

## The stalled war on terrorist finance

Jun 19 2006 [John Cassara](#)

The inadequacy of the transparency requirements employed by the US and international financial reporting network to detect terrorist finance was an important link in the chain of events leading to the September 11 attacks. This weakness in the global financial reporting network exists still and must not be overlooked in the continuing global war on terrorism.

Financial investigations after the 9/11 terrorist attacks revealed that the operation cost Al Qaeda approximately \$300,000 to \$500,000 and that none of the tens of millions of [Bank Secrecy Act](#) reports filed in the US or the countless financial transparency forms filed in other countries captured the movement of funds to finance the attacks by the 19 hijackers. This failure comes as no surprise, as the network of financial intelligence put in place by the US and encouraged internationally by the Financial Action Task Force was primarily designed to combat the war on narcotics, where large amounts of dirty money move through financial institutions. Generally, terrorists use small amounts of money that do not trigger financial transparency reporting requirements. That has been true in terrorist attacks from Bali to Baghdad.

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— John Cassara

After the most brazen terrorist attack in history, Osama bin Laden was asked if he was afraid the west would move to identify and seize al Qaeda's assets. He was quoted as saying that attempts to find and freeze such assets "... will not make any difference to al Qaeda or other jihad groups. Al Qaeda is comprised of modern, educated young people who are as aware of the cracks in the western financial system as they are of the lines in their own hands. These are the very flaws in the western financial systems which are becoming a noose for it."

Terrorists have identified and exploited the cracks. Unfortunately, agencies and policymakers have not heeded these warnings nor can they relate to sophisticated ways of moving money or transferring value that are not part of our traditional ways of doing business. The bureaucracies have insisted on fighting the financial front of the war on terrorism with enforcement and intelligence tools developed for a fundamentally different type of engagement. They have operated with Western blinders and an almost total lack of imagination.

By the end of December 2001, the United States, acting in concert with the United Nations, was able to document the freezing of \$112m of terrorist assets around the world. This money was primarily "fruit of the low-hanging tree," or easy pickings. Four and a half years later, the US Treasury Department now reports that 47 countries worldwide have frozen a total of approximately \$150m of terrorist assets since September 11. Of that amount only \$64.6m has been seized — a figure that has remained virtually unchanged since 2002. In the global contest of hide and seek, we have been spending an inordinate amount of time and resources looking in many of the wrong places. Using the government's own benchmarks, the numbers by themselves demonstrate that the war specifically on terrorism finance has stalled.

Nevertheless, our bureaucracies continue to issue an increasing number of new rules and regulations that mandate reporting requirements for a variety of non-bank financial institutions and money service businesses. Additional reporting requirements for financial sector dealers are on the horizon. Without better financial data mining and a new policy shift towards enforcement, countermeasures that include shifting the burden to industry are doomed to failure.

New enforcement tools are also necessary, particularly in the area of monitoring trade anomalies. International trade is the next frontier in money laundering and could be the "back door" to providing intelligence and insight into many of the underground financial systems sometimes used by our adversaries — such as hawala, black market exchanges, and the misuse of gold and precious gems.

Unfortunately, many of those in the industry involved in the expensive and laborious task of producing financial intelligence, including *Complinet's* core readership, do not receive sufficient thanks or adequate feedback from government financial intelligence units or law enforcement agencies. Please be assured that much of the information has proved extremely helpful in a wide variety of investigations. As a recently retired financial crime investigator, I would like to take this opportunity to convey my personal thanks to the financial community — "the first line of defense in money laundering" — for its continuing support and invaluable assistance.

*John Cassara is a former CIA Case Officer and Treasury Special Agent who spent several years working for the Financial Crimes Enforcement Network. He recently authored a book titled [Hide and Seek – Intelligence, Law Enforcement and the Stalled War on Terrorist Finance](#), which hit book stores in June 2006. The book, which *Complinet* reviewed thoroughly, offers an invaluable look at global efforts to halt terrorist financing from Mr. Cassara's unique perspective.*

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