however, are almost always associated with some serious offense (e.g. narcotics trafficking, fraud), that is illegal in most jurisdictions.

Money laundering consists of three phases: placement, layering and integration. Since hawala is a remittance system, it can be used at any phase.

In placement, money derived from criminal activities is introduced into the financial system. In many money laundering schemes, the biggest 'problem' here is handling cash. Some jurisdictions, such as the United States, require reporting by financial institutions of cash transactions over a certain amount (in the U.S. it is US\$ 10,000)

(12), and attempting to circumvent such reporting requirements by making smaller transactions is an offense.

Hawala can provide an effective means of placement. In the example, Abdul gave Yasmeen US\$ 5,000 in cash. Since she also operates a business (and also performs remittance services for others), she will make periodic bank deposits consisting of cash and checks. She will justify these deposits to bank officials as the proceeds of her legitimate business. Even though she might prefer it if reports were not filed, she will not object to this as it would arouse suspicion at the bank (and her business provides more than adequate justification). She may also use some of the cash received to meet business expenses, reducing her need to deposit that cash into her bank account.

In the layering stage, the money launderer manipulates the illicit funds to make them appear as though they were derived from a legitimate source. A component of many layering schemes has been seen to be the transfer of money from one account to another. Even though this is done as carefully as possible, when it is done through the 'traditional' banking system it presents two problems to the money launderer. First, there is the possibility that a transaction could be considered to be suspicious and reported as such. Related to this is the paper trail created by these transactions. If any portion of the laundering network is examined, the related paper trails could lead a diligent investigator directly to the source of the criminal proceeds and unravel the money laundering network.

Hawala transfers leave a sparse or confusing paper trail if any. Even when invoice manipulation is used, the mixture of legal goods and illegal money, confusion about 'valid' prices and a possibly complex international shipping network create a trail much more complicated than a simple wire transfer.

Both of the authors of this paper have investigated hawala money laundering, and have found that even 'basic' hawala transfers can be difficult to trace and tie to the original, criminal source of money. There is no reason, however, why hawala transfers could not be 'layered' to make following the money even more difficult. This could be done by using hawala brokers in several countries, and by distributing the transfers over time.

In the final stage of money laundering, integration, the launderer invests in other assets, uses the funds to enjoy his ill-gotten gains or to continue to invest in additional illegal activities. The same characteristics of hawala that make it a potential tool for the layering of money also make it ideal for the integration of money. This is when money seems to become legitimate, and, as we have seen, hawala techniques are capable of transforming money into almost any form, offering many possibilities for establishing an appearance of legitimacy.

Given hawala's close ties to business activities, there is no reason why money cannot be 'reinvested' in a legitimate (or legitimate appearing) business. Yasmeen could very easily arrange for the transfer of money from the United States to Pakistan, and then back to the United States, apparently as part of an investment in a business there.

What are some indicators of hawala?

As has been shown in this paper, hawala is actually quite simple; much of the complexity associated with and ascribed to hawala money laundering comes from the nearly infinite number of variations that are encountered in hawala transactions.

This complexity of variation makes it nearly impossible to lay out a straightforward guide to recognizing hawala money laundering as part of a criminal undertaking. It is, however, possible to provide a few indicators that may be useful.

One of the most consistent and valid indicators of hawala activity in investigations conducted in the United States is seen in bank accounts. A 'hawala' bank account almost always shows significant deposit activity, usually in the forms of cash and checks, which are often from one or more ethnic communities (e.g. Afghan, Bangladeshi, Indian, Pakistani, Somali) associated with the hawaladar. These checks may be made out to the primary account holder, or some secondary entity (often outside the United States) somehow associated with the account. These checks may also have some sort of notation, consisting of a name (presumably of the person to whom the money is remitted to) or something supposedly indicating what was 'bought' with the money. In one case, many checks were seen with the word 'bangle' written on them; this was done apparently in order to make it appear as though the checks, which were almost all for even dollar amounts, had been written to purchase jewelry.

These accounts will also almost always show outgoing transfers (usually by wire) to a major financial center known to be involved in hawala. Three of the most common locations are Great Britain, Switzerland, and, as discussed previously, Dubai. Given the flexible and casual nature of the hawala business, hawala accounts will not always be seen to balance. The following diagram summarizes 'hawala account' behavior:



As has been discussed, certain businesses are also more likely than others to be involved in hawala. Once again, it is not possible to give an exhaustive list, but the following is a starting point:

- Import/Export
- Travel and Related Services
- Jewelry (gold, precious stones)
- Foreign Exchange
- Rugs/Carpets
- Used Cars
- Car Rentals (usually non-chain or franchise)
- Telephones/Pagers

Laws in India, Pakistan and other countries make it difficult to convert foreign currency (or foreign currency instruments, such as travelers' checks). Criminal activities in these countries may often involve foreign currency (especially dollars), which pose something of a problem. A 'solution' that has been seen to this problem is the shipment of these negotiable instruments from South Asia to the United States. Even though such shipments may violate both courier policies and U.S. law, the money launderers accept these risks rather than try to attempting to place these instruments into their local economies.

Appendix A: Origins of *hawala*, *hundi* and other related words

This section provides linguistic background on some Arabic, Hindi, Urdu, Gujarati and Farsi (Persian) words associated with hawala.

The words hawala and hundi are both used, correctly and interchangeably, to describe the alternative remittance system discussed in this paper. Since there is only one system, the usage 'the hawala and hundi systems' is incorrect. Either name can be used, or one can say 'the hawala or hundi system'.

The word hawala comes from the Arabic root h-w-l (ح و ل), which has the basic meanings 'change' and 'transform'. The word 'hawala' (حوالة) is defined as a bill of exchange or a promissory note. It is also used in the expression hawala safar (حوالة سفر), traveler's check.

When the word came into Hindi (13) and Urdu (14) (हवाला / حوالہ) it retained these meanings, but it also gained the additional meanings 'trust' and 'reference' which reflect the manner in which the system operates. Furthermore, in popular usage, hawala is often used to refer to any sort of financial crime, particularly money laundering or fraud.

