



MONEY LAUNDERING

AND TERRORIST ACTIVITY FINANCING WATCH

January-March 2011

UNCLASSIFIED

© Her Majesty the Queen in Right of Canada, 2010
ISSN: 1923-8282



Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des opérations
et déclarations financières
du Canada

Canada 

Money Laundering and Terrorist Activity Financing Watch:

- Summarizes relevant group-based, activity-based and country-based money laundering (ML) and terrorist activity financing (TF) issues;
- Alerts readers to new developments that could possibly be exploited for money laundering or terrorist activity financing purposes in Canada.

The ML/TF Watch is a quarterly review of news articles compiled by FINTRAC's Macro-Analysis and Research unit. The articles provided in this issue range from January 1, 2011 to March 31, 2011.

Caveat

The content presented herein is a summary of news articles and does not include any FINTRAC analysis. The views expressed are those of the original authors. FINTRAC is not responsible for the accuracy, currency or the reliability of the content. References to the respective articles are provided at the end of this document.

Money Laundering

→ Group-Based (p.2)

- La Cosa Nostra targeted in the United States (p.2)
- Arizona charges Mexican gun-smuggling network (p.2)

→ Financial Activity-Based (p.2)

- Montreal-based scheme to hide proceeds of cocaine trafficking (p.2)
- Lebanese-Canadian Bank accused of money laundering (p.3)
- Money laundering through private mortgage lenders (p.5)
- Four Swiss bankers allegedly helped U.S. citizens evade taxes (p.5)
- Money laundering gang used "smurfing" technique to launder over 48 million pounds (p.6)
- Mobile vouchers used for money laundering in Nigeria (p.6)

→ Country-Based (p.7)

- Sanctions target assets of ousted governments (p.7)
- Representatives of two U.S. banks allegedly helped Afghan officials launder funds derived from corruption (p.7)

Terrorist Activity Financing

→ Group-Based (p.8)

- Tamil non-profit organization ordered to forfeit money (p.8)
- Report reveals new funding channels in Saudi Arabia for Al Qaida (p.9)
- Al Qaida allegedly routing money from Europe to India through Peru (p.9)

→ Financial Activity-Based (p.10)

- Card skimming fraud possibly funding the Liberation Tigers of Tamil Eelam (p.10)

→ Country-Based (p.10)

- Senate Committee tables report on terrorist threats in Canada (p.10)
- British Columbia court rejects appeal to increase terrorism financing jail sentence (p.11)
- United States updates its terrorist list (p.11)
- Managing terrorism financing in Morocco (p.12)
- European Commission concerned with Germany's AML/CTF regulations (p.12)
- FATF puts pressure on Argentina (p.13)
- IMF claims India faces money laundering and terrorist financing risks (p.13)

→ Bibliography (p.14)

Money Laundering

GROUP-BASED

La Cosa Nostra targeted in the United States: A case led by the Federal Bureau of Investigation linked more than 125 people to seven organized crime families of La Cosa Nostra. The targeted individuals, of which 91 are members and associates of the organized group, were charged with federal crimes including narcotics trafficking, extortion, illegal gambling and labour racketeering. A coordinated “takedown” on January 20th resulted in the arrest of 110 of these individuals, as well as 16 indictments returned in four judicial districts. The 125 accused individuals are allegedly associated with the New England La Cosa Nostra family, all five New York-based crime families and the New Jersey-based Decavalcante family. According to the U.S. Department of Justice, other high level mobsters charged include a number of top members from the Colombo family and the Gambino family. The indictments accuse the members and associates of the Colombo family of participating in a conspiracy to launder the proceeds of an illicit gambling operation between 2003 and 2011. The “takedown” is said to be the largest single day operation disrupting La Cosa Nostra’s illegal activities.¹

Arizona charges Mexican gun smuggling network: On January 25th, an Arizona federal grand jury indicted 34 people for allegedly buying and trafficking guns across the U.S. border for the Mexican drug cartels. The indictment states that from September 2009 to December 2010, the defendants allegedly conspired to purchase hundreds of firearms, such as AK-47’s, and export them to Mexican drug cartels, including Mexico’s Sinaloa cartel. According to a *BBC News* report, 17 of the 34

people were arrested in and around the city of Phoenix; all those charged were either U.S. citizens or legal U.S. residents. Of the five returned indictments by the grand jury, one included 11 counts of money laundering and one count of conspiracy to commit money laundering. Prosecutors stated that the defendants acted as “straw purchasers” by falsely claiming that the weapons purchased from licensed Arizona gun shops were for their own personal use, when in fact they were destined for the Sinaloa cartel. According to the Mexican government, the police and army of Mexico have seized more than 93,000 guns from alleged drug traffickers since Mexican President Felipe Calderon took office in 2006. Many of those weapons that Mexican authorities were able to retrace originated from the United States. A recent *Washington Post* story entitled “the Hidden Life of Guns” explains how heavy gun ownership restrictions in Mexico have forced cartels to acquire firearms in the United States, where restrictions are comparably fewer.²

FINANCIAL ACTIVITY-BASED

Montreal-based scheme to hide proceeds of cocaine trafficking: According to an article published on March 25th by the *Globe and Mail*, one of the largest alleged schemes to conceal proceeds of crime has been unveiled before Canadian and U.S. courts. As the article states, the scheme allegedly began with Daniel Muir, a Quebec drug importer. Muir had established relationships with Montreal Mafia bosses such as Frank Cotroni and, with the help of his accomplice, Bernardo Mondou, he was able to import hundreds of kilos worth of cocaine. Over several years, Muir coordinated many drug deals with Colombian importers, laundered the proceeds of those deals, and used third parties to disguise his financial activities and assets. For example, in 2003, Muir paid the Colombian

suppliers \$3 million via Panama for a cocaine shipment of 800 kilos through Venezuela. In the fall of 2003, Muir sent the Colombians \$1 million using a circular route from accounts in Latvia and Russia through banks in New York and San Francisco to Costa Rica. In 2004, Mondou and Elias Cobos-Munoz, a Colombian drug baron, were arrested in a major U.S. cocaine smuggling investigation. In February 2004, Muir was killed in downtown Montreal after he was chased by two men with an axe and knife. According to a U.S. Justice Department case summary, at the time of Muir's death, he held \$35 million for several Quebec "investors" seeking to smuggle cocaine into Canada; the money is now missing. Muir's murder remains unsolved, but a search on his background identified various money trails attempting to hide his proceeds of crime.

