

# Proliferation and Terrorist Financing

PRESENTED BY THE COMPLIANCE COMMISSION OF THE BAHAMAS

# Introduction

While the number and type of terrorist groups and related threats have changed over time, the basic need for terrorists to raise, move and use funds has remained the same. However, as the size, scope and structure of terrorist organizations have evolved, so too have their methods to raise and manage funds. The main objective of this presentation is to analyze recently identified terrorist financing and proliferation methods.

# FATF Recommendations

- ▶ Recommendation 5: Terrorist Financing Offense
- ▶ Recommendation 6: Targeted Financial Sanctions Related to Terrorism and Terrorist Financing
- ▶ Recommendation 7: Targeted Financial Sanctions Related to Proliferation

# What is Proliferation?

- ▶ Proliferation is the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations. It includes technology, goods, software, services or expertise.

# Definition of Proliferation Financing (FATF )

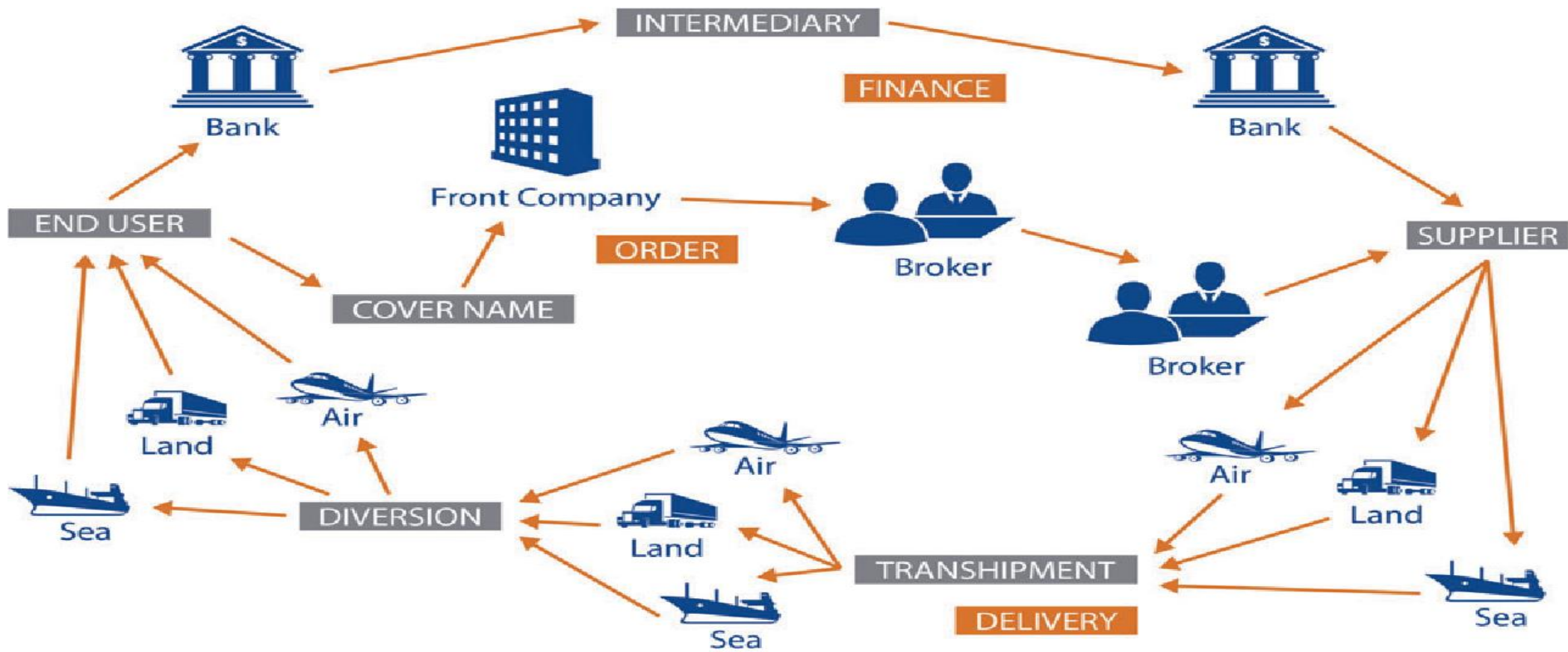
There is no universally recognized definition of Financing of Proliferation