A hawala operator is a *hawaladar* (हवालादार).

The word *hundi* (हंडी / हंडी) comes from the Sanskrit root meaning 'collect'. In India, one of its most common meanings is for the collection box found in a Hindu temple. In addition to this, it also has the same meanings as hawala: bill of exchange, promissory note, trust, reference and the alternative remittance system.

A hundi operator is a *hundiwala* (हंडीवाला), which also means banker or foreign exchange dealer.

Both terms are used; there appears to be some slight geographic preference for the term hundi in northern Pakistan, particularly around Lahore. Hawala, on the other hand, seems to be used almost exclusively in Indian journalism. In Iran, the term hawala (also spelled حواله as in Urdu) is used, this is the same as the word 'hawala' due to a difference in pronunciation of the letter و (w in Urdu, v in Farsi).

A Hindi word which is of interest for historical reasons (see Appendix B) is *potedar* (पोतेदार), which means 'treasurer' or 'paymaster' and comes from the word *pot* (पोत), which means 'assessment'.

The Arabic root s-r-f (صرف) has, among other meanings, 'pay' and 'disburse'. The Arabic word for bank, *masrif* (مصرف), comes from this root. It is also the basis for the Farsi words *saraf* (صراف), which means a 'money changer' or 'money remitter' (hawala dealer) and *sarafi* (صرافى), which is the name for the business.

Appendix B: The history of hawala

Hawala predates 'traditional' or 'western' banking (the first 'western bank' in India was the Bank of Hindustan, established in Calcutta around 1770) (15). Prior to this, the operations of *sarafs* and *potedars* (see appendix A), who were primarily moneychangers (and essentially the predecessors of the hawaladars discussed in this paper) were a fundamental component of the commercial and financial infrastructures.

Contrary to some accounts, hawala did not begin during the Vietnam War. It was, however, during the Vietnam War that many Americans were exposed to hawala through the operations of Indian merchants in Saigon. Americans often took advantage of their hawala service to remit money.

Today, hawala and 'traditional' banking exist as parallel, but intertwined, economic systems in India and Pakistan.

Appendix C: Another hawala pricing scheme

In this scenario, Abdul wants to send 100,000 rupees to his brother Mohammad. This differs from the previous scenario in that he wants to send a fixed amount in rupees, rather than dollars.

The Bank

The bank gives the official exchange rate for rupees (for the purposes of this paper, that is assumed to be 31 Rs/\$) and charges \$25 for the exchange. The cost of the 100,000 rupees would be \$3,125; adding the \$25 fee brings the total cost of this transaction to \$3,150.

The Hawaladars (Iqbal and Yasmeen)

Iqbal offers his usual rates: 35 rupees for a dollar and five percent commission. The rupees will cost Abdul \$2,857, Iqbal's fee is \$142, for a total of \$2,999.

Yasmeen also offers her typical terms: 37 rupees for a dollar and a fee of one rupee for each dollar remitted. The rupees will cost Abdul \$2,702 and Yasmeen's fee is \$73. At \$2,775, Yasmeen still has the best deal in town!

Appendix D: Hawala bookkeeping

'Hawala bookkeeping' emphasizes keeping track of how much money is owed to whom. The following sample chart is based on records analyzed by one of the authors of this paper during a recent investigation (16), and is representative of the records that might be encountered during a hawala investigation (note that these charts are usually handwritten, and it is not uncommon for English and another language to be used):

16/6/98	Vinod	100000	37.6	2659.57	F-1202
16/6/98	Ashish	250000	39.25	6369.42	F-1203
16/6/98	Nitin Bhai	350000	42.3	8274.23	B-8146
17/6/98	DK	50000	38.75	1290.32	F-1204
17/6/98	Suresh Kumar	300000	39.25	7643.31	B-8147
17/6/98	Anil	200000	40.1	4987.53	S-5428
17/6/98	Vinod	150000	39.75	3773.58	F-1205
18/6/98	Manoj	300000	41.25	7272.72	B-8148
18/6/98	Vinod Bhai	350000	42.2	8293.83	L-2160
18/6/98	Ganesh Trading	200000	38	5263.15	५२ त
19/6/98	Suresh Kumar	175000	39.5	4430.37	B-8149

The first column indicates the date of the transaction. The second column is the name of the hawala broker to whom the debt is owed; it is very common to use partial names (e.g. 'Vinod') or codes (e.g. 'DK'). The third column is the amount of the debt. This chart reflects a tendency to do business in multiples of 100,000; so it would not be uncommon to see things like '1.5' for 150,000. The third column indicates the dollar/rupee exchange rate in effect for the transaction. The fourth column is the value of the transaction in dollars. The fifth column reflects the way in which the payment was made. Notations such as 'F-1202' usually represent a bank ('F' might be 'First Bank'; 'B' and 'L' would represent other banks) and the check number. The notation ५२ त for Ganesh Trading is '52 t' in Hindi. This represents 52 tolas (17) of gold, possibly paid to a local goldsmith or jeweler instead of remitting the money via a bank.

Appendix E: Hawala cases

This section provides brief descriptions of cases where hawala or hawala-like techniques were used to launder proceeds derived from various predicate offenses. If the case has been adjudicated, identifying information is provided. In others, the investigation was ongoing at the time of writing, so particulars are not provided and certain details of the case may be designated as hypothetical.

Narcotics Trafficking (1)

In mid-1997, several people were convicted of conspiracy to launder as well as laundering the proceeds of the sale of Pakistani heroin and opium (18). This case involved a legitimate foreign exchange business, Frankfurt-based MGM Marwex Geldwechsel, its U.S. branch, MGM Marwex International and a hawala network spanning several countries.