According to affidavits by a Montreal police officer, Muir frequently used third parties as a front to conceal his financial activities. In early 2000, Muir sought the money laundering services of a Cambodian-born couple, Sy Veng Chun and his wife Leng Ky Lech. The couple operated two currency exchange businesses, named Peng Heng Or Gold Inc. and A&A Services Monetaires Inc., at the same Montreal address in Chinatown. The Montreal trial revealed how Muir entrusted approximately \$100 million to Ms. Lech, who would pick up boxes full of \$20 bills from Muir's home. Prosecutors stated that Chun and Lech moved the drug proceeds overseas by depositing bank drafts and wiring the funds to Cambodia. The couple also purchased more than \$10 million in diamonds in Israel, Belgium and Switzerland and then sent the diamonds to Hong Kong, Thailand and Cambodia. Drug proceeds were also laundered through different Canadian financial institutions. During the police investigation, they also discovered that Muir's two mansions

in Montreal, worth more than \$2 million, were in Lech's name and that Lech rented the house for \$7,000 a month. Additionally, in November 2002, Lech signed a US\$800,000 loan before a notary and promised to repay it by selling the two mansions, with half the sale of each house going towards the loan and the other half to a Cambodian woman named Eng Vouch Neang. The Montreal police officer states however, that no money for the loan was ever transferred by a notary and, to his belief, the loan documents were false and used to "cover" the transfer of funds from Cambodia. In addition to the houses, prosecutors also targeted US\$600,000 in cash which were seized from Chun's suitcase before he boarded a flight to Cambodia in October 2002 at Dorval airport. Lech and two of her children also own a bank in Cambodia and police investigations found a transaction that suggests Muir had money in the country. Lech and Chun were charged in November 2004 and arrested in January 2005 upon their return from a trip to Cambodia. The couple is charged with money laundering and possession of proceeds from drug trafficking. If found guilty, they could face up to 10 years in prison.³

Lebanese Canadian Bank accused of money laundering: On February 10th, the U.S. Treasury Department accused Beirut-based Lebanese Canadian Bank SAL (LCB) for its role in allegedly assisting a multinational drug trafficking organization to launder up to US\$200 million per month. The complaint stated that the drug trafficking organization is run by an alleged drug kingpin, Ayman Joumaa, who provided financial support for Hizballah, a designated terrorist organization since 1997 in the United States and since 2002 in Canada. The trafficking organization was designated by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) on January 26th, listing Joumaa along

with nine individuals and 19 entities as Specially Designated Narcotics Traffickers (SDNTs). According to investigations by the Drug Enforcement Administration (DEA), Joumaa coordinated the transportation, distribution and sale of multi-ton cocaine shipments from South America to Europe and the Middle East via West Africa. The drug proceeds were transported and laundered through various methods, including bulk cash smuggling, trade-based money laundering and the use of Lebanese currency exchange houses. Of the 19 entities designated by OFAC, three were Lebanon-based currency exchange houses used by Joumaa and his organization: the Hassan Ayash Exchange Company, the Ellissa Exchange Company and the New Line Exchange Trust Co. The U.S. Treasury Department accused LCB of being a “primary money laundering concern” and stated that at least one of the members of the trafficking organization worked directly with LCB managers to conduct his transactions. The U.S. Treasury Department also indicated that the bank accepted deposits from currency exchange houses tied to Joumaa. According to the complaint, the majority of cash from cocaine sales were deposited into accounts at LCB. Joumaa then ordered the money to be structured and wired electronically from the bank to U.S. car dealerships. As part of a trade-based money laundering operation, the car dealership owners used the money to purchase vehicles and then ship them to West Africa or other overseas locations where they were then sold. Joumaa’s drug trafficking organization also sent additional funds through LCB’s accounts to pay for Asian consumer goods that were sent to Latin America and laundered through the Black Market Peso Exchange. According to the complaint, these schemes helped finance Hizballah, although it is unclear how much of the profits from the cocaine sales were sent to the group. The U.S. Treasury

Department also mentioned that several bank officials were linked to Hizballah members in Iran and Gambia. According to the Treasury Department, LCB has a subsidiary in Gambia named Prime Bank which is partially owned by a known Lebanese supporter of Hizballah.

In Lebanon, LCB’s chairman and general manager, Georges Zard Abou Jaoude, as well as the Association of Banks in Lebanon and the governor of Lebanon’s Central Bank all disputed the accusations made by the United States. Jaoude stated that the bank had “no relationship whatsoever” with Hizballah and that it adhered to all blacklists published by financial institutions worldwide. LCB also stated that while it identified an account in Joumaa’s name, it has been inactive for four years and the bank notified Lebanese regulators about the account. Jaoude also declared that although LCB was not contacted by OFAC prior to Treasury’s announcement, it vowed to fully cooperate with the U.S. investigation.

On March 3rd, in efforts to restore confidence in LCB, the governor of Lebanon’s Central Bank announced that LCB will merge with an affiliate of France’s Société Générale. The governor confirmed that the decision to merge came at the request of the U.S. Treasury Department. Société Générale will acquire all the assets of the bank and pledged to keep all of LCB’s employees. LCB was Lebanon’s 9th largest bank, with assets growing from US\$2.83 billion in 2005 to US\$5.18 billion in 2009. The Lebanese Canadian Bank had 35 branches in Lebanon, one subsidiary in Gambia and one office in Canada.

