



MONEY LAUNDERING

AND TERRORIST ACTIVITY FINANCING WATCH

October - December 2011
UNCLASSIFIED

© Her Majesty the Queen in Right of Canada, 2012
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 and terrorist activity financing 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 October 2011 to December 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)

- Money laundering activities of Mexican cartel targeted by undercover U.S. operations (p.2)
- Mexican drug cartels reportedly use trade-based money laundering to disguise drug proceeds (p.2)

→ Financial Activity-Based (p.3)

- Details released in the money laundering investigation of Alberta businessman (p.3)
- Six indicted in car-selling scheme (p.4)
- Two Florida-based company owners convicted for stolen car battery scheme (p.4)
- U.S. civil lawsuit filed against firms aiding Hizballah's money laundering activities (p.4)
- Drug money laundered in South Florida fosters U.S.-Venezuela trade (p.5)
- Australian grocery store used to launder money (p.6)

→ Country-Based (p.7)

- Iran's financial institutions targeted via Western sanctions (p.7)
- UAE authorities halt money laundering operation intended to smuggle US\$5 billion in gold (p.7)
- UNODC estimates US\$2.1 trillion was laundered globally in 2009 (p.8)
- Ukraine removed from the FATF monitoring list (p.9)

Terrorist Activity Financing

→ Group-Based (p.9)

- Suspects in AT&T hacking allegedly tied to a Saudi-based terrorist group (p.9)
- Dutch court sentences five men for LTTE fundraising (p.10)
- Texas man charged with providing material support to Al Qaida in the Arabian Peninsula (p.10)
- Man pled guilty to providing material support to Al Shabaab (p.11)

→ Financial Activity-Based (p.11)

- Iraqi refugee admits trying to funnel weapons and cash to Al Qaida (p.11)
- U.S. resident charged for sending money to Pakistan to support terrorist attacks (p.12)
- Money-wiring services from Minnesota to Somalia suspended (p.12)

→ Country-Based (p.13)

- Eritrea allegedly funds terrorist groups by taxing Eritrean-Canadians (p.13)
- United States posts US\$10 million reward for Al Qaida fundraiser (p.13)
- FARC under new leadership after death of Alfonso Cano (p.14)

→ Bibliography (p.15)

Money Laundering

GROUP-BASED

Money laundering activities of Mexican cartel targeted by undercover U.S. operations:

On December 3rd, the *New York Times* reported a series of undercover operations that allowed U.S. agents, primarily from the Drug Enforcement Administration (DEA), to launder millions of dollars worth of drug proceeds within Mexico and across the U.S.-Mexican border. According to the article, the DEA worked with Mexican authorities over the past few years to coordinate operations aimed at identifying how criminal organizations move their money, where they keep their assets, and who their leaders are as a part of the United States' fight against money laundering and drug trafficking. DEA officials have not released details of their findings, citing concerns about compromising ongoing investigations, although some details regarding the nature of the undercover operations were released to media outlets. According to the *New York Times*, agents were able to gain approval from the U.S. Department of Justice to launder up to US\$10 million dollars in any single operation and often allowed cartels to continue their illegal activities up to a number of years before making seizures or arrests. However, former officials claim that the DEA tried to seize as much money as it laundered particularly through operatives charging traffickers fees for their money laundering services or through sharing information to help make arrests. The agents used a variety of methods to launder the money. In some cases, U.S. and Mexican agents would pose as smugglers and pick up drug traffickers' cash in Mexico. The U.S. agents would transport the bulk cash on government flights to the United States and deposit it into the

traffickers' bank accounts or into shell accounts set up by the agents. Afterwards, the money was wired to companies that provide goods and services to the cartel. Former DEA officials claimed that the use of money laundering in its operations can help directly lead to the top ranks of criminal organizations, who are often highly protected within the drug cartels. As reported by the *New York Times*, approximately US\$18 billion to US\$39 billion of drug related money is laundered between the United States and Mexico every year. However, only about US\$1 billion were seized in 2010 by the DEA in cash and drug assets while Mexican authorities seized approximately US\$26 million from their money laundering investigations.¹

Mexican drug cartels reportedly use trade-based money laundering to disguise drug proceeds:

On December 19th, the *Los Angeles Times* released a story detailing trade-based money laundering activities among Mexican drug cartels. As stated in the article, the use of trade-based money laundering has become increasingly popular with Mexican cartels as a result of new restrictions introduced in 2010 by the Mexican government to limit the use of U.S. dollars in the country. Members of Mexican drug cartels are able to employ various trade-based laundering techniques to move illicit proceeds gained in the United States across the U.S.-Mexican border. The article detailed one primary technique, where conspirators purchase commodities, such as textiles or toys, in the United States with U.S. dollars derived from drug sales. The goods are then exported into Mexico where they are resold for Mexican pesos and reinvested into the drug trade. This trade-based money laundering technique gives the drug profits the appearance of legitimate trade transactions and allows appropriate paperwork to be generated. The article states that trade-based

money laundering operations often involve a third country to further obscure the source of the illicit proceeds. Other cases consist of using loaded prepaid cards to cross the border without having to declare a sum over US\$10,000, as well as trade in precious metals, the use of car dealerships and export firms. The *Los Angeles Times* reported a case where a drug cartel was importing bulk shipments of polypropylene pellets at a slightly inflated price. Although polypropylene, which is used for making plastics, is considered a legal export from the United States to Mexico, a series of suspicious transactions helped unveil the criminal organization's illegal activities. According to the article, the operation was able to launder nearly US\$1 million every three weeks using this method. Trade-based money laundering schemes are particularly difficult to halt because they take advantage of the "blind spots" in international trade as customs inspectors may not always have access to customs paperwork at both ends of the transaction. To combat trade-based money laundering between the United States and Mexico, the United States has begun training Mexican customs inspectors through its customer-data-sharing agreement.²

FINANCIAL ACTIVITY-BASED

Details released in the money laundering investigation of Alberta businessman:

Details concerning the investigation of a businessman in Calgary, Alberta, were revealed by the *Calgary Herald* on November 14th following the release of recently unsealed court documents. Dung Kien Luong is under investigation for his alleged involvement in drug trafficking, illegal gambling, and money laundering that police suspect began in 2003. The *Calgary Herald* reported that police are now examining Dung Kien Luong's financial records, as

investigators allege Luong and his family purposely created a complicated network of financial transactions to conceal illegal loans and money earned from the sale of drugs and gambling. Throughout the investigation, known as "Project Kwadrant," evidence was obtained through wiretapping Luong's home and office as well as searching through his trash. One search revealed a legal letter written to the owner of a spa business demanding repayment of a \$150,000 loan to Luong's nephew, Beer Luong, who was a college student when he allegedly provided the loan. Further investigation revealed two promissory notes held by Beer Luong, one for \$150,000 secured against the spa owner's home and a \$250,000 note tied to another property. As a recipient of student loans himself, Beer Luong denied to the police his ability to lend anyone \$400,000. Investigators traced the \$150,000 loan to a \$100,000 cheque written by his uncle, Dung Kien Luong, and a \$50,000 cheque written by his brother, Bao Luong. Investigators allege that the discrepancies between Dung Kien Luong's reported annual income (\$23,000 between the years of 2003 and 2007), large cash deposits ranging from \$50,000 to \$205,000 and the substantial loans traced back to him are evidence that Luong earned large sums of money through illegal sources and attempted to conceal its origin. Investigators allege that one such source was an illegal gambling operation headed by Luong, which at its height exceeded \$10,000 in bets per day, while another source was his suspected involvement in marijuana trafficking. Luong allegedly concealed the profits from these illicit businesses by purchasing property and registering the assets in the names of relatives and associates. Police believe the assets include four homes, seven high-end vehicles and a local shopping mall, all of which have documentation listing other owners. In August 2010, a search of the

butcher shop listed as the property of Luong's sister, Mai Luong, and her son revealed several loans allegedly made by Dung Kien Luong totalling \$625,000, with accrued interest of over \$250,000 at an illegal rate of 120%. Police have yet to lay any charges under their investigation as they have eight years worth of financial transactions belonging to Luong, several family members and related businesses to examine.³