Narcotics Trafficking (2)

Several Pakistani and Afghan nationals allegedly importing heroin into a major U.S. metropolitan area are suspected of collaborating with a bank officer to launder the proceeds of the sale of the heroin. This bank officer is believed to open accounts without following appropriate 'know your customer' procedures and also assists the traffickers with the management of these accounts, which are used for hawala-like transfers. Large numbers of checks have been processed through these accounts, and money has then been wired to Dubai and other places. It is also believed that other traffickers have availed themselves of this money laundering scheme. In addition, this bank officer may be handling the receipt of shipments of negotiable instruments from a south Asian country on behalf of suspected criminals in that country. These shipments may represent part of a money laundering scheme as well as potential violations of U.S. laws regarding the import of currency and the source country's laws regarding the export and possession of currency.

Narcotics Trafficking (3)

In 1985, British courts convicted a Mr. Choraria (19) of 'being knowingly concerned in the fraudulent evasion of the prohibition of importation of a Class A controlled drug, namely heroin'. Choraria was described as the 'banker who knowingly enabled payment for heroin imported into this country illegally to be transferred to India from whence the heroin had been sent'.

Choraria operated two legitimate businesses, an import/export financing firm (confirming house) and a remittance business (it is possible that at least part of this remittance business was hawala-based). In this case, Mr. Choraria brokered the transfer of funds between parties in Karachi and Mumbai as part of heroin smuggling.

This case has two somewhat humorous aspects: hawala had to be explained at length during the trial by Mr. Choraria's nephew, as the system was not known to Choraria's bankers. In addition, some of the British criminals involved in the case did not seem to understand how the money was being transferred.

Narcotics Trafficking (4)

The investigation of a Delhi-based hashish trafficking organization revealed that the traffickers had established several false corporate identities. Under the cover of these identities, machinery was shipped to Germany, the United Kingdom, the Netherlands and Australia. Hashish was concealed in this machinery. Hawala was used to repatriate the proceeds of the hashish sales back to the Indian traffickers.

Terrorism (1)

The investigation into the assassination of an important Indian politician revealed that the assassins were, in fact, terrorists. These terrorists used hawala to transfer the proceeds of the sale of narcotics to arms dealers for the purchase of military hardware.

Terrorism (2)

The series of bomb blasts in a major Indian city in 1993 was financed through hawala. The investigation revealed that the funds supporting these bombings (specifically funds used to buy explosives and to pay the bombers) were handled by hawala operators in the United Kingdom, Dubai and India.

Alien Smuggling

A worldwide alien smuggling network is suspected of using hawala banking techniques to move money between North America and South Asia to pay the alien smuggling 'fee' and additional payments (e.g. for lawyers) are also made.

Welfare Fraud

Certain immigrants from a particular country are accused of committing large scale welfare fraud in two major U.S. cities. An employee of a car rental agency deposits large numbers of checks into a personal checking account, and then wires money to a variety of locations, including Dubai (this is documented by Suspicious Activity Reports filed by the bank where the account is held). Since it is known that there are many immigrants from this country working in Dubai, it is suspected that hawala is then being used to remit money (which probably includes proceeds derived from welfare fraud) from Dubai back to this country, which has a poorly developed banking system, via couriers. This is the sanitized text from one of the Suspicious Activity Reports associated with this case:

SUSPECT ONE MAKES FREQUENT LARGE CASH DEPOSITS INTO HIS CHECKING ACCOUNT AND IN A FEW DAYS HE WIRES IT OUT OF THE COUNTRY. HE HAS BEEN SEEN WITH SUSPECT TWO. THIS ACTIVITY SEEMS UNUSUAL FOR HIS OCCUPATION.

Insider Trading

A citizen of a South Asian country, who was an investment banker in a major U.S. financial center is accused of giving 'tips' to various friends and relatives. After some illegal trades took place, the banker resigned and apparently fled the United States for his homeland. At the same time, several of his associates also traveled to this same country as well as several European financial centers. An analysis of seized bank records indicates that money was wired to persons apparently of the same

nationality in at least one of these financial centers. It is possible that these wire transfers were the first part of hawala-like transfers of the proceeds from the illicit trades to the investment banker's home country.

Customs and Tax Violations (1)

A Pakistani living in the Washington, D.C. metropolitan area was doing hawala transfers for other expatriates. Large cash transactions at the bank used by some of the defendants were brought to the attention of customs and tax authorities. Their subsequent investigation uncovered a scheme in which surgical instruments manufactured in Pakistan were being imported at inflated prices (over-invoicing) to facilitate the transfer of money from the United States to Pakistan, in apparent violation of Pakistani law. Convictions were obtained for customs violations, making false statements and tax fraud (20).

Customs and Tax Violations (2)

An individual representing himself as being in the gold business in a large U.S. city, specifically as a 'gold broker', is suspected of various customs and tax violations as well as money laundering. This individual has made very large cash deposits at several banks, and at least one bank has closed this individual's account because of these deposits. This individual's bank account was examined in conjunction with a tax investigation. This individual claims to supply various gold shops with gold bullion, and also that he sells gold coins and jewellery to individuals. Interviews with owners of these businesses and alleged clients indicate that this is not the case. It is believed that this individual is acting as a bank for various individuals and businesses, assisting them in evading the payment of taxes.

Gambling

Hawala has been used not only as an alternative remittance system but as an alternative banking system in a South Asian gambling operation. Currency control laws made it nearly impossible for citizens of one country to take money to gamble in another, and there are similar problems with bringing gambling winnings back into the country. The gambling operators have engaged hawaladars to accept money 'on deposit' from gamblers, and pay winnings through them as well. This is something of a testimony to the reliability of hawala. During a conversation with one of the authors of this paper, one of the principals in this gambling operation reported that this had been going on for nearly twenty years without any significant difficulties.