Following the U.S. accusation, the Central Bank in Lebanon and the Special Investigation Commission, Lebanon’s financial intelligence unit, are expected to update the country’s anti-money laundering measures. According to a

Lebanese news agency, the *Daily Star*, the updated measures will likely include a new law that will require foreign exchange houses and commercial banks to disclose cash transfers at Lebanese entry points in amounts of US\$10,000 or more as well as to verify the money's origin.⁴

Money laundering through private mortgage lenders: On January 5th, a loss mitigation negotiator based in Florida, was sentenced to five years in federal prison for his role in a mortgage fraud and money laundering scheme. Victor Cedenó worked in the loan resolution department of a private mortgage lender company named Taylor, Bean & Whitaker. Between January 2008 and August 2009, Cedenó negotiated and approved short sales of foreclosed homes owned by his employer. He used his position to intercept the title companies' cheques and fraudulently endorsed and deposited them into a Navy Federal Credit Union account of a shell company named Taylor Bean & W. The shell company was created by Cedenó and his accomplice, Genesis Valdez. Once the money was in the account, it was transferred to a SunTrust Bank account in the name of United Escrow LLC., which was also controlled by the two co-conspirators. According to prosecutors, Cedenó's employer was provided with fraudulent paperwork for the sale of foreclosed homes that reflected a settlement reached at approximately 80% of the mortgage value. Ultimately, the two wrote cheques on the SunTrust Bank account payable to Taylor, Bean & Whitaker for 80% of the homes' value to match the amount in the paperwork, keeping the remaining 20% of the money for themselves. In August 2009, after Cedenó's workspace was closed off, Cedenó and Valdez attempted to move the fraudulent money overseas by transferring the funds from the account of the shell company to the account in SunTrust Bank. The two obtained a

cashier's cheque from SunTrust Bank for the total amount of US\$320,000. Cedenó pleaded guilty in October 2010.⁵

Four Swiss bankers allegedly helped U.S. citizens evade taxes: Four Swiss bankers were indicted on February 23rd in the Eastern District Court of Virginia for allegedly helping their U.S. clients evade taxes through secret accounts at Swiss banks. According to court documents, the accused are part of a conspiracy dating back to 1953. Court documents further allege that as of late 2008, the bank still maintains thousands of secret accounts to allegedly help U.S. tax payers hide as much as US\$3 billion in assets from the Internal Revenue Service (IRS). Although the indictment does not specify the name of the bank, the *Associated Press* confirmed its identity as Credit Suisse Group. Although the Credit Suisse Group is not charged in the indictments, arrest warrants were issued to four of its representatives: Parenti Adami, Roger Schaerer, Emmanuel Agostini and Michel Bergantino. Adami worked at the bank's Geneva office in Switzerland as a senior manager of high net worth U.S. clients. Schaerer worked at the bank's New York City office and assisted taxpayers with their secret accounts. Agostini and Bergantino traveled to the United States to help Americans evade taxes through secret bank accounts in Switzerland. The indictment alleges that the four bankers advised their U.S. clients of various measures to evade U.S. taxes. These measures included the opening of secret accounts in Switzerland, some in the names of nominee entities in tax havens for U.S. customers. They also advised clients to accept IRS forms that falsely stated the owners of the secret accounts were not subject to U.S. taxation; to not accept the 2009 U.S. tax amnesty program where U.S. taxpayers could disclose information on their secret offshore accounts and avoid criminal

prosecution; and to structure withdrawals from their secret accounts in amounts less than US\$10,000 to avoid detection. The indictment is the first major criminal prosecution of foreign bank representatives attempting to help U.S. taxpayers hide their assets since the case of Switzerland-based UBS AG in 2009.⁶

Money laundering gang used “smurfing” technique to launder over 48 million pounds:

A U.K.-based gang was jailed on February 22nd for laundering 48.6 million pounds between May 2007 and September 2008. Tanveer Hussein Jaffery and Naveed Ahmad were the ringleaders of a group of criminals who ran an online money transfer business called R2PK.com, a front company used to launder millions in criminal proceeds. Following an international investigation, the HM Revenue & Customs (HMRC) detailed how the gang was able to launder their money through the following scheme. Criminals who are part of a number of organized crime groups across the United Kingdom would send a coded text message to cash couriers, Mohammed Umer Farooq and Syed Yasir Abbas Shah, who worked for Jaffery’s crime group. The coded text messages sent to the couriers included the serial number of a £5 note in the criminal’s possession, along with a nickname, a location/postcode, or vehicle details. Either one of the two couriers collected the illicit proceeds from the criminal and deposited the money into different U.K. banks in amounts less than 25,000 pounds in order to avoid detection—a process known as “smurfing.” The courier would forward the text to Jaffery who would pass on the information via telephone to an overseas organizer or middleman. According to the HMRC, the overseas organizer would presumably send the same details to the organized crime group in the United Kingdom. This text-messaging system was used to identify the recipient of a

cash collection and also served as an informal receipt to the cash courier confirming to his crime group that the money was given to the appropriate person. According to the HMRC, the gang also used R2PK.com to ‘clean’ significant amounts of proceeds which were sent to Dubai and then to Pakistan. The HMRC also stated that Jaffery was a contact for several organized crime gangs, including Mark Kinnimont, the ringleader of the United Kingdom’s largest cannabis smuggling gang. The HMRC states that Jaffery allegedly used R2PK.com to launder 70,000 pounds for Kinnimont.⁷

Mobile vouchers used for money laundering in Nigeria:

On January 17th, a Tanzanian businessman, Humoud Ally Salum, was indicted in Nigeria for allegedly stealing hundreds of millions of shillings from one bank in Dar es Salaam, transferring the money to another bank in Nigeria and then quickly converting the cash into mobile vouchers to hide the source of the illicit money. Although Salum denied the charges, prosecutors claimed that the defendant illegally obtained more than 560m shillings (CA\$354,000) from CRDB Bank in Dar es Salaam and from NBC Limited Muhimbili between November and December 2010. The accusation sheet states that Salum received the stolen funds in the same NBC bank account in three separate transactions. In order to conceal the origin of the money, Salum converted the stolen funds from his bank account into mobile vouchers throughout the month of December. Salum allegedly did this by using 73m shillings (CA\$46,000) from the stolen funds to purchase mobile phone vouchers from Shivacom Group in Tanzania, a telecom mobile service. Salum also purchased phone vouchers with the stolen funds from Selcom Wireless Company, CHISS JR Company, Come and Call Ltd., Ace Distributors and Freedom Communication Ltd. Salum was

indicted by the Kisute Resident Magistrate's court with 15 counts of fraud, theft, and money laundering.⁸

COUNTRY-BASED

Sanctions target assets of ousted governments: As a result of widespread allegations over corrupt regimes across the Middle Eastern region, Western countries and various international organizations are introducing a series of sanctions that target the financial assets of ousted governments.

On February 26th, the United Nations Security Council imposed travel bans and asset freezes on Libyan leader Muammar Qadhafi and his family. Canada adopted the U.N. Sanctions and, in addition, introduced its own unilateral sanctions. In a notice on March 1st, Canada prohibited all transactions linked to the Libyan government, its institutions and agencies, including the Libyan Central Bank. Approximately \$2.3 billion in Canadian assets that belonged to Qadhafi and his entourage were also frozen. In addition to Libya, Canada urged its financial institutions to scrutinize transactions involving Egypt and Tunisia. More specifically, financial institutions were advised to verify the real “beneficial owners” behind certain operations to make sure they are not fronts for regimes. Since March 23rd, the *Freezing Assets of Corrupt Foreign Officials Act* allows the Government to freeze all Canadian assets and seize property of politically-exposed foreign persons at the written request of a foreign state in order to ensure that any misappropriated assets are frozen immediately. Unlike the case of Libya, the U.N. had not passed a resolution on Tunisia or Egypt, thus prior to the introduction of the new Act, the Canadian Government could only freeze assets that were proven to be acquired illegally. Both the new formed Tunisian and Egyptian governments have

formally written to Canada to freeze all assets tied to their former governments and their families.

Additionally, the United States also froze approximately US\$30 billion in assets belonging to Qadhafi, his family, top advisors, the Libyan government, the Libyan Central Bank and Libya's sovereign wealth fund.

Sanctions against the Libyan government were implemented across Europe as well. The European Union (E.U.) enforced an arms embargo and a ban on the sale of tear gas, anti-riot equipment and other goods against Qadhafi and his entourage. The E.U. also agreed to freeze the assets of Qadhafi, his family, and those of the Libyan government. The total amount of illicit assets in foreign banks from ousted governments remains unclear. A Washington Group that tracks corruption in the developing world estimates as much as US\$57 billion of illicit assets have left Egypt between 2000 and 2008. Switzerland, in particular, claimed that assets linked to Ben Ali in the country may total up to US\$84 million, based on 30 suspicious activity reports of possible money laundering activities involving Tunisia.⁹

Representatives of two U.S. banks allegedly helped Afghan officials launder funds derived from corruption: U.S. officials believe that top Afghan authorities received help from representatives of at least two major American banks to disguise hundreds of millions of dollars in corrupt funds. According to a January 14th article by *moneylaundering.com*, an unidentified person who reviewed intelligence data on the matter claimed that representatives from the United States allegedly met with Afghan ministerial officials in Dubai and Kabul. The U.S. representatives agreed to maintain the accounts for the Afghan officials, despite

knowing that their bank deposits could be linked to illicit funds, either from embezzled development aid or possible proceeds from drug trafficking. In order to convince the Afghan officials in depositing their money with the bank, the U.S. bank representatives advised the Afghan leaders on ways to circumvent anti-money laundering reporting requirements through procedures such as structuring. The parties also discussed how to keep the money under reporting thresholds by using various offshore vehicles to conceal the money trail and changing remittance companies so that the money was not always coming from the same place. Additionally, the source claimed that the Afghan money was either transported from Afghanistan to Dubai in bulk or sent through *hawala* networks. While investigations were focused on the two mainstream U.S. banks, reports also suggest that various Western financial institutions also knowingly accepted corrupt funds from Afghan officials. In efforts to focus on combating corruption at the local level, the U.S. government never pursued criminal charges or regulatory actions against the banks.

Additionally, an official from the U.S. Defense Department claimed it would be quite difficult, if not impossible, to trace the source of funds sent through the *hawala* network. The official also explained that the strategy of transporting bulk cash out of Afghanistan peaked in July and August 2010. According to him, the money leaves Kabul Airport through the VIP lounge and is mainly destined to Dubai. The money is usually in U.S. dollars, Pakistani rupees or Saudi riyals. While transporting bulk cash out of Afghanistan is not unlawful so long as it is declared, numerous incidents have indicated possible corruption through this money transfer mechanism. For example, in November 2009, the *Washington Post* reported that Afghan officials attempted to smuggle US\$360,000 through the Kabul

International Airport. In another incident, a leaked diplomatic cable in October 2009 revealed how a former Afghan vice president was allowed to enter Dubai with US\$52 million in cash in early 2009. The cable also stated that cash is commonly moved outside of Afghanistan through airports, the *hawala* network, and wire transfers.¹⁰

