

Combating Terror Financing in America

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Brief Analysis

Terrorist Financing in the United States

While individual terrorist attacks can be carried out at a relatively low cost, the need to recruit operatives and provide them with safe houses, training, and support requires significant funding. The United States has proven to be a good venue for fundraising by terrorist groups, particularly Hamas and Hizballah. Although such activities could indicate the presence of operational sleeper cells, these organizations are unlikely to risk losing their funding sources by carrying out an attack on U.S. soil, at least under the current circumstances. After all, the revenue sources of certain terrorist organizations have become increasingly restricted following attacks in other parts of the world (e.g., Turkey, Saudi Arabia), largely due to policy changes, more proactive law enforcement, and fear of prosecution on the part of front organizations.

In light of these developments, attacking terrorist groups from the financial angle provides a useful alternative to the more prevalent reactive mode of counterterrorism operations. From specific enhancements (e.g., the ability to track bank account use in real time) to overall institutional changes (e.g., increased interagency and international information sharing), intelligence and law enforcement agencies now have greatly improved capabilities in the fight against both terrorist funding and the terrorist threat in general.

Methods of Financing, Challenges of Prosecution

Front organizations and terrorist groups have used both formal and informal banking systems as a means of laundering and transferring funds. The funds themselves have been acquired through a variety of means, from common crime (e.g., fraud, drug dealing, identity theft) to the misuse of donations made to nongovernmental organizations. Of particular concern is the use of charitable organizations as fronts for channeling money to terrorist groups. The undisputed master of this financing method is Hamas, which, beyond simply operating under the aegis of charity work, has benefited from the false distinction made by some countries between the organization's social and military wings.

In contrast, Hizballah's U.S. operations have more closely resembled the methods used by organized crime. They appear to be less ideological and more profit-driven, using such varied means as false invoicing, front businesses, counterfeiting, and credit card fraud.

A key challenge for the FBI and similar bodies around the world is that numerous cases related to terrorist financing are difficult to prosecute. Much of the evidence is often intelligence-based and therefore classified. Revealing such information on the public record could compromise intelligence sources in the long run, endangering ongoing cases and impeding the overall aim of countering terrorism at the strategic level.

Combating Terrorist Financing after September 11

The creation of TFOS in 2001 meant that, for the first time, the FBI had a dedicated financial component to its counterterrorism activities. This capability has helped the bureau tie individual donors and fundraisers to terrorist organizations and has played a role in the prevention of several terrorist attacks. TFOS has also helped the FBI

diminish al-Qaeda's organizational (or "corporation"-level) fundraising considerably. In response, some terrorist cells have increased their reliance on internal funding. For example, while the September 11 hijackers were fully funded by al-Qaeda proper, the perpetrators of the recent bombings in Madrid had to sustain themselves through crime, including credit card fraud and drug dealing.

In general, the post-September 11 climate has engendered a major strategic shift in the FBI's focus, from criminal prosecution to the disruption of potential terrorist attacks and the networks that support them. Certain extended powers granted under the USA PATRIOT Act have made investigation much easier (e.g., the use of "roving wiretaps," which have been phenomenally useful in numerous cases). Moreover, the act's "material support" provision has allowed judges to inflict severe punishment on facilitators and providers of terrorist funding. A case in point was the 155-year prison sentence given to the primary subject involved in a Hizballah cigarette smuggling ring in Charlotte, North Carolina (uncovered by Operation Smokescreen).

Other post-September 11 improvements include an increased level of cooperation between U.S. intelligence and investigative agencies. Such initiatives have also presented new challenges, however. For example, in order to undergo the training required for effective cooperation of this sort, agents must often be removed from ongoing investigations and counterterrorism work.

As for international cooperation in combating terrorist funding, such aid can be solicited in tandem with cooperation against other manifestations of financial crime. In many cases, terrorist organizations and criminals use the same methods and channels and exploit the same legal loopholes. Prominent among these loopholes is the fact that different countries have different legal systems, making international coordination difficult for law enforcement agencies.

Efforts to address the sensitive issue of Saudi assistance in combating terrorism have produced mixed results. Although U.S. requests along these lines have generally met with a favorable response in Riyadh, the Saudi leadership has at times been disingenuous. The recent series of al-Qaeda-affiliated attacks carried out within the kingdom appears to have made the government more willing to cooperate in addressing the threat. At the financial level, the relatively new U.S.-Saudi Terrorist Financing Task Force has resulted in encouraging, though not ideal, levels of collaboration. The Saudis recently made a major move in the right direction in the form of new laws limiting the flow of funds to organizations derived from cash donations in mosques.

More to Be Done

Despite the many gains made in combating terrorist financing, much remains to be done in the face of the evolving threat posed by terrorist organizations. Domestically, initiatives that foster joint training and interagency cooperation should be used more broadly and more consistently, and should be given better resources and funding. At the international level, the State Department should use its Technical Assistance Program more expansively to help other countries detect and halt terrorist funding and financial crime in general. In addition, diplomacy remains an important tool for soliciting cooperation from other governments in harmonizing financial and legal regulations.

In many respects, the private banking and financial industry can do more than governments can to implement changes that affect terrorist financing. Engaging the industry more actively could provide significant benefits, helping law enforcement agencies track and restrict money flows through formal banking and financial systems. For example, select industry executives could be granted security clearances allowing them limited access to pertinent intelligence information.

Finally, intelligence and law enforcement agencies must continue to adapt to the constantly changing operational logistics and methodologies used by terrorist organizations in attaining and transferring funds.

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