Appendix F: Glossary

This glossary contains certain terms used in this paper as well as others that the reader may encounter while researching hawala and related topics. Where appropriate, Hindi, Gujarati and Urdu spellings are given. 'Hawala', 'hundi' and other words closely connected to money movement are discussed in detail in Appendix A.

confirming house: in the import/export business, a confirming house acts on behalf of the buyer by dealing directly with the exporter to complete the contract. There is

no overseas credit risk or financial burden for the exporter because the confirming house provides short term credit to the overseas buyer, who pays a commission for this service.

crore [करोड़ / শ্রেয় / کروڑ]: 10,000,000 [ten million]; part of the South Asian numbering system, frequently used when discussing money. A crore is 100 *lakhs*. A billion is often referred to as 100 *crore*. The South Asian numbering system is based on three units: thousands, *lakhs* (100,000) and *crores*. For this reason, 'two crore' will be heard instead of 'twenty million'. The placement of commas reflects the number of crores; 2,00,00,000 would be written instead of 20,000,000 (the first is 'two crores' the second is 'twenty million').

integration: the third and final stage of money laundering. In this stage, the launderer invests in other assets, uses the funds to enjoy a luxurious lifestyle or reinvests his profits into criminal activities.

khokha [खोखा / ખોખું / کھوکھا] (also spelled *koka*; *khokhu* in Gujarati): The literal meaning of this word is 'something hollow', 'bag' or 'paid bill'; it is used colloquially to refer to 10,000,000 [ten million] rupees. When speaking of money, this word is often used interchangeably with *crore*.

lakh [लाख / લાખ / لاکھ] (also spelled *lack* or *lac*): 100,000 [one hundred thousand]; part of the South Asian numbering system, frequently used when discussing money. The term 'hundred thousand' is rarely used; instead, 'five lakhs' will be heard instead of 'five hundred thousand'. The placement of commas reflects the number of lakhs; 5,00,000 would be written instead of 500,000 (the first is 'five lakhs' the second is 'five hundred thousand').

layering: the second stage of money laundering. In this stage, the money launderer manipulates the illicit funds to make them appear as though they were derived from a legitimate source.

man [मन] (also *maund*): approximately 40 kg.

money laundering: the process of converting the proceeds of a criminal activity into funds with an apparently legal source. Money laundering may be further divided into three subprocesses or stages: *placement*, *layering* and *integration*.

numerals: for reference, here are the forms of the numerals as written in Hindi, Gujarati, Punjabi, Bengali, Urdu, Arabic and Persian (Farsi/Dari) (21):

	1	2	3	4	5	6	7	8	9	0
Hindi	१	२	३	४	५	६	७	८	९	०
Gujarati	૧	૨	૩	૪	૫	૬	૭	૮	૯	૦
Punjabi	੧	੨	੩	੪	੫	੬	੭	੮	੯	੦
Bengali	১	২	৩	৪	৫	৬	৭	৮	৯	০
Urdu	۱	۲	۳	۴	۵	۶	۷	۸	۹	.
Arabic	١	٢	٣	٤	٥	٦	٧	٨	٩	.
Persian	۱	۲	۳	۴	۵	۶	۷	۸	۹	.

peti [पेट्टी / پتہ / پتہ]: The literal meaning of this word is 'box', 'suitcase' or 'belt'; it is used colloquially to refer to 100,000 rupees. When speaking of money, this word is often used interchangeably with *lakh*.

placement: the first stage of money laundering. In this stage, the money launderer disposes of the proceeds of a criminal activity (which are often in the form of cash).

ser [سیر] (also *seer*): approximately 1 kg, 1/40th of a *man*.

tola [तोला / तोळे / تولا] (*tolo* in Gujarati): approximately 11.7 grams (the weight of a silver rupee); this is a common unit used in the precious metals and jewellery businesses in India, Pakistan and Persian Gulf. One twelfth of a tola is a *masha* [माशा / ماشه].

Appendix G: Bibliography

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End Notes

- (1) The terms hawala and hundi refer to the same system and may be used interchangeably. Refer to Appendix A for background on the origins and meanings of these words.
- (2) The term 'hawala operator' is also very popular; see Tharoor (1997).
- (3) This scenario would be just as valid if the money were being sent to India, or from one of several South Asian nations to the United States; note that hawala is also frequently used to move money out of South Asia. Appendix C has another scenario, showing another aspect of hawala pricing schemes.
- (4) The rates of exchange for various South Asian currencies fluctuate widely; a consistent, but possibly not current, rate of exchange is used throughout this paper.
- (5) This is a fictitious advertisement; it does, however, combine the elements of 'hawala ads' seen by the authors.
- (6) This pricing scheme was encountered in the case U.S. v. Ismail, which is discussed in Appendix D of this paper.
- (7) The gold trade is very much a part of hawala; hawaladars may also be involved in the buying, selling and delivery of gold.
- (8) Puhani et. al. (1971:20); the FERA is one piece of current Indian legislation used to address money laundering; it will eventually be replaced by comprehensive anti-money laundering legislation and a revised foreign exchange act called the FEMA (Foreign Exchange Management Act).

