



FIUs AND TERRORIST FINANCING ANALYSIS -
A review by the Egmont Group of sanitised cases related to
Terrorist Financing

Overview

This document contains indicators of suspicious transactions that might be useful in helping you assess whether a transaction is suspicious and should be reported. This has been done by detailing the observations from terrorist financing cases from various Financial Intelligence Units (FIUs) relating to suspicions of terrorist financing activities.

This is provided as general information only. It is not intended as a substitute for your own assessment, based on your knowledge and experience as well as the specific circumstances of the financial transaction. It is not legal advice and is not intended to replace the enabling legislation in your jurisdiction.

Observations

The indicators listed in this paper were compiled from a review of 22 terrorist financing cases submitted by FIUs from various jurisdictions. In the case review, it was determined that NPOs are present in over 45% of these cases. This signals that FIUs and reporting entities should focus particular attention to transactions involving NPOs within their jurisdictions as well as NPOs in foreign jurisdictions that are associated to the transactions.

It was also noted that 21% of the cases involved some form of criminal activity such as drug trafficking or fraud in addition to suspected terrorist financing activities. In these cases, the individuals were actively engaged in criminal activities and were also supporters of a terrorist organization

Most Frequently Observed Indicators from Cases

In the cases compiled by Egmont FIUs, the following were identified as the most frequently observed indicators for transactions associated to terrorist financing cases:

Behavioral Indicators:

- The parties to the transaction (owner, beneficiary, etc.) are from countries known to support terrorist activities and organizations.
- Use of false corporations, including shell-companies.
- Inclusion of the individual in the United Nations 1267 Sanctions list.
- Media reports that the account holder is linked to known terrorist organizations or is engaged in terrorist activities.
- Beneficial owner of the account not properly identified.
- Use of nominees, trusts, family member or third party accounts.
- Use of false identification.
- Abuse of non-profit organization.

Indicators linked to the financial transactions:

- The use of funds by the non-profit organization is not consistent with the purpose for which it was established.
- The transaction is not economically justified considering the account holder's business or profession.
- A series of complicated transfers of funds from one person to another as a means to hide the source and intended use of the funds.
- Transactions which are inconsistent with the account's normal activity.
- Deposits were structured below the reporting requirements to avoid detection.
- Multiple cash deposits and withdrawals with suspicious references.
- Frequent domestic and international ATM activity.
- No business rationale or economic justification for the transaction.
- Unusual cash activity in foreign bank accounts.
- Multiple cash deposits in small amounts in an account followed by a large wire transfer to another country.
- Use of multiple, foreign bank accounts.

Resources for additional information

A search of open source information is a critical component of a terrorist financing or money laundering case analysis or investigation. Many jurisdictions have very comprehensive registries for Charitable Organizations that will often include the name of the directors, the total funds raised by the organization, to which entities it may make donations as well as the geographical areas where the charity undertakes its benevolent work. A FIU or reporting entity can review this information to compare it against their information holdings and against money flows that are observed for the Charity or NPO and ascertain if they are consistent with what has been reported by the Charity.

The following open source resources provides registration related information for charities and NPOs in various jurisdictions and may include information relating to the directors of the charity/NPO, filing information and jurisdictions where the charities\NPOs operate.

Canada:

- <http://www.cra-arc.gc.ca/tx/chrts/menu-eng.html>

United Kingdom:

- <http://www.charity-commission.gov.uk/>

United States:

- <http://www.irs.gov/app/pub-78> (tax exempt charities)

Australia:

- <http://www.auscharity.org/>
- <http://www.ato.gov.au/nonprofit/>
- <http://www.abn.business.gov.au>
- http://www.commerce.wa.gov.au/ConsumerProtection/Content/Business/Charities/Charities_register.html

New Zealand:

- <http://www.register.charities.govt.nz/CharitiesRegister/Search.aspx>

Depending on the country, information on banned or revoked charities and the corresponding reason for the ban or revocation may also be obtained from open sources.