Terrorist financing: links with transnational organized crime and new payment technologies

Briefing by CTED Working Group on Terrorist Financing to the Counter-Terrorism Committee
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Resolution 1373 (2001)

Paragraph 4

*Notes* with concern the close connection between international terrorism and transnational organized crime, illicit drugs, money-laundering, illegal arms-trafficking, and illegal movement of nuclear, chemical, biological and other potentially deadly materials, and in this regard *emphasizes* the need to enhance coordination of efforts on national, sub-regional, regional and international levels in order to strengthen a global response to this serious challenge and threat to international security;
“Calls upon all States to recognize the links between transnational organized criminal activities and acts of terrorism, taking into account the relevant General Assembly resolutions, and to apply the United Nations Convention against Transnational Organized Crime in combating all forms of criminal activity…” A/RES/55/25

- Criminalization of the laundering of proceeds of crime (Article 6)

- Convention calls on participant countries to apply the convention’s money laundering offences to “the widest range of predicate offenses.” (Article 6)
Financial Action Task Force

- FATF 40+9 Recommendations on anti-money-laundering and counter-financing of terrorism
Examples of Criminal Sources of Terrorist Funding

- Drug trafficking
- Extortion
- Kidnap for ransom
- Intellectual property crimes
Drug Trafficking

- Lucrative illicit commodity worth billions of dollars annually
- Covered by range of international and regional instruments, including 1988 Vienna and 2000 Palermo Conventions
- Examples: opium trafficking in Afghanistan; heroin and cocaine trafficking in Colombia
Extortion

- Highly profitable tactic to coerce money, property, and services from transnational companies or individuals.
- International responses limited to regional instruments (OAS Convention, EU)
- Examples: Chiquita case in Colombia; LTTE in France
Kidnap for Ransom

- Effective tactic of intimidation to secure financial gain in exchange for release of kidnapped individual
- Covered by some international and regional instruments including 1979 International Convention against the Taking of Hostages; and 1973 Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons.
- Security Council resolution 1904(2009); decision of African Union (adopted July 2009)
Intellectual property crimes

- Includes trademark counterfeiting and copyright piracy, with film piracy generating a large share of the global market.
- Interpol says worth $450 billion a year.
- Low risk, high return, often not high priority for counter-terrorism financing.
- International and regional responses include a wide range of instruments and agreements, including the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), administered by the WTO.
- Examples: D-Company, led by Dawood Ibrahim, a major crime syndicate practicing extortion, smuggling, contract killing, and counterfeiting. Alleged funding of 1993 Mumbai bombings, ties with al-Qaeda and Laskhar-e-Taïyiba (Consolidated List).
New Payment Technologies

New manner of initiating payments or transfer of value outside of the traditional financial system:

- mobile phone payments
- prepaid cards
- electronic purses
- internet / online payment services (i.e. paypal)
- and digital precious metals (i.e. e-gold)
New payment technologies

Two important aspects:

- Financial inclusion: 2.5 billion people “unbanked”
- Potential risks: large variety in products poses challenges in regulation. Depending on the type of new payment method less traceable -> need for robust cooperation between agencies
New Payment Technologies

- Provide new opportunities for financial transactions: transactions can be executed at any time.
- The transactions may not involve bank accounts or other “traditional” payment methods.
- NPT do not always fit in the traditional financial service provider categories and therefore fall outside the scope of regulation.
- NPT creates new opportunities for criminals to misuse it for money laundering or terrorist financing. This creates new challenges for law enforcement.
VS.
Examples new payment technologies

Mobile payment services:

- Use of mobile phones to initiate payments is widespread in Southeast Asia, Europe and upcoming in Africa. Variety in type and form.

- Mobile payment services: allows non-bank and non-securities account holders to make payment with mobile phones. Providers may be non-traditional financial institutions with different controls and supervision measures.

- Mobile money services: allow value storage on mobile phone. Phone credits or airtime can be used as tender for payment. These systems may fall out of regulation and prudential supervision.
Examples new payment technologies

Prepaid cards:

- Provide access to monetary funds that are paid in advance by the cardholder.
- Large variety of types, but similar to debit cards and rely on access to an account.
- Issued for limited (closed loop) or multiple (open loop) purposes.
Recommendations

- Encourage States to implement the relevant international and regional instruments, including the “Palermo” Convention, thereby enabling them to address crimes that fund terrorism in a comprehensive manner;

- Encourage States to develop responses aimed at preventing the financing of terrorism through both established and emerging techniques; and

- Encourage States to implement the norms and standards of FATF and of other relevant international and regional organizations.