- (9) His 'legitimate' business consists primarily of exchanges between the U.S. and Iran [dollars and rials]. Hawala is also very common in Iran, where it is referred to as 'havala'. The difference in profit margins may, in part, be accounted for by the difference in markets for Iranian rials and Indian and Pakistani rupees.
- (10) Under Section 1960 of Title 18 of the U.S. Criminal Code, 'whoever conducts, controls, manages, supervises, directs, or owns all or part of a business, knowing the business is an illegal money transmitting business shall be fined in accordance with this title or imprisoned not more than 5 years or both'; this reinforces individual states' efforts to license money remittance businesses, but there is no overall mechanism for regulating these businesses. Under proposed regulations requiring registration of money transmitters, it would be a criminal offense to engage in hawala without being registered with the U.S. Department of the Treasury.
- (11) See Jost (1997) for a detailed discussion of 'black hawala'.
- (12) In other jurisdictions, large cash transactions are often considered at least cause to alert a bank or other financial institution to the possibility that the transaction should be reported as 'suspicious' under applicable regulations.
- (13) In Gujarati, it is હાવલો, hawalo; Gujarati information is included in this paper as the language has figured prominently in several significant hawala cases.
- (14) Hindi is one of the national languages of India; Urdu the national language of Pakistan. They are Indo-European languages; their origins are Sanskrit, the liturgical language of Hinduism and the Persian of the Mughals, the Islamic rulers of India. In addition, there are many Arabic words in these languages, reflecting the influence of Mughal culture. Today, the spoken languages are nearly identical, leading some to claim that they are dialects of the same language. Hindi is written in the Devanagari script, borrowed from Sanskrit, and tends to favor Sanskrit for the creation of new words. Urdu follows Mughal tradition; it is written in a slightly modified version of the Arabic script, and favors Arabic and Persian as sources of new words.
- (15) Tripathi and Misra (1985:6).
- (16) The names and transactions in this example are fictitious.
- (17) The amount owed is \$5263.15; assume a price for 22K gold of US\$ 8.64/g and 11.7 grams/tola (see Appendix F for more information on South Asian weights, measures and numerals).
- (18) Gonzalez (1997)
- (19) R v. Choraria Court of Appeal (Criminal Division) 27 March 1985.
- (20) UNITED STATES OF AMERICA, Plaintiff-Appellee, v. ISMAEL, Defendant-Appellant.
UNITED STATES OF AMERICA, Plaintiff-Appellee, v. SHAKEEL AHMAD, a/k/a Javed Iqbal, Defendant-Appellant. UNITED STATES OF AMERICA Plaintiff Appellee, v. MIAN TAUQIR AHMED, a/k/a Tauqir Ahmed, Defendant-Appellant. UNITED STATES OF AMERICA, Plaintiff-Appellee, v. MOB BASHER, Defendant-Appellant. No. 95-5299, No. 95-5324, No. 95-5325, No. 95-5326. 97 F.3d 50; 1996

U.S. App. LEXIS 25229; 96-2 U.S. Tax Cas.

- (21) 'Western' numerals (1, 2, 3, etc.) can be referred to as 'Hindu-Arabic' numerals. These numerals, including the important sign for zero, apparently originated in South Asia (Cajori 1993: 45-70; Menninger 393-445; Maharaja 1977:xlii) and were adopted by the Arabs, and ultimately made their way to Europe. Note that the 'Hindi' numerals are actually the original Devanagari (Sanskrit) numerals, and are also used for Nepali.

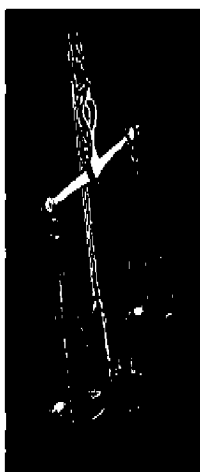
Cont'd from fdps pg 181

In Depth View: Two Prevalent Funding Tools

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.

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In Depth View: Two Prevalent Funding Tools Hawalas

Title 18 USC § 1960 *Cont'd*



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.

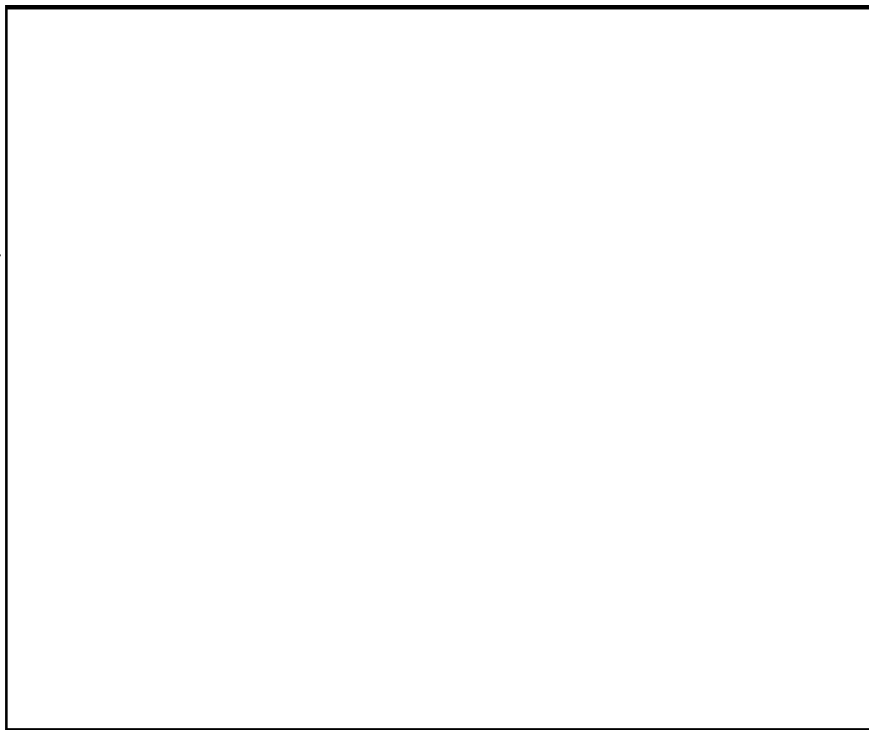
Title 31 USC § 5330

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](#)

In Depth View: Two Prevalent Funding Tools 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.