- Funds or financial services
- Used for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of...
- nuclear, chemical or biological weapons and means of delivery...
- and related materials (technologies and dual use goods used for non- legitimate purposes)
- In contravention of national laws or international obligations

# Some characteristics of proliferation networks

- ▶ Industrial items: may be dual-use, may or may not be listed for export control
- ▶ Transaction normally through formal financial channels
- ▶ Complex networks of procurement agents and front companies in multiple jurisdictions
- ▶ Procurement agents engage in deceptive practices; often operate for profit
- ▶ Source of funds are hidden (sanctioned entities, countries)

# Some characteristics of proliferation networks



# Importance of Prevention & Detection of Proliferation & its Financing

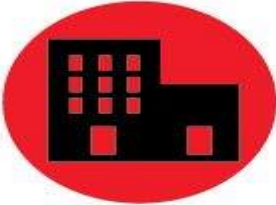
- ▶ The movement and development of proliferation goods can contribute to global instability and may ultimately result in a loss of life, if proliferation-sensitive items are deployed.



# Difficulties in Identifying Proliferation Financing

- ▶ A growing trend in the purchase and sale of elementary components, as opposed to whole manufactured systems.
- ▶ Dual-use goods are difficult to identify, requiring specialist knowledge.
- ▶ Risk of proliferation financing is more likely to be present in cases where the source of funds is legal and the end-user of a type of goods involved is obscured.

**DRPK**  
Ocean Maritime  
Management (OMM)



**DPRK shipping companies'  
debtors and creditors**

**SINGAPORE**  
Chinpo Account  
at Bank of China



Payments for  
expenses of  
DPRK shipping  
companies

Remittances in  
favor of DRPK  
shipping companies

**Account Holder**



**Chinpo Shipping  
(Private) Ltd**



**KEY**

*Payments from:*

— Singapore  
— North Korea

----- Business  
relationships

# Proliferation and its Financing can be targeted by:

- ▶ Strong Export Controls
- ▶ Financial Measures
- ▶ FATF suggestions on institutions responsibility to proliferation financing includes:
  1. *the risk assessment of customers and products;*
  2. *enhanced due diligence on high-risk transactions and entities; and*
  3. *special attention to trade finance and insurance products.*

# FATF Proliferation Red Flags

- Transaction involves an individual or entity in a sanctioned country
- Transaction involves the shipment of goods inconsistent with normal geographic trade patterns (e.g. does the country involved normally export/import those good?)
- Transaction involves shipment of goods incompatible with the technical level of the country to which it is being shipped, (e.g. semiconductor manufacturing equipment being shipped to a country that has no electronics industry)

# FATF Proliferation Red Flags cont'd

- End-user is not identified e.g. bank is listed as consignee
- Inconsistencies in information contained in trade documents and financial flows, such as names, companies, addresses, final destination etc.
- Customer activity does not match the business profile

# Authorities Mitigating Risk

- ▶ Carry out national Financing of Proliferation risk assessments
- ▶ Treat Financing of Proliferation as a separate subject to ML and TF, even if some of the indicators may appear similar
- ▶ Ensure effective channels of communications with partner countries and international organizations, capable of handling and protecting sensitive financial information



# Terrorist Financing

# What is Terrorist Financing?

- ▶ Terrorist financing provides funds for terrorist activity.
- ▶ It may involve funds raised from legitimate sources, such as personal donations and profits from businesses and charitable organizations, as well as from criminal sources, such as the drug trade, the smuggling of weapons and other goods, fraud, kidnapping and extortion.