Terrorist Activity Financing

GROUP-BASED

Tamil non-profit organization ordered to forfeit money: On January 22nd, a Federal Court ruling declared that the World Tamil Movement (WTM) of Ontario and the WTM of Quebec were either owned or controlled by a terrorist organization. As such, the court ruling ordered the group's assets to be forfeited; meaning the federal government is now the owner of the WTM headquarters building in Montreal, several bank accounts, cash, and thousand of LTTE propaganda items. The Court's decision was a result of a nine year Royal Canadian Mounted Police (RCMP) investigation that began in 2002. According to the investigation, the WTM was the main front organization for Sri Lanka's Liberation Tigers of Tamil Eelam (LTTE), a designated entity in Canada. Throughout the investigation, WTM activists were kept under surveillance by the RCMP, including when some members travelled to Sri Lanka to meet with the leadership of the Tamil Tigers. According to a court transcript, in a 2004 interview with the RCMP, the former head of the WTM office in Toronto stated that the Tamil Tigers "are fighting, so we are supporting them." In 2006, police raided the Toronto and Montreal offices of the WTM and a forensic audit of all the documents seized showed how the organizations were able to raise millions of dollars for the LTTE. One technique used was

a pre-authorized payment program where the WTM withdrew monthly sums from the bank accounts of Canadian donors. The audit found that the WTM generated up to \$763,000 a year using the program. Although most donors took part on a voluntary basis, police interviewed certain individuals who testified to being coerced or pressured into providing the monthly donations. In addition, the WTM engaged in smaller scale fundraising activities such as merchandise sales, bake sales, car washes and so on. The RCMP investigation reported that more than \$3 million was forwarded from WTM bank accounts to overseas bank accounts, including a Malaysian account linked to the LTTE rebels. The RCMP investigation led to no criminal charges but marked the official end of the WTM, which was formed in 1986.

In an *Edmonton Sun* article on January 22nd, former RCMP officer and current professor at Grant MacEwan University, Bill Pitt, explained that most terrorist activities uncovered in Canada involved raising money inside Canadian borders for overseas operations. Pitt stated that in some cases, extremists will infiltrate and skim money from legitimate charitable groups and then launder the money through “shady overseas banks” like those in Cyprus or Russia.¹¹

Report reveals new funding channels in Saudi Arabia for Al Qaida: A January 27th article by *CNN* claims that despite numerous measures enforced by Saudi Arabia to stop the financing of terrorism, Al Qaida is still able to use the Kingdom for fundraising. *CNN*’s claims are derived from a secret report by Saudi investigators, released only to the news agency. The report states that hundreds of millions of dollars are sent from Saudi Arabia to leading Islamist politicians and activists overseas. The report also specifies that the Muslim Brotherhood provides financial support

to various political candidates in Islamic democracies in hopes of spreading the group’s influence. The report explains that the Brotherhood does this discreetly through its numerous charities and affiliated organizations but once the candidates are in power they are expected to “further the Brotherhoods’ goals.” An unnamed Saudi source who, according to *CNN*, is not authorized to speak publically, claimed that this “secret funding mechanism” has worked towards Al Qaida’s benefit. According to the source, select individuals in the Muslim Brotherhood have connections or “historic sympathies” with the extremist group from when the Saudi and U.S. governments covertly funded the Afghan mujahedeen to fight the Soviet occupation. The unnamed source stated that this connection resulted in the Muslim Brotherhood occasionally giving money to Al Qaida. While *CNN* did not specify the exact figure, the Saudi source is quoted estimating either tens or hundreds of thousands of dollars reaching Al Qaida. In the Saudi report, investigators detailed a complex network of Islamic charities and banks that are involved in legitimate humanitarian projects but are also used to facilitate illicit transfers. The Saudi source indicated that 86% of all Islamic charities are based in the Kingdom, making their monitoring difficult. While the report claims that Saudi Arabia has made significant effort to block terrorist financing, it concluded that increased diligence is needed.¹²

Al Qaida allegedly routing money from Europe to India through Peru: The Peruvian financial intelligence unit (FIU) claims to have tracked Al Qaida routing money to India from Europe. In a December 2009 report that was revealed through WikiLeaks, the FIU told the United States that it tracked a designated Office of Foreign Assets Control (OFAC) “Al Qaida element” sending money from Europe

through Peru and then to India. The head of the Peruvian FIU also claimed in the December 2009 cable that the country identified similar Al Qaida-linked suspicious transactions at least once a month. This is the first mention of a financial link between Al Qaida and India in the leaked U.S. cables and contradicts a previous cable in 2006 that claimed there is no direct Al Qaida presence or active affiliate groups in India. In 2009, the FIU claimed to have examined 7,710 suspicious activity reports, 781 of which identified over US\$3 billion that moved illegally through Peru's financial sector in that year. According to the cable, 83% of that amount is linked to drug trafficking while the other 17% is comprised of fiscal fraud, corruption and illegal gun dealing.¹³

FINANCIAL ACTIVITY-BASED

Card skimming fraud possibly funding the Liberation Tigers of Tamil Eelam: On March 28th, the *Herald Sun* reported that an Australian secret taskforce disrupted an organized crime syndicate that used a card skimming scheme to allegedly fund the Liberation Tigers of Tamil Eelam (LTTE). The taskforce arrested 56 individuals linked to the AU\$100 million skimming syndicate, including two individuals from Britain and two from Canada. The organized crime gangs have ties to Britain and Sri Lanka, and committed large scale identity fraud in Australia. According to the *Herald Sun*, Sri Lanka warned Australia in 2007 about card skimming activities. Concerns of the fraudulent money possibly funding the LTTE intensified after several Tamils were arrested over Eftpos (debit card-based system) fraud in Western Australia. Although the police have not confirmed whether Australian money has ever reached the LTTE, the *Herald Sun*, indicated that similar skimming schemes in Canada and Britain are used to fund the terrorist group.