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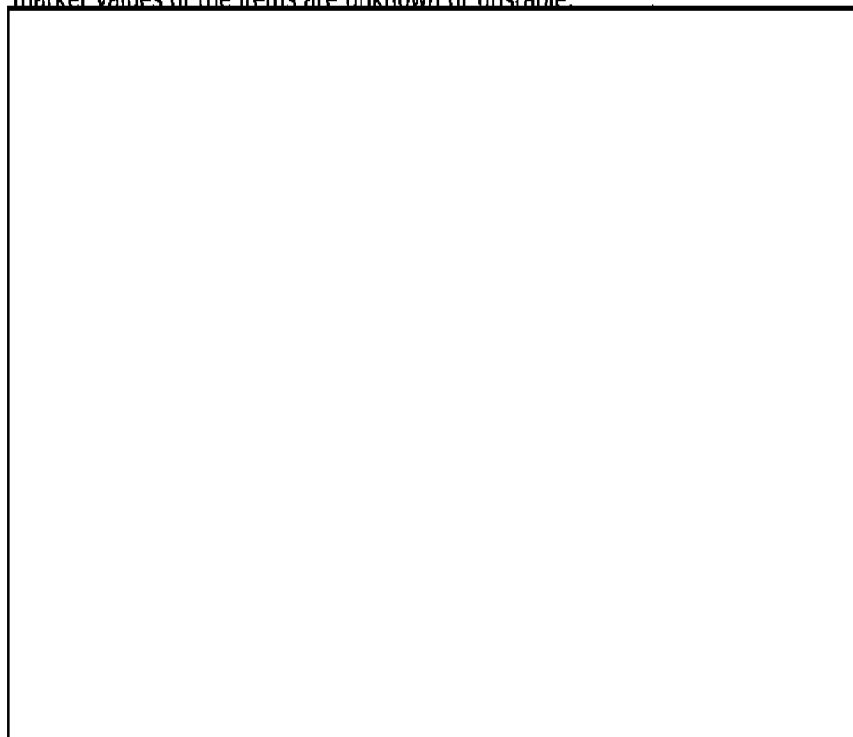
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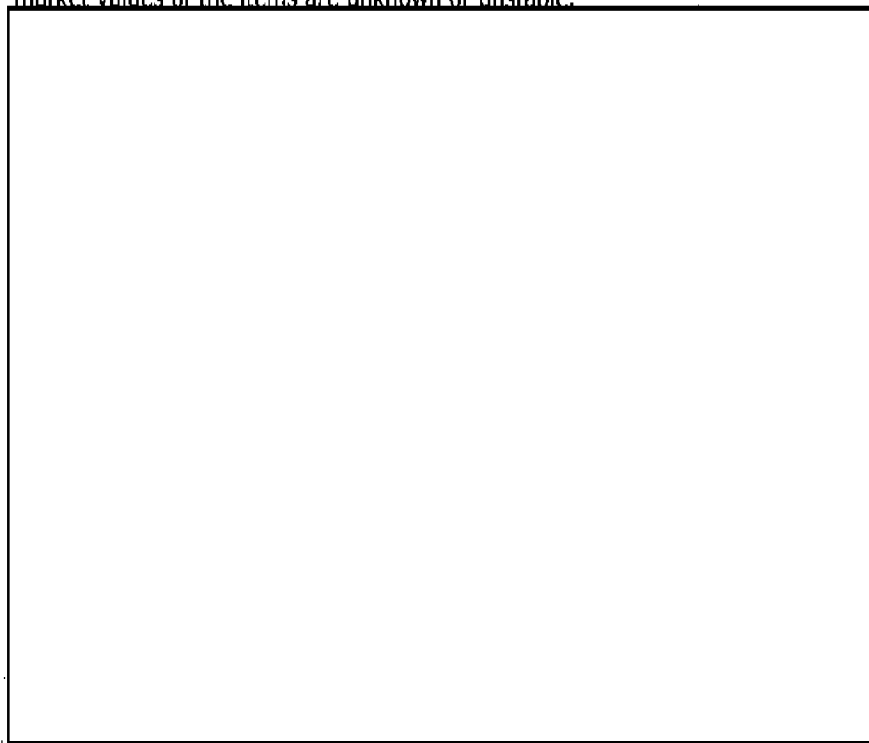
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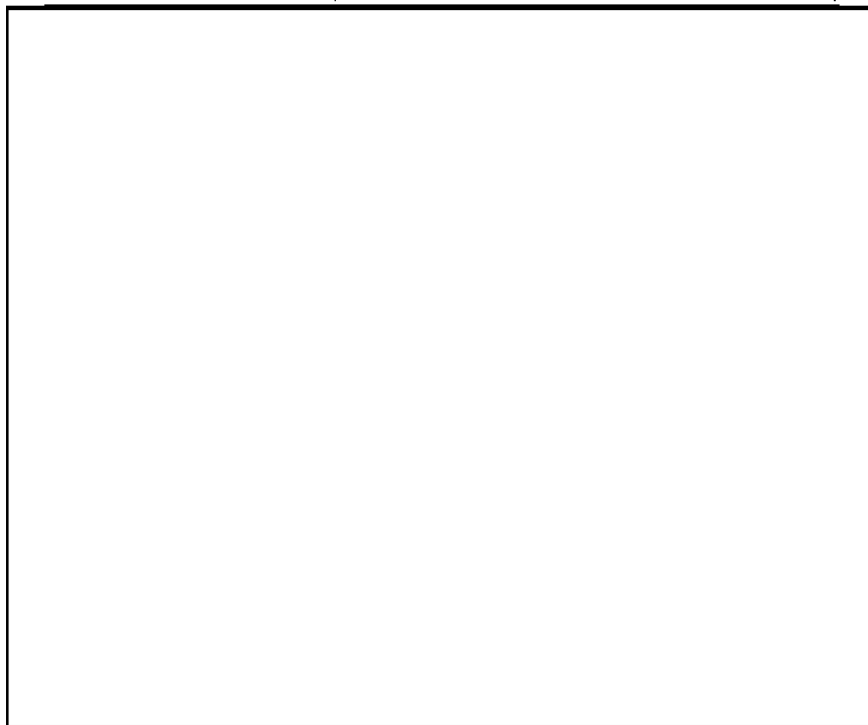
