The Current State of Affairs

7/7 Attack – London Bombings

by Simon Dilloway

In simple terms, Terrorist Finance (TF) means just that – the means by which terrorists and their supporters obtain and use funds for the furtherance of their aims. In practice, though, it does not just refer to the costs of the materiél for constructing improvised explosive devices (IED), pertinent though they are. The whole TF picture may be analogised as an iceberg – the tip above the water being the particular terrorist act, the explosion, assassination, kidnap etc., and the bulk being hidden below. That hidden bulk consists, on the debit page, of the costs of propaganda, recruitment and training, and the welfare and subsistence of the terrorists and their families. The credit side, where the money comes from, consists of donations, both from private individuals and businesses; of abuse of charities, and of course, the proceeds of crime.

The Nature of Terrorist Finance

There are two main TF streams in the UK today. Firstly, there is the position of the UK as a wealthy, liberal democracy with well established and significant minority populations originating from areas of the world that are experiencing internal conflict. As such, along with most other Western European countries, it is an ideal centre for the collection and transfer of funds to support terrorist organizations in those individual countries. There is therefore a stream of terrorist money leaving the country. Secondly, there is the growing threat from domestic terrorists, who although born in this country have, for whatever reason, become disaffected, and see the UK establishment and population as an enemy to be attacked. They therefore become users of terrorist finance rather than exporters of it.

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What Are The Figures?

In the first instance, the exportation of funds to terrorists abroad, there is no limit to the amounts of money concerned, which are bounded only by the numbers involved and the means of collection. Typically, particular national groups use particular methods of cash raising. As an example, certain North African terrorist groups based in the UK have used multiple false EU identities to open large numbers of bank accounts. These accounts are maintained for a sufficient period to establish a good credit rating, and multiple cheque books obtained by a variety of methods. Credit cards are similarly obtained and maintained to achieve a good credit limit. When all of these conditions are in place, various means are used to accumulate a large quantity of cash.
These include unsecured loans, credit card cash withdrawals and mass cheque purchases just below the (currently) £100 limit. The purchases are either returned for a cash refund before the cheque has cleared, or sold on; the loans and the credit cards are defaulted upon. Needless to say there are insufficient funds to cover any of this, and the fictitious account holder 'disappears'.

Alternatively, where there exists in the UK a significant expatriate population of a certain nationality, fundraisers employed by terrorist groups from that country will collect donations from individuals and businesses from that population. These 'donations' may be voluntary, or made unwittingly, but are often obtained by extortion of one description or another. The amount raised in both of the above examples, therefore, is only limited by the ingenuity and diligence of the fund raisers.

In the second instance, domestic terrorism, the amounts are more closely tailored to the actual costs of the proposed attacks. By definition, the domestic terrorist does not usually require funding in respect of his/her daily living expenses. That is taken care of by whatever means would be employed if they were not terrorists, i.e. salary, benefit payments etc. The only costs involved, therefore, are those incurred in training and recruitment, and the commission of the attack. As an illustration of this, it has been established by the relevant Metropolitan Police unit that costs of the London Bombings of 7th July 2005 can be approximately broken down as follows:

Construction and Deployment of devices	£4,600 (of which actual materiél = £2,500)
International Travel	£1,810
Training Weekends	£ 825
TOTAL	£7,235 approximately

Extensive investigations revealed that the likely funding for this was entirely self-generated by the leader of the cell, in the form of a £10,000 bank loan, and £4,000 cash withdrawn from credit cards. After several repayments of each, he defaulted, and therefore had more than enough funds to finance the attack and to make potential financial provision for dependants following the death of the bombers. There was not even any need for false identities, as he did not intend to be around when the wheels of debt collection finally finished their revolutions.

This is of course only one example, and the individual circumstances will vary from instance to instance. Nevertheless, it is a good template and illustration of the small amounts required, and the ease of sourcing them.

How Can the Financial Community Give Positive Assistance?

The aftermath of the 7th July 2005 was a perfect example of how assistance from the financial community can be seminal in the investigation of terrorist attacks. In an earlier example, '9/11' illustrated the importance of financial investigation – almost three quarters of the intelligence gleaned in that investigation came from financial investigators at something like 4% of the cost. Similarly, the National terrorist Financial Investigation Unit at New Scotland Yard became the hub of the intelligence gathering operation in the London attack, and every other threat to National Security since.

The striking thing in this operation, however, was the amount of co-operation offered by the banks and virtually every other institution and firm that held financial data. Fully taking into account the duty of confidentiality owed to those about whom such data was held, efficient procedures were quickly established to allow essential information to be accessed by qualified financial investigators with the least possible delay, without compromising any legal obligations. Indeed, the whole country seemed to rally behind the enquiry, and rarely was any obstructive behaviour encountered by any company or organisation.

Such co-operation swiftly led to the identification of the bombers and their associates, and some of the evidence obtained as a result of that intelligence helped to convict some of the associates of the bombers who have recently been imprisoned for their part in the atrocity.

As a consequence of that co-operation and the procedures that have subsequently been adopted, financial investigation has been at the forefront of foiling a significant number of attack conspiracies since.

Data Sharing

While the SARS regime is an essential part of the fight against money laundering and terrorism, the sheer amount of information streaming in to SOCA makes it difficult to process. The recent Lander review identified areas for improvement, and the system is now much more efficient. However, the most effective way of spotting terrorist funding activity (always difficult, because of the diversity of methods, and often small sums involved), is by the use of intelligence led systems.

It goes without saying that it would be impossible for banks and others in the regulated sector to be privy to all the intelligence available to the police and security services, but steps are being taken to improve the sharing of intelligence with key industry players. This is exemplified by the vetting of certain senior ban officials by SOCA, enabling them to be included in the background of specific investigations, which will assist them to be more proactive in spotting the signs.

What Are The Implications?

On the face of it, it appears that detecting possible TF activity is a very difficult feat to perform. Unfortunately it is true, and despite legislation, international co-operation (see FATF 9 Special Recommendations), tighter compliance regimes within institutions, and firmer compliance regulation by the authorities, it is likely to become more so. Increasingly, financial institutions are promoting ever more 'customer-friendly' financial products, such as 'electronic-purses' and one-off credit card numbers for internet purchases. Despite efforts to put effective KYC procedures between the product and the abuser, the low amounts involved in such methods will inevitably lead to complacency, especially when the quality of some of the outlets of these products is considered. Five transactions of £500 using a badly enforced means of money movement will, as illustrated above, provide enough anonymous cash to fund an attack as devastating as 7th July 2005. It is to be hoped that the provisions of the 2007 Money Laundering Regulations, combined with data sharing and even greater co-operation between the industry and the relevant agencies, will continue to provide a barrier between the fanatics and the innocent members of society going about their lawful business.

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