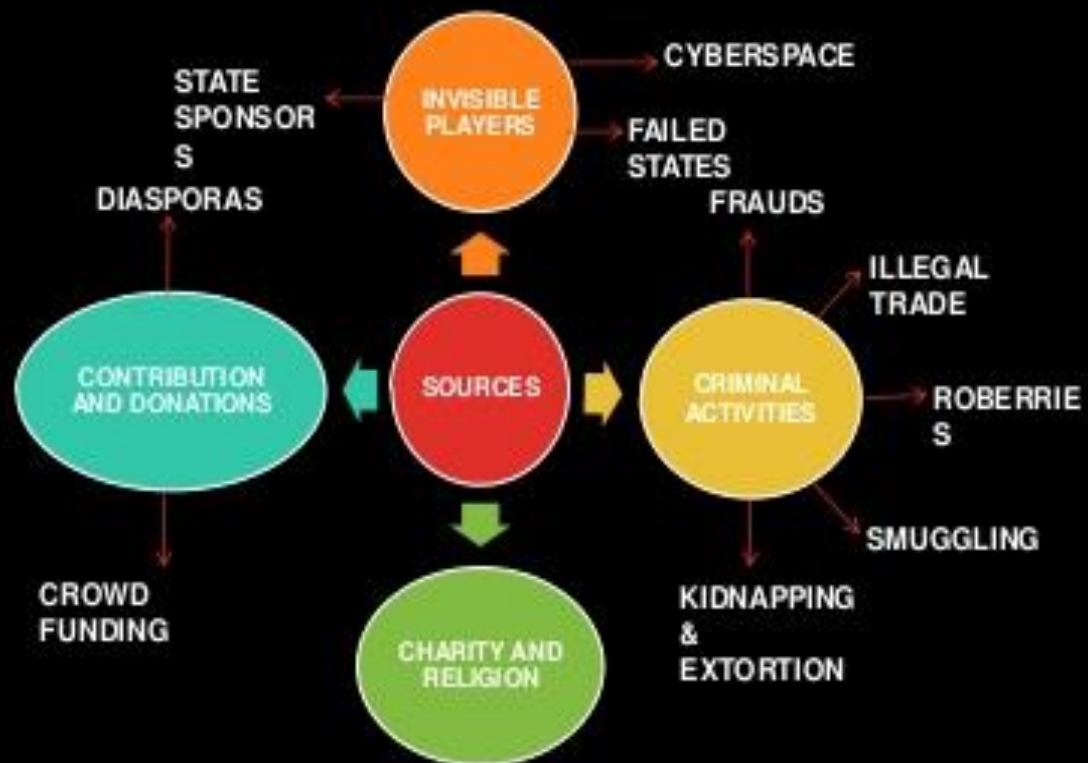


# Terrorist Financing

## TERRORISM: SOURCES OF REVENUE



# SOURCES OF TERRORISM FINANCING



# September 11<sup>th</sup>, 2001 World Trade Center Attack



# Terrorism - History

## **Terrorism started over 120 years ago on the International front**

- ▶ 1605 – “The Gun Powder Plot, an attempt to destroy the English Parliament
- ▶ 1878 - Narodnaya Volya – was a Russian revolutionary anarchist group who assassinated Russia's Tsar Alexander II
- ▶ 1950's – 60's - Anti-colonial struggles (Cold War) National Liberation Front (NLF) and Euskadi Ta Askatasuma (ETA)
- ▶ 1990's – Hamas (Muslim Brotherhood), Palestinian group known for suicide bombings
- ▶ 1998 – Islamic Jihad aka “Al-Qaeda”, responsible for bombing of two U.S Embassies in Africa and 9/11 World Trade Center



# 1964 Aftermath of the Brinks Hotel Vietnam





# Brussels Airport Terrorist Attack 12<sup>th</sup> May 2016





# 3<sup>rd</sup> July 2016 Bombing in Baghdad





# Barcelona Terrorist Attack 17<sup>th</sup> August 2017, “van kills 13 people and injured 15 more”





# FATF Terrorist Financing Red Flag Indicators

- ▶ Sudden Depletion of account(s) by way of cash withdrawals
- ▶ Account activity indicates the sale of property/possessions
- ▶ 3rd party deposits to accounts
- ▶ Sudden settlement of debts or payments of debts/ by 3rd party
- ▶ Obtaining credit for consumer loans and subsequent default
- ▶ Credit card usage in known travel routes- hotel, food, train tickets
- ▶ Accounts assessed/wire transfers received in cities or districts of concern or near conflict zones

# Financial Crime: Comparing Activity

## Money Laundering

Complex web of transactions often involving shell or front companies, offshore secrecy havens