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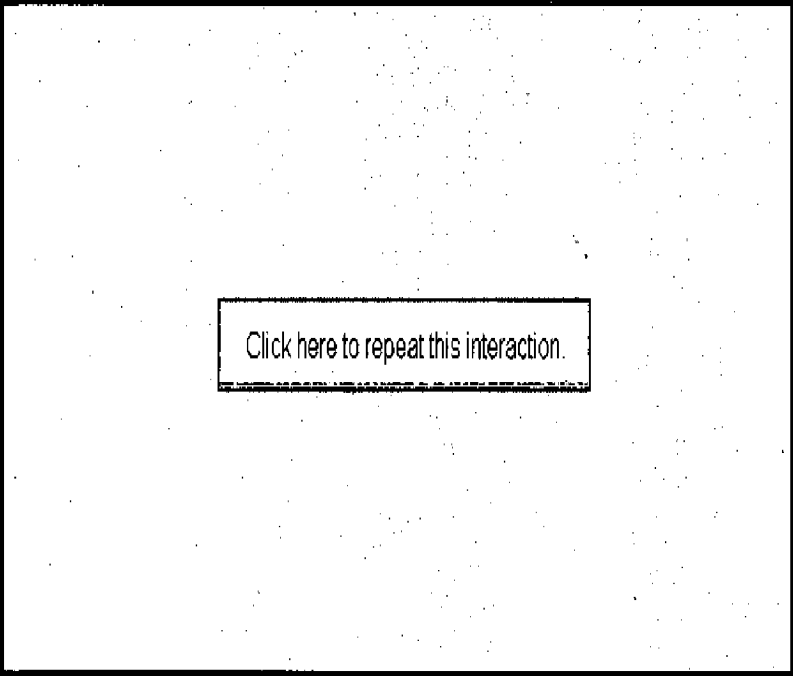
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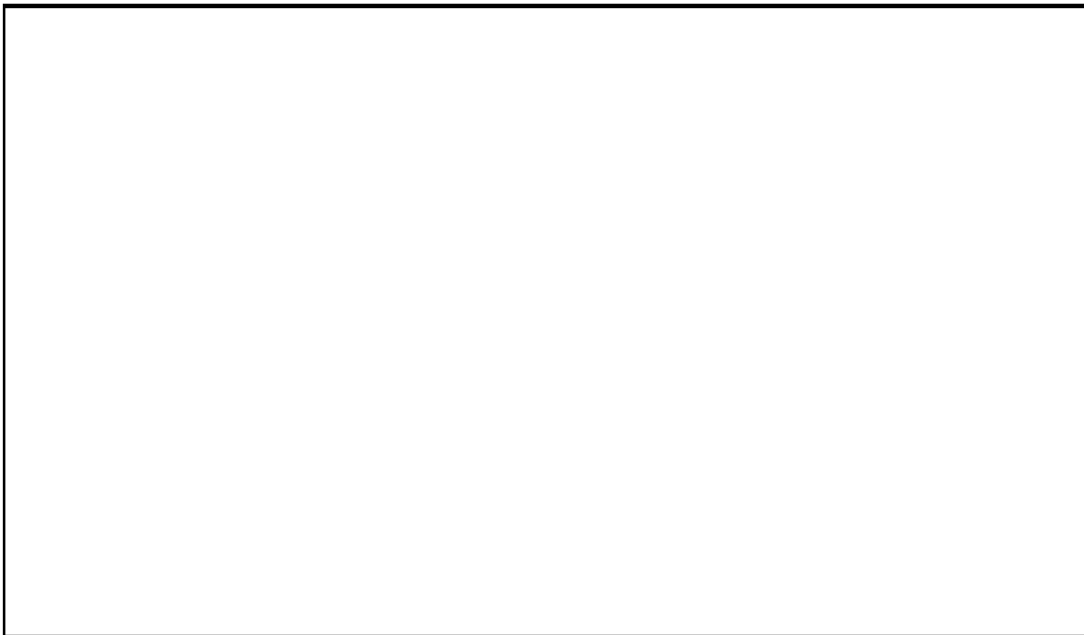
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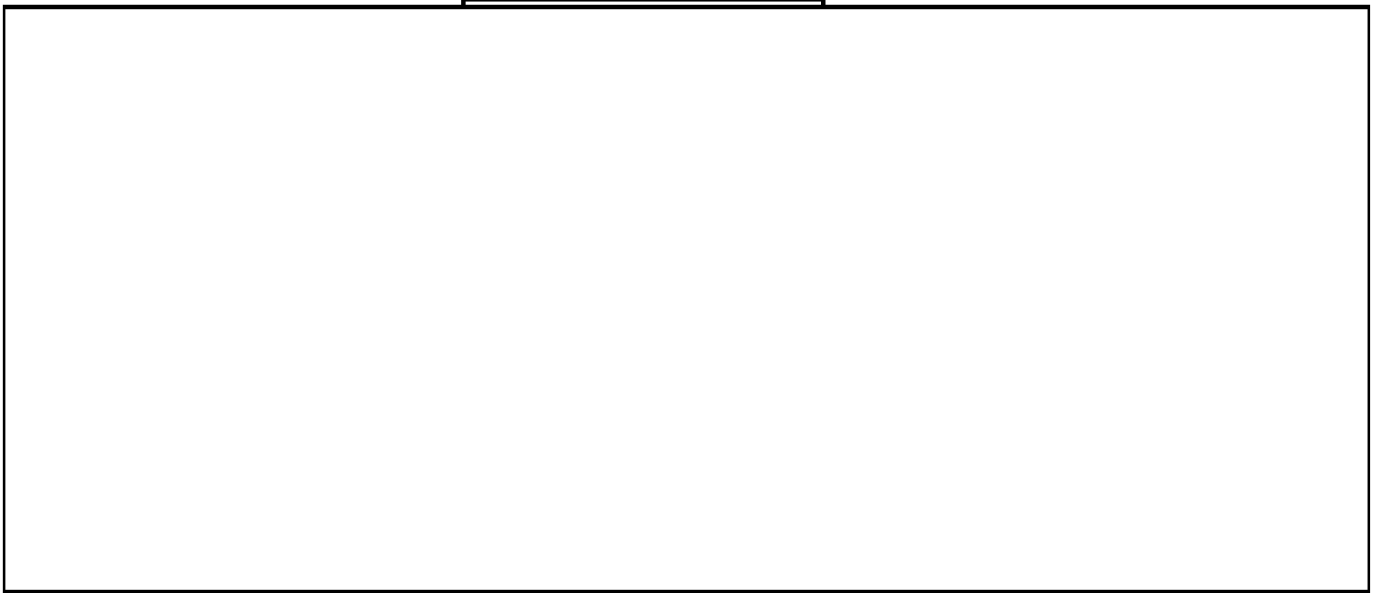
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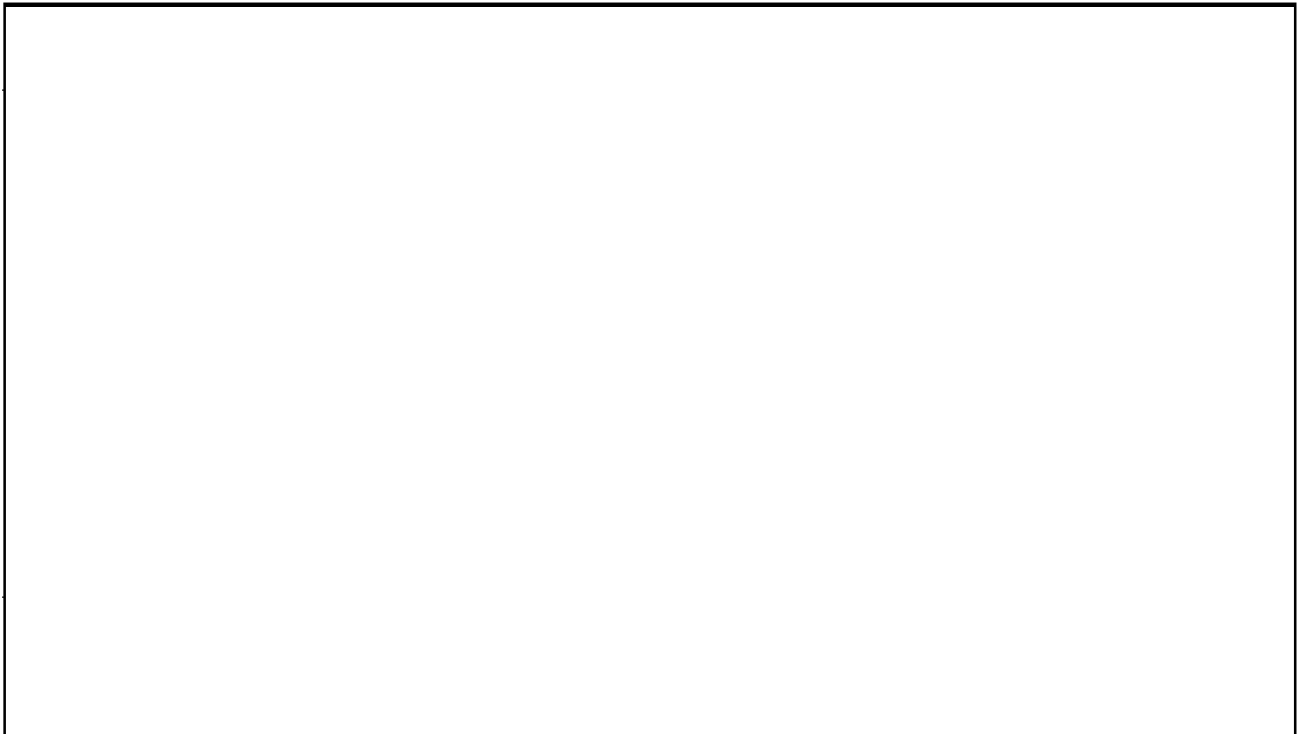