The crime gangs' operation targeted Melbourne and skimmed identity information from at least seven ATMs and two Eftpos machines. The ringleader of the group, a Sri Lankan based in Britain, would fly to Melbourne where he offered Sri Lankan students working at gas stations up to AU\$30,000 to access their store's debit machines. The ringleader then installed skimming technology in the debit machines and spy cameras to capture customers' PIN numbers. The police charged six people, five of which were Sri Lankan, with conspiracy to defraud and other associated crimes. The ringleader is now serving at least four years in prison and is required to pay AU\$70,000 in compensation to Westpac, ANZ and the Commonwealth Bank. According to the Australian Crime Commission, 63,000 fake debit card transactions worth AU\$24.5 million were recorded in Australia in 2009, an increase of 50% over three years.¹⁴

COUNTRY-BASED

Senate Committee tables report on terrorist threats in Canada: On March 23rd, Canada's Special Senate Committee on Anti-terrorism tabled its interim report, which urged the federal government to do more to combat the strong threats of radicalization and home-grown terrorism that Canada faces. The Committee found that Canada's critical infrastructure (such as it's financial system, nuclear plants, electricity supply network, oil and gas infrastructure, telecommunication networks, and so on) is vulnerable to terrorists. In terms of terrorist financing, Canada's Integrated Threat Assessment Centre (ITAC) states in the report that several terrorist groups engage in criminal activities to generate funds. The activities include fraud as well as the smuggling and trafficking of humans, drugs and weapons. Furthermore, certain groups have "established ties" to

organized crime groups or founded legitimate businesses. The Committee outlined various gaps in Canada's model for combating terrorist financing, such as how the \$10,000 reporting threshold for cash financial transactions and electronic fund transfers causes "too many transactions related to terrorist financing going undetected." The Committee recommended that the federal government should examine the usefulness of amending the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) to reduce the reporting threshold for financial transactions related to terrorist financing. The Committee also recommended including prepaid cards and mobile communication devices that are used to transfer funds in the definition of "monetary instruments," in the PCMLTFA. In the report, which is entitled "Security, freedom and the complex terrorist threat: positive steps ahead", the Royal Canadian Mounted Police (RCMP) estimates that as much as 50 terrorist organizations are "present in some capacity" in Canada and that since May 2010, more than 200 individuals are being investigated by the Canadian Security Intelligence Services (CSIS) for terrorism-related activities.¹⁵

British Columbia court rejects appeal to increase terrorism financing jail sentence:

On March 21st, the British Columbia Court of Appeal rejected a Crown submission to increase a six month prison sentence that was handed to the first person in Canada convicted of financing terrorism. As reported in the April-June 2010 issue of the *ML/TF Watch*, Prapaharan Thambithurai of Ontario pleaded guilty in 2010 to raising \$600 for the Liberation Tigers of Tamil Eelam (LTTE) and to collecting \$2000 worth of pledges in the Vancouver area. The Crown, which described Thambithurai as a "relatively insignificant" financier in Tamil Tiger fundraising, demanded a two year sentence to reflect the seriousness

of a terrorism financing charge. The trial judge, however, sentenced Thambithurai to six months in prison because of the relatively small amount of money raised. The Crown appealed the court ruling, arguing that the sentence did not adequately demonstrate Canada's international obligations to deter terrorism. The Appeal Court panel rejected the Crown's arguments, claiming that Thambithurai's activities fell on the "low end" of terrorism-related crimes and thus the ruling was appropriate. Thambithurai originally raised the money by asking Sri Lankans to donate to the World Tamil Movement (WTM) to fund humanitarian work in Sri Lanka. Thambithurai was arrested in 2004 for his fundraising activities and three months afterwards the WTM was listed by the federal government as a terrorist organization. Thambithurai later admitted to investigators that he knew possibly half the funds would be sent to the LTTE, which was listed by Canada as a terrorist organization in 2006.¹⁶

United States updates its terrorist list: On February 9th, the U.S. Treasury Department designated Khalil Al Rahman Haqqani and Said Jan 'Abd Al-Salam for providing financial and logistical support to the Taliban, Al Qaida and the Haqqani Network. Al-Salam is designated for acting on behalf of Al Qaida and for providing funds to the extremist group as well as the Taliban. Between 2007 and 2008, Al-Salam collected and provided thousands of dollars in donations to Al Qaida and the Taliban. In 2009, Al Salam transferred funds to members of a Pakistani extremist group. Al Salam is additionally designated for facilitating a basic training camp for Al Qaida in Pakistan and for acquiring weapons for Al Qaida in 2005. Al-Salam also served as an interlocutor, where he facilitated exchanges between Al Qaida and the Taliban.

As for Haqqani, the U.S. Treasury Department claims he is a senior member of the Haqqani Network in Pakistan. Starting in 2010, Haqqani provided funds to the Taliban cells in Logar Province, Afghanistan, on behalf of the Afghan Taliban. He also raised funds from sources in the United Arab Emirates, Pakistan, Saudi Arabia, Iran and China. Haqqani was also part of a group responsible for the detention of enemy prisoners captured by the Taliban and the Haqqani Network in 2009. Additionally, Haqqani acted on behalf of Al-Qaida and was linked to Al Qaida military operations, such as in 2002 where he deployed men to Paktia Province to reinforce Al Qaida elements. The Haqqani Network is a Taliban-affiliated militant group operating from Pakistan. Founded by Khalil Haqqani's brother, Jalaludin Haqqani, the network is considered by the U.S. Treasury Department as the forefront of insurgent activities in Afghanistan. Jalaludin Haqqani was designated by the United Nations in January 2001. The designations of Al-Salam and Haqqani allow the U.S. government to freeze all U.S. assets belonging to the individuals and prevent U.S. citizens from engaging in any financial transactions with the individuals.¹⁷

Managing terrorism financing in Morocco:

An article by *Magharebia* on January 4th detailed how Morocco is strengthening its laws with a new bill designed to “prevent any connection” between money laundering (ML) and terrorist financing activities (TF). According to Justice Minister Mohamad Naciri, the proposed legislation will include a monitoring mechanism for suspicious bank accounts. Should the bill be approved, banks will be required to demonstrate attentiveness to transactions that could possibly be conducted by or to individuals based in countries that have a high ML/TF risk. According to MP Mohamed Benabdessadek,

the goal behind the initiative is to equip Morocco with a comprehensive law on organised crime. He argues that while some provisions have been added in various laws, this initiative specifically targets the financing of groups or individuals for the purpose of terrorist acts. According to another Moroccan MP, Omar Sentissi, the bill was introduced in October 2010 to ensure that the money laundering laws will adapt to the new challenges presented in fighting terrorist financing, which has had an important impact on the national economy. Political observer Mohamed Chemlali, states that Morocco needs to be more legally in line with international regulations on terrorist financing. The initiatives taken by the Moroccan government will help prevent the use of its financial system for criminal purposes.¹⁸

European Commission concerned with Germany's AML/CTF regulations:

The European Commission (EC) officially expressed concerns regarding Germany's enforcement of anti-money laundering (AML) and counter-terrorist financing (CTF) regulations. According to the EC, Germany has failed to prevent the misuse of the financial system for the purpose of AML/CTF. The Commission also stated that two German states, Mecklenburg-Vorpommern and Sachsen-Anhalt, have not yet assigned “competent supervisory authorities” to entities that are subject to AML/CTF requirements. Furthermore, the states were considered to have inadequate protocols when payments were made in cash in excess of 15,000 euros to real estate agents, insurance intermediaries and other providers of goods. The Commission warned that the failure to adequately implement the requirements of AML/CTF legislation could allow criminals and terrorist organizations to detect and exploit loopholes in the system more easily. Should Germany fail to offer satisfactory changes

within two months, the EC claimed it may refer the case to the European Court of Justice.¹⁹

FATF puts pressure on Argentina: A press release published on February 23rd by Argentina's financial crime agency indicates that the country has until June 2011 to correct deficiencies found by the Financial Action Task Force (FATF) that put Argentina at risk of becoming the first G20 nation on the task force's blacklist. Countries that are blacklisted by the FATF are considered to have weak anti-money laundering (AML) and counter-terrorism financing (CTF) controls and their financial transactions represent a high risk of criminal activity. In October 2010, the FATF declared that Argentina failed to comply with the vast majority of international standards for combating money laundering and terrorist financing. The report cited 962 shortcomings in Argentina's financial system, such as a lack of a unified structure capable of monitoring whether banks comply with financial regulations. The report also declared that Argentina has a weak record of sharing information with authorities in other nations. The FATF also claimed that the country's large cash economy facilitated money laundering by criminals. The FATF concluded that Argentina was either partially compliant or non-compliant with 46 of 49 recommendations and required new laws, regulations, court rulings and "profound changes" in the way government agencies functioned. The FATF recommended almost a thousand changes to Argentina's money laundering and terrorist financing controls. In efforts to avoid being blacklisted by the FATF, Argentina introduced 22 new regulations aimed at specifically improving the reporting and documentation requirements of financial transactions and real estate transactions. The new initiatives will be evaluated during the next FATF plenary meeting in June 2011.²⁰

IMF claims India faces money laundering and terrorist financing risks: A report by the International Monetary Fund (IMF) released on January 24th claimed that India may be exploited by terrorist groups due to the country's significant money laundering and terrorist financing risks. According to the report, proceeds of crime laundered in India are primarily derived from illegal activities such as drug trafficking, fraud, the counterfeiting of Indian currency, human trafficking and corruption. While the report states that there are no published figures on the terrorist cells operating in the country, a threat assessment identified three major activities of terrorist financing: money or resources from organizations outside India (including non-profit organizations), counterfeiting of currency and criminal activities including extortion and drug trafficking. The IMF claims that India has increased its use of money laundering provisions since mid-2009, however, there are important legal issues that remain to be resolved. Recommendations made to India by the IMF include the need to enhance current requirements regarding beneficial ownership and to address technical shortcomings in criminalizing money laundering and terrorist financing as well as those in the domestic framework of confiscation.²¹

BIBLIOGRAPHY

1. Wolf, Brett. "Feds target organized crime families in largest coordinated 'takedown' ever." *Complinet*. January 20, 2011.
2. "Arizona busts Mexico gun-running network." *BBC News*. January 25, 2011.
 "Grand Jury Indicts 34 For Allegedly Buying Guns Destined For Mexico Drug Cartels." *Wall Street Journal*. January 26, 2011.
3. "Former cop gets 30-month sentence." *RCMP Watch*. January 23, 2008.
 Montreal Gazette. "Money changers charged with laundering." Accessed from: *Canada.com*. December 8, 2005.
 Montreal Gazette. "Police officer held at detention centre." Accessed from: *Canada.com*. June 28, 2006.
 Sher, Julian and Tu Thanh Ha. "Justice." *Globe and Mail*. March 25, 2011.
4. "Beirut Association throws weight behind Lebanese-Canadian Bank." *Daily Star Lebanon*. February 17, 2011.
 "Central bank governor says Lebanese bank declared by US as money launderer abides by laws." *Canadian Press Newswire*. February 11, 2011.
 "Lebanese bank denies U.S. charge of money laundering." *CNN*. February 11, 2011.
 "Terror-Linked Lebanese-Cdn. bank to merge" *CBC News*. March 4, 2011.
 "US ties Lebanese bank to money laundering, Hezbollah." *Yahoo News*. February 10, 2011.
 Department of the Treasury Office of Foreign Assets Control. "Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network." Press Release. United States of America. January 26, 2011.
 Habib, Osama. "Sadar: Banks need tougher measures to guard against money laundering." *Daily Star Lebanon*. March 10, 2011.
 Habib, Osama. "SGBL to merge with Lebanese-Canadian Bank." *Daily Star Lebanon*. March 04, 2011.
 Monroe, Brian. "U.S. Calls Lebanese Canadian Bank a 'Primary Money Laundering Concern.'" *Moneylaundering.com*. February 10, 2011.
 Thomson, Ginger. "Lebanese Bank Is Accused of Money Laundering." *New York Times*. February 10, 2011.
 Ya'ar, Chana. "Lebanese Bank Denies US Charge of Money Laundering, Terror Ties." *Israel National News.com*. February 13, 2011.
5. Wolf, Brett. "Former mortgage loan loss mitigation specialist in Florida heads to prison for fraud and laundering." *Complinet*. January 5, 2011.
6. "4 Credit Suisse bankers charged in tax case." *Associated Press*. February 23, 2011.
 "Four Swiss Bankers Indicted For Helping U.S. Clients Evade Taxes." *Moneylaundering.com*. February 23, 2011.
7. "Global money laundering gang jailed." *GT: Global Trader*. n.d.

