

Paris attacks showed role of small transactions in terror finance; UN meeting hears

Apr 15 2016 Brett Wolf, Regulatory Intelligence

The November terror attacks in Paris were in part financed through welfare benefits received in Belgium that were moved via Western Union transfers, according to the head of the Belgian government's financial intelligence unit. The attacks killed 130 people.



"The main problem we are facing while talking about terrorism financing, we are thinking that lots of money is needed to perpetrate the attacks. We are not talking about a huge amount of money," said Philippe De Koster, president of the Cellule de Traitement des Informations Financieres (CTIF) told a special United Nations meeting on Thursday in New York.

One suspect in the atrocity, which was carried out by Islamic State, sent seven Western Union wires totaling \$552 and another sent a single wire for \$226, Duncan DeVille, global head of financial crimes compliance at Western Union, told the meeting in response to De Koster's remarks.

"So you see the very small amounts of money that are involved here. It illustrates the nature of terrorist financing and how difficult it is to stop," he said.

Many terror-finance transactions will avoid attention unless information has been shared with the financial sector warning that the people involved are suspect, DeVille said.

"The amounts can be \$300 or \$400 — and unless the customer has been previously identified as a terrorist — most financial institutions are not going to have any reason to stop these transactions," he said.

Longstanding concern

U.S. authorities have long been concerned about the use of Western Union and other so-called money services businesses to wire funds to Islamic State-linked fighters joining the fight in Syria and Iraq. Western Union has not been accused of wrongdoing.

Foreign terrorist fighters and facilitators "appear to rely heavily on" money services businesses "and I think we're all looking at ways to address that," an unidentified U.S. delegate to the UN said.

But large banks also are vulnerable, said Bonnie Goldblatt, director of global investigations with the anti-money laundering unit at Citigroup. They too need governments to share more information on suspected terrorists, whose typically "small amounts of money" are like "a needle in a haystack."

"When you're looking at correspondent banks and you're looking at wires, it's thousands of wires and we have to find that little needle. That's why we need the help; we need the information from countries, from law enforcement. If we just have that information then we know what to look for. We have the resources, we have the data," she said.

A focus of some attention at the meeting was the ground-breaking UK Joint Money Laundering Intelligence Taskforce, which was launched in 2015 as a one-year pilot program and has allowed British law enforcement and more than 20 UK and international banks to share information on terror finance as well as corruption, trade-based laundering and human trafficking.

The program has allowed Barclays to conduct complex, proactive investigations, said Paul Horlick, head of financial intelligence unit at the bank.

For instance, to identify transactions involving foreign terrorist fighters linked to Islamic State, Barclays looked at card spending near the Syrian border and traced the payments to determine the source of funds and look for links between the people involved, reporting suspicious activity where appropriate, Horlick said. The bankers then met with law enforcement officials and said "this is our network, what do you think?"

"We're able to discuss and take their feedback, it's quite unique," Horlick said.

A number of senior officials with the global anti-money laundering standard-setting Financial Action Task Force (FATF) participated in the meeting, which was held at the United Nations facility in Manhattan. The goal was to outline terror finance methods and discuss ways to better share information to combat the activity.

Big challenge

"Although terrorists and their funds can move very easily across borders, unfortunately, information that can help detect these activities often does not move so easily," said Valerie Schilling, a senior policy analyst at FATF. "That is a big challenge in this space, both for governments and for the private sector."

Even financial institutions eager to help law enforcement officials combat terror finance face challenges, private-sector speakers said.

Although "multiple law enforcement agencies in multiple countries" sometimes request information from Western Union "on the exact same people," the company "very often" cannot advise the agencies about their peers' probes, creating "some inefficiencies in the system," Western Union's DeVille said.

"That's because of the confidentiality restrictions that most countries have," he said, noting that the challenge is linked to financial institutions' obligations to report suspicious activity to government authorities, and the confidential nature of those reports.

Following the Paris attacks, Western Union received a total of 75 subpoenas, which identified more than 850 people, from authorities in the United States, France, Germany, Bulgaria, Austria, and the United Kingdom, DeVille said.

FATF is at the center of efforts to share more actionable information with the private sector.

The body is still working with the private sector on a project launched late last year aimed at developing terror finance "risk indicators" that will be shared with financial institutions, Schilling said, declining to outline a timescale for such an initiative.

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