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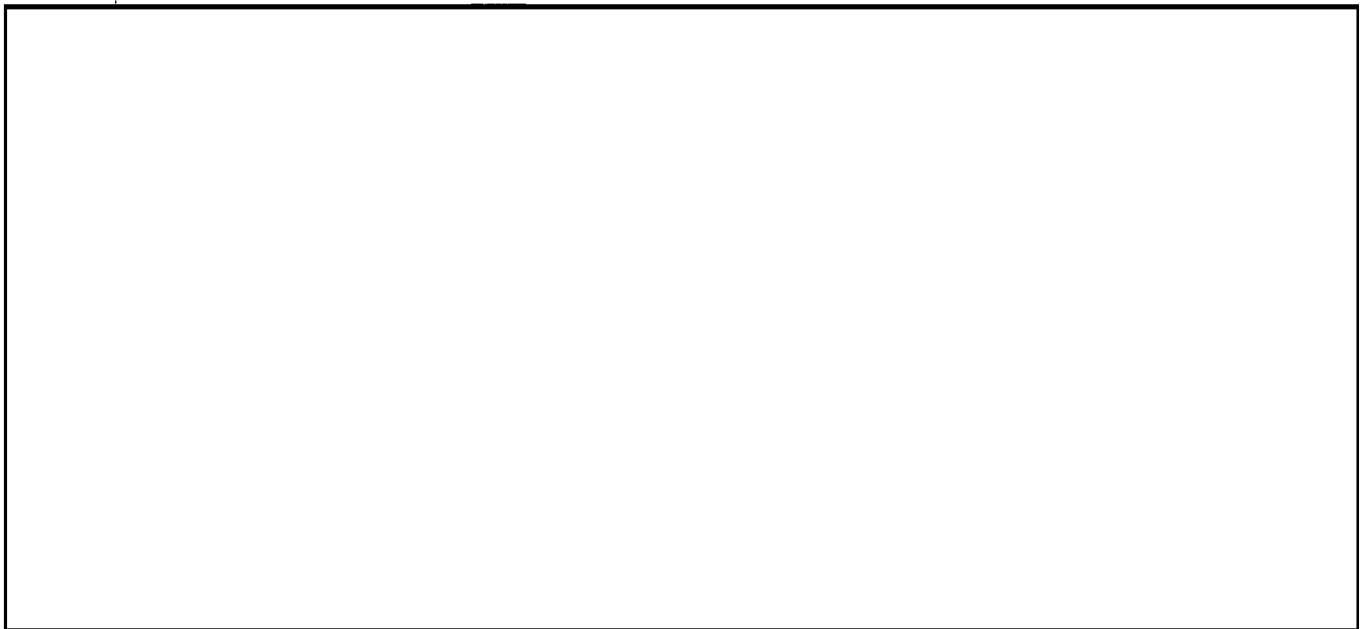
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In Depth View: Two Prevalent Funding Tools

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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