## Terrorist Financing

Varied methods including formal banking system, informal value-transfer systems, smuggling of cash and valuables

## Proliferation Financing

Transactions look like normal commercial activity, structured to hide source of funds

# Financial Crime: Comparing detection focus

## Money Laundering

Suspicious transaction  
such as deposits  
uncharacteristic of  
customer's wealth or the  
expected activity

## Terrorist Financing

Suspicious  
relationships, such as  
wire transfers between  
seemingly unrelated  
parties

## Proliferation Financing

Individuals, entities,  
States, goods and  
materials, activities



# Terrorism in the Caribbean

UN Designated Terrorist Trinidad and Tobago's Citizen Shane Crawford



# Terrorism in the Caribbean

- ▶ Crawford first rose to notoriety in Trinidad and Tobago in 2011 when he was implicated in a plot to assassinate then prime minister Kamla Persad-Bissessar. Crawford was never charged for the plot.
- ▶ He fled to Syria in 2013 after taking part in a revenge killing.
- ▶ But Crawford hit the headlines again in 2016 when, in a lengthy interview in ISIS's Dabiq magazine under the name Abu Sa'ad al-Trinidadadi, he encouraged sympathizers back home to "attack the interests of the crusader coalition," including embassies, businesses and civilians.

# Terrorism in the Caribbean cont'd

- ▶ He was quoted as saying, "I also say to you, my brothers, that you now have a golden opportunity to do something that many of us here wish we could do right now. You have the ability to terrify the disbelievers in their own homes and make their streets run with their blood,".

# Terrorism in the Caribbean





# Terrorism in the Caribbean

- ▶ The Caribbean Community (CARICOM) is currently taking measures to prevent fighters from returning to the islands, located southeastern from the United States, into a platform from which terrorist attacks can be organized.
- ▶ When asked about the risk of Jihadis returning, Minister of National Security of Trinidad and Tobago at the CARICOM replied: "It is not a matter of yes but when."
- ▶ The warning comes amid fears fighters will be able to travel between most of the Caribbean islands without a visa, meaning reaching the Bahamas would leave any terrorist just a step away from Florida.

# Terrorism in the Caribbean

- ▶ More than 130 citizens believed to have travelled to Syria and Iraq to join Isis 'are likely to pose a security threat on return'
- ▶ While the Caribbean is generally regarded as terrorist-free, Trinidad and Tobago is an exception. According to the Foreign Office, more than 100 citizens are believed to have travelled to Syria and Iraq to join Isis and “are likely to pose a security threat on return”.
- ▶ As Isis crumbles in Syria, there are fears that returning Jihad's could bring terror to the islands — with the additional risk that people who have been radicalized but failed to travel may turn on their fellow citizens.

# ANTI-TERRORISM ACT, 2018

- ▶ An act to criminalize terrorism, proliferation of weapons of mass destruction, the financing of terrorism and the proliferation of weapons of mass destruction, to provide for the detection, prevention, prosecution, conviction and punishment of such activities and the confiscation, forfeiture and seizure of assets of those involved in such activities and for related matters
- ▶ “**Identified Risk**” means corruption, cybercrime, human trafficking, money laundering, proliferation or financing of weapons of mass destruction, terrorism or financing of terrorism or such other risk as the Minister may prescribe by regulations;

# PROCEEDS OF CRIME ACT, 2018

## **Objectives.**

- (1) The objectives of this Act are—
  - (a) to consolidate and strengthen provisions relating to—
    - (i) preventative and investigative measures against money laundering, terrorism financing, terrorism, corruption, proliferation of weapons of mass destruction, human trafficking, and related offences;
    - (ii) the recovery of the proceeds and instrumentalities of crime including providing for civil forfeiture of the proceeds of criminal conduct and illicit cash;

# Key Points

- Identifying and disrupting the financing of WMD are important tools for combating proliferation of WMD goods and material
- Financial institutions can play a key role by identifying Terrorist Financing & proliferation – related financial transactions and reporting (STR's/SAR's) to the national authorities (FIU)
- Potentially vital contribution to maintaining international peace and security



**THANK YOU FOR YOUR TIME**