HM Revenue & Customs. “£48m money laundering gang jailed for 24 years.” Press Release. United Kingdom. February 23, 2011.

8. “Police uncover massive money-laundering scam.” *ThisDay*. February 2, 2011.
9. “Harper Government Introduces Freezing Assets of Corrupt Regimes Act.” Government of Canada. March 3, 2011.

“Russia bans arms sales to Libya.” *Al Jazeera*. March 10, 2011.

“U.S. closes embassy in Tripoli, prepares sanctions.” *Washington Post*. February 25, 2011.

Ball, Deborah. “Mubarak’s Swiss Assets Frozen.” *Washington Journal*. February 11, 2011.

Calmy-Rey, Micheline. “Switzerland is not a safe haven for stolen funds.” *Telegraph*. March 15, 2011.

Clark, Campbell, Tara Perkins and Grant Roberston. “Banks told to scrutinize Egyptian, Tunisian and Libyan transactions.” *Globe and Mail*. March 1, 2011.

Coyle, Martin. “Firms warned about AML risks following upheaval in Middle East.” *Complinet*. February 24, 2011.

Foreign Affairs and International Trade Canada. *Freezing Assets of Corrupt Foreign Officials (Tunisia and Egypt) Regulations*. Government of Canada. March 23, 2011.

Foreign Affairs and International Trade Canada. *Tunisia and Egypt*. Government of Canada. March 23, 2011.

Freedman, Jennifer M. “Swiss Say Funds Tied to Tunisia’s Ben-Ali May Total \$84 Million.” *Bloomberg*. February 21, 2011.

Global Press Service. “Swiss freeze Qaddafi assets: How dictators stash their cash 101.” Accessed from: *Complinet*. February 27, 2011.

Levitz, Stephanie. “Conservatives introduce bill to freeze assets of corrupt regimes.” *Toronto Star*. March 03, 2011.

Murphy, Laura. “Feds table money-freezing bill.” *Kingston Whig-Standard*. March 04, 2011.

Office of the Superintendent of Financial Institutions Canada. *Regulations Implementing the United Nations Resolutions on Libya and Taking Special Economic Measures*. Notice. Government of Canada. March 1, 2011.

Payton, Laura. “Canadian firms can stay in Libya: Baird.” *CBC News*. March 11, 2011.

Payton, Laura. “Tunisian asset freeze in Ottawa’s sights.” *CBC News*. March 03, 2011.

Reuters. “Factbox: Sanctions against [sic] Libya.” Accessed from: *Complinet*. March 03, 2011.

Reuters. “PEPwatch: Egypt asks Swiss for help recovering assets.” Accessed from: *Complinet*. February 16, 2011.

Seleanu, Daniel. “Transparency International calls on Dubai to help freeze illicit funds belonging to former Egyptian, Tunisian leaders.” *Complinet*. February 28, 2011.

Sher, Julia. “Freezing Funds.” *Globe and Mail*. March 01, 2011.

Wille, Klaus. “Freezing Mubarak Assets Shows How Switzerland Fights Image of Dirty Money.” *Bloomberg*. February 14, 2011.
10. Adams, Colby. “U.S. Banks Helped Afghan Officials Launder Millions in Corrupt Funds: Source.” *Moneylaundering.com*. January 14, 2011.

11. Bell, Stewart. "Tamil group ordered to forfeit cash." *National Post*. January 22, 2011.
Hanon, Andrew. "Landscape of terror." *Edmonton Sun*. January 22, 2011.
12. Robertson, Nic. "Saudis discover new funding channels for Taliban, al Qaeda." *CNN*. January 27, 2011.
13. "Al-Qaeda routing money to India via Europe." *Hindustan Times*. March 06, 2011.
Pubby, Manu. "Qaeda routing money to India via Peru." *Indianexpress.com*. March 04, 2011.
14. Crawford, Carly. "Skimming fraud funding terrorists." *Herald Sun*. March 28, 2011
15. Raj, Althia. "Senate urges more action to combat terrorism." *Postmedia News*. March 24, 2011.
Senate Canada. *Security, freedom and the complex terrorist threat: positive steps ahead*. By the honourable Hugh Segal and Serge Joyal, P.C. March 2011. Accessed online.
16. Keller, James. "Ottawa loses appeal of six-month sentence for convicted Tamil Tigers fundraiser." *Canadian Press Newswire*. March 21, 2011.
17. U.S. Department of the Treasury. "Treasury Targets the Financial and Support Networks of Al Qa'ida and the Taliban, Haqqani Network Leadership." Press Release. United States of America. February 09, 2011.
18. Ali, Siham. "Morocco targets terror financing." *Magharebia*. January 04, 2011.
19. Coyle, Martin. "Commission warns [sic] Germany over money laundering deficiencies." *Complinet*. January 28, 2011.
20. "FATF gives Argentina 10 more months to attack money laundering and stay off blacklist." *Canadian Press Newswire*. December 15, 2010.
"Leaked embassy cable: Argentina awash in drug\$." *Associated Press*. December 2, 2010.
Parks, Ken. "FATF to Review Argentina Money Laundering Control in June." *Dow Jones Newswires*. February 23, 2011.
21. Press Trust of India. "India faces money laundering, terrorist financing risk: IMF." Accessed from: *Business Standard*. January 25, 2011.