Six indicted in car-selling scheme: On December 29th, the *Los Angeles Times* reported that a U.S. federal grand jury indicted six foreigners for their suspected roles in a "sophisticated" operation that sought to launder the proceeds of fake car sales advertised on the Internet. The defendants allegedly used reputable websites such as eBay Motors, Yahoo Auto, and Craigslist, among others, to conduct fake car sales that cost hundreds of customers over US\$4 million. Led by Corneliu Stefan Weikum, a Romanian national, and Yulia Mishina-Heffron, a Russian national, the four men and two women collected electronic payments from buyers and transferred the money to Europe, without ever delivering the purchased vehicles to the intended customers. In the elaborate scheme, the defendants allegedly opened at least 110 bank accounts, provided fake invoices and hacked into websites to change the contact information from actual sellers to legitimize the vehicle identification numbers. The jury indicted the six defendants on 24 counts, including charges related to wire fraud, bank fraud and money laundering. If convicted they could each be sentenced to hundreds of years in prison. While not the largest money laundering operation seen to date, a spokesman for the U.S. Attorney's office identified it as one of the more sophisticated schemes the agency has seen.⁴

Two Florida-based company owners convicted for stolen car battery scheme:

On November 3rd, two owners of a metal recycling company, Gator Core Inc, were convicted by a Florida jury on charges of conspiracy, fraud, structuring financial transactions and money laundering. Christian Hancock and Tina Schneider were found guilty of stealing eight million pounds of automotive batteries that were en route to Tampa-based lead smelter, Envirofocus Technologies, and re-selling the batteries through Gator Core Inc. The profits totalled almost US\$3.4 million and were deposited into several accounts between the years of 2006 and 2009, including a Suncoast Schools Federal Credit Union account. Cheques written on these accounts were made payable to Hancock, Schneider and other conspirators for amounts less than US\$10,000 to prevent the financial institutions from filing currency transaction reports. These withdrawals, as well as a withdrawal of US\$60,000 in fraud proceeds from a Gator Core account at the Bank of America, led to the conviction of Hancock and Schneider of the aforementioned charges. When sentenced, Hancock and Schneider could face decades in prison and have to forfeit the proceeds of the scheme.⁵

U.S. civil lawsuit filed against firms aiding Hizballah's money laundering activities:

According to *International Business Times*, on December 15th, prosecutors at the Manhattan federal court filed a civil lawsuit against three Lebanon-based companies – the Lebanese Canadian Bank (LCB), the Hassan Ayash Exchange Co. and Ellissa Holding – for their involvement in laundering over US\$300 million for Hizballah through the used auto market in the United States. According to *Moneylaundering.com*, Hizballah employed couriers, smugglers and currency brokers to wire money from the exchange businesses

(the Hassan Ayash Exchange Co. and Ellissa Holding) who transferred the funds from Lebanese bank accounts at the LCB, Banque du Liban et d'Outre-Mer s.a.l. (BLOM Bank), Middle East and Africa Bank and Federal Bank of Lebanon to accounts held in the United States. Prosecutors allege that LCB processed transactions of up to US\$260,000 per day from Hizballah-related entities without requesting the origin or purpose of the money. As stated in the article, accomplices in the United States used the funds transferred to the U.S. accounts to purchase used cars and ship them to West Africa for resale. *Moneylaundering.com* reported that over US\$1 billion in used car purchases were made using this method from 2008 to 2010. According to *BBC News*, the profits from the car sales were mixed in with illicit drug proceeds from Colombian and Mexican drug cartels and smuggled back to Hizballah in Lebanon through couriers, currency exchange houses, or hawala operators. Prosecutors who have filed the lawsuit are seeking damages totalling US\$480 million from the three financial institutions, in addition to freezing and confiscating their assets. According to the prosecutors, the total in damages being sought represents the total amount of money laundered. Prosecutors are also targeting companies that assisted with the vehicle sales and/or laundering of the proceeds. Thirty U.S. companies – mostly car buyers and a shipping company – have been identified to have their assets frozen.

In related news, as reported by the *Washington Post*, Ayman Joumaa of Lebanese origin was indicted in the United States on December 13th for leading a cocaine trade operation that was linked to Hizballah. Joumaa was indicted on drug and money laundering charges for allegedly generating over US\$850 million in illicit profits. Joumaa's indictment states that he led a conspiracy that

allowed nearly 100 tons of cocaine from Colombia to be smuggled into the United States through sales made with the Mexican drug cartel, Los Zetas. According to the *Canadian Press*, the Drug Enforcement Agency alleged that Joumaa's organization, which is suspected of supporting Hizballah, used nearly 50 used car lots in the United States to export used cars to Lebanon and West Africa to launder money. The U.S. Treasury Department suspects that Hizballah may have been able to profit from Joumaa's network. While the indictment does not make this link, the U.S. Treasury Department accused LCB of being complicit to large cash transactions made by one of the members Joumaa's network.⁶

Drug money laundered in South Florida fosters U.S.-Venezuela trade: According to an article written in the *Sun Sentinel* on December 18th, the Office of National Drug Control Policy has identified South Florida as a key area for laundering drug proceeds. Millions of illicit dollars have been traced to international heroin and cocaine traffickers relying on South Florida brokers to launder their drug proceeds through a black-market exchange scheme involving U.S. dollars and Venezuelan bolivares. In May 2010, President Hugo Chavez restricted the availability of U.S. dollars in Venezuela by limiting citizens to buying no more than US\$2,500 per year and may only be purchased through the government. Following these restrictions, the black-market currency exchange expanded as Venezuelan business owners purchased U.S. dollars from brokers in South Florida in order to have enough U.S. currency to import American products. While this has helped expand legitimate trade between the United States and Venezuela, it has also aided drug traffickers in laundering the proceeds of drug sales. According to U.S. federal authorities, the scheme begins with drug traffickers

smuggling heroin and cocaine from South America into the United States, where they are sold for U.S. dollars. A co-conspirator is paid to pick up the cash in New York or Puerto Rico and smuggle it into South Florida, where brokers buy the tainted dollars. The brokers sell the dollars at an inflated price to Venezuelan business owners, who need the U.S. currency to pay off bills for importing American products. The Venezuelan businesses pay for the U.S. dollars by depositing the equivalent amount in Venezuelan bolivares at Venezuelan banks. These deposits in turn actually pay off the drug traffickers in Venezuela. The brokers in South Florida take the U.S. money that was purchased by the Venezuelan businesses and pay off the businesses' outstanding U.S. bills, effectively laundering the drug proceeds while evading currency restrictions. In 2010, over 15 people, mostly Venezuelans, were arrested in South Florida on federal money laundering charges, accused of laundering over US\$7 million in heroin and cocaine profits. Several of the individuals arrested were brokers who claimed to be unaware that the money they purchased was from drug profits, and that they required the money to run their legitimate businesses in Venezuela. However, according to Fort Lauderdale police detective Ben Dusenbery it remains difficult to assert who is running a legitimate business, as Venezuelan financial records are not easily available and companies conducting legitimate business with South Florida may falsify their financial statements to conceal the drug money.⁷

Australian grocery store used to launder money: On November 20th, the *Sydney Morning Herald* reported a money laundering scheme that allowed Little Persia, a small grocery store in Australia, to launder millions of dollars. According to the article, over a 10-month period, Little Persia had more than

US\$95 million worth of drug proceeds come into its bank account, of which US\$55 million were sent abroad, particularly to Iran and the United Arab Emirates. The rest of the funds were allegedly laundered through a diverse portfolio of legitimate investments within Australia. In October 2009, Australian authorities were able to link two men to the operation and halted the money laundering activities occurring through the store. Court documents showed that the store co-owner, Amir Rafizadeh of Iranian origin, conducted the money laundering activities with Abdul Hameed, who ran a grocery wholesale company called Freshco Foods. According to the article, on five separate occasions between June and October 2009 Rafizadeh collected from Hameed black sports bags containing between US\$500,000 and US\$1 million and deposited the cash into a business bank account. According to police, the store transferred nearly US\$4 million through the Commonwealth Bank to the "Gold Corporation" in Tehran and other destinations. The Australian Federal Police stated that more than US\$3.5 million were passed between the two men over a five-day period and over US\$500,000 were collected in cash when Hameed's home was raided in October 2009. Hameed also admitted to receiving US\$60,000 in commission from a man named "John" who sought help sending money to Iran through Rafizadeh. As stated in the article, Little Persia is now run by Rafizadeh's wife and, besides selling goods, the store continues to offer money remittance services to allow customers to send money overseas. As reported by the *Sydney Morning Herald*, "backroom remittance systems", such as the one operated out of Little Persia, may be vulnerable to money laundering practices. Once the money is sent outside of Australia it becomes difficult to track, making some transactions vulnerable to being sent to third countries for organized crime networks. John

Schmidt, the chief executive of Australian Transactions Reports and Analysis Center (AUSTRAC), stated that AUSTRAC's efforts to halt sophisticated international money laundering syndicates was best exemplified through the Little Persia case. Both Rafizadeh and Hameed were sentenced to a prison term until April 2012 but were released on bail after pleading guilty.⁸

COUNTRY-BASED

Iran's financial institutions targeted via Western sanctions: On November 22nd, Canada, the United States and Britain announced a series of escalated sanctions against Iran, further restricting the country's access to global financial markets. As reported by the *Globe and Mail*, Canada has banned all financial transactions with Iran, including those to the central bank. Exceptions to the new sanctions include remittances to relatives under \$40,000 and transactions required for existing contracts; making it "nearly impossible" – according to the *Globe and Mail* – to conduct new business with Iranian firms. Britain has also blocked Iran from accessing its financial market, one of the biggest in the world, by prohibiting its banks from dealing with Iran's banking sector, including the central bank. Finally, the United States declared Iran as a "primary money laundering concern" and blacklisted 11 individuals and entities suspected of facilitating Iran's nuclear program. Furthermore, on December 31st, U.S. President Barack Obama signed into law a bill that imposes sanctions on any foreign financial institution (whether private, government controlled, or central banks) that significantly deal with Iran's central bank. An article by *Thomson Reuters* explains that Iran's central bank is the main clearinghouse through which OPEC's No. 2 oil exporter deals with its clients. According to U.S.

political analysts, the sanctions should thus "force a choice" between buying Iranian oil or engaging in the U.S. financial system – the largest in the world. The new U.S. measures allow President Obama to make exemptions in order to avoid upsetting energy-importing markets, such as Japan, South Korea and India. Exemptions can also be made for financial institutions in a country that has significantly reduced its dealings with Iran. U.S. banks are already banned from transacting with Iranian financial institutions, but until now, the U.S. government has stopped short of targeting Iran's central bank, fearing it will cause oil prices to sky rocket and jeopardize U.S. and European economic recovery. According to *Thomson Reuters*, the sanctions by these three countries were in response to the International Atomic Energy Agency's latest report on Iran that found the country to be developing nuclear weapons. Additionally, the global financial watchdog for anti-money laundering and combating the financing of terrorism, FATF, called on its members to protect their financial sectors from the money laundering and financing of terrorism present in Iran.⁹

UAE authorities halt money laundering operation intended to smuggle US\$5 billion in gold: In December, state security officials in the United Arab Emirates (UAE) halted a money laundering operation intending to smuggle almost 100 tonnes of gold into the country, worth approximately US\$5 billion. According to *The National*, gang members conspired to smuggle the gold in oil tankers from an unnamed African country to a nearby country, where two members would be waiting to arrange its transport to the UAE. The article explained that the group then intended to deposit the gold into banks, convert it into cash and transfer the funds to several foreign countries. Ministry of Interior inspectors uncovered the smuggling scheme and

arrested a conspirator as he tried to enter the country at the Ghuwaifat checkpoint on the Saudi border carrying 10 million Saudi riyals (approximately US\$2.66 million) in a truck. Further details regarding the scheme, such as the location of the gold or the number of people arrested, have not been disclosed. Following speculation that it was a transit point for funds used in the 9/11 attacks, the UAE adopted tighter regulations on money flows, such as requiring banks to screen customers and report suspicious transactions. These stricter regulations on cash made gold the favoured means for money laundering in the country. As reported by *The National*, gold, unlike money, can be very difficult to trace and it retains a higher percentage of its resale value. UAE experts explain that illicit proceeds might be sold at half of its original price, whereas “dirty gold” loses only 10-15% of its original value as it can easily be melted into jewellery. However, according to experts, a scheme involving such a significant amount of gold would have been almost impossible to conceal, particularly because the smugglers intended to bank the gold, which requires providing the appropriate certification and being questioned by a Criminal Investigation Department Officer. Furthermore, the substantial amount of gold to be smuggled has generated speculation among experts regarding its origin. The chief executive of the UK security consultancy, Sibylline, considers the possibility that an operation of such size may be state-sponsored. Mustafa Al Ani, the director of defence and security studies at the Gulf Research Centre in Geneva, speculated that the gold may have originated from wealthy sources in Egypt, Libya, Syria, or Tunisia, seeking to move their assets to safety during this time of political instability. According to the Washington-based research and advocacy group, Global Financial Integrity, federal laws passed in 2002 and 2004 regulating the financial sector proved

ineffective in deterring money laundering in the UAE, as approximately US\$296 billion in illicit funds passed through the country between the years of 2000 and 2009.¹⁰

UNODC estimates US\$2.1 trillion was laundered globally in 2009: According to a United Nations Office on Drugs and Crime (UNODC) report released in October, criminals may have laundered up to US\$2.1 trillion, or about 3.6% of the global Gross Domestic Product (GDP). The report, entitled *Estimating illicit financial flows resulting from drug trafficking and other transnational organized crime*, found that approximately 42% of the total criminal proceeds laundered in 2009 were linked to transnational organized crime. The illicit drug trade was identified as the most profitable sector and accounted for about half of all transnational crime proceeds and one fifth of all criminal proceeds. The report found that profits from the cocaine trade, approximately US\$84 billion in 2009, were mostly laundered in North America and Europe. More specifically, it estimated that US\$64 billion in drug profits were generated within the United States in 2010, of which approximately US\$29 billion were smuggled abroad and US\$35 billion were laundered through U.S. financial institutions, real estate and other investments. According to the report, money laundering destabilizes and deters legitimate businesses, foreign investment and development while it contributes to bribery, financing insurgency and terrorist activities. Kam Wong, the co-author of the report, stated that while financial institutions continue to play a significant role in combating money laundering, the increase in improvements in anti-money laundering controls over the last decade have not been matched with a corresponding decrease in the total flow of illicit proceeds. The report found that less than 0.5% of global illicit financial flows are

currently being seized and frozen. The UNODC noted that once illegal money has entered the global financial markets it becomes much harder to trace its origins. However, the UNODC is committed to working with UN Member States to help build the capacity to track and prevent money laundering.¹¹

Ukraine removed from the FATF monitoring list: During its plenary meeting held on October 27th, the Financial Action Task Force (FATF) announced that Ukraine would no longer be subject to monitoring under its global anti-money laundering (AML) and combating the financing of terrorism (CFT) compliance process. The FATF, an intergovernmental group aimed at developing and promoting AML/CFT policies, recognized Ukraine for making significant improvements in its strategic deficiencies that were originally identified by the FATF in February 2010. According to the FATF, Ukraine will work with MONEYVAL, a European committee of anti-money laundering experts, to continue to address the range of issues with its AML/CFT regime. The Ukraine Presidential Administration claimed that removal of the country from the FATF's monitoring list was in reaction to new bills that were introduced as a result of joint efforts of the Ukrainian Government, the National Bank and the State of Financial Monitoring Service which brought Ukraine's legislation in line with the FATF requirements. For example, the National Bank participated in establishing the draft law on *Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime and Terrorist Financing*, which was adopted by the Ukraine's parliament on May 18, 2011. The law contributes to compliance requirements by introducing new identification standards of financial services consumers, specifically regarding disclosing information about clients (natural persons) who fall into the category of

public officials of foreign states and persons related to them. To ensure banks' compliance with the law, a resolution was adopted pertaining to the internal procedures and documents of banks on issues relating to financial monitoring. A National Bank official also clarified that it is not collecting information from private banks about their clients, but that these banks are expected to gather such information to fight terrorist financing and other financial crimes.¹²

Terrorist Financing

GROUP-BASED

Suspects in AT&T hacking allegedly tied to a Saudi-based terrorist group: Filipino police, in conjunction with the U.S. Federal Bureau of Investigation, arrested four people in the Philippines on November 24th for allegedly hacking into AT&T's phone systems. The hack, which cost the U.S. Corporation US\$2 million, was intended to finance a Saudi-based terrorist group. Earlier, AT&T had reported that hackers had unsuccessfully attempted to link mobile numbers with online customer accounts, although it was unclear whether that incident was linked to the arrests. The hackers in the Philippines were suspected by authorities to be working on commission for a group reportedly involved in the financing of a fatal terrorist attack in Mumbai, India in 2008. Although India blamed the Pakistan-based militant organization, Lashkar-e-Taiba, for the attack in Mumbai, Filipino authorities have yet to name the terrorist group that is believed to have employed the hackers. The unnamed group was previously linked to Muhammad Zamir, a Pakistani arrested in 2007 for running a call center in Italy that allegedly purchased information from Filipino hackers. Filipino

authorities claimed that a Saudi national, who is also unnamed, has since taken over leadership of the group.¹³

Dutch court sentences five men for LTTE fundraising:

On November 22nd, the *Asian Tribune* reported on the sentencing of five naturalized Dutch men who were found guilty by the Hague District Court of fundraising for the Liberation Tigers of Tamil Eelam (LTTE). The men were all sentenced up to six years in prison after being found guilty of allegedly using blackmail and threats to raise money from the Tamil diaspora in the Netherlands for the outlawed group. As stated in an article released by the *Canadian Press*, fundraisers solicited money from the Tamil community by visiting their homes and threatening that they would not be allowed to visit their relatives in Sri Lanka if they did not follow the fundraisers' demands. During the investigation, prosecutors used a seized USB stick that belonged to one of the convicted men, only known as Selliah, in order to reveal the LTTE's 2010 financial plans. As reported by the *Canadian Press*, Selliah was known as the global bookkeeper of the group and was responsible for facilitating the transfer of millions of euros to the LTTE. The other four men in the group allegedly established front organizations in the Netherlands that raised money for the LTTE. The court ruling was particularly significant because the LTTE was not recognized as a terrorist organization but rather an outlawed criminal organization, contrary to both European and American policy. The defence attorney of two of the defendants believes this may influence the legal battle in the European Court of Justice to have the LTTE removed from the European Union's list of terrorist organizations. The LTTE is a Sri Lankan-based organization that seeks to establish an independent homeland called Tamil Eelam for the minority Tamil population within Sri Lanka. As stated in an

article released by *The Hague*, at the height of the group's power in Sri Lanka, it was able to raise between US\$200 million and US\$300 million a year by extorting money from the Tamil diaspora in Europe, Canada and Australia. The group has also raised money from credit card fraud, arms and drug smuggling as well as using fictitious charities to fund LTTE military operations. The LTTE has been listed in Canada as a terrorist organization since 2006.¹⁴

Texas man charged with providing material support to Al Qaida in the Arabian Peninsula:

On November 14th, Barry Walter Bujol Jr. was convicted in the United States of attempting to provide material support to a foreign terrorist organization and of aggravated identity theft. According to the prosecutors, Bujol attempted to join Al Qaida in the Arabian Peninsula (AQAP) and provide the organization with money, U.S. military documents and GPS equipment. Bujol, a U.S. citizen from Texas, had allegedly been in contact via e-mail with Anwar al-Awlaki, the deceased U.S.-born cleric linked to AQAP, with whom he sought advice on how to raise money for the organization without being detected. According to the U.S. government, Bujol received a number of documents from al-Awlaki including a paper entitled "42 Ways of Supporting Jihad." Allegedly Bujol was also in contact with a confidential source for law enforcement that was posed as a recruiter for AQAP. According to the U.S. Attorney's Office in Southern District of Texas, Bujol had emailed the recruiter various materials on military subjects and weapons systems that he thought could contribute to AQAP activities. Bujol had also engaged in a number of training exercises administered by the undercover recruiter to prove himself as a valuable AQAP member. The two year investigation on Bujol came to an end in May 2010 when he was taken into custody

after trying to get onboard a ship headed to Algeria using fake identification. Prosecutors claim that Bujol was headed to Yemen to fight for AQAP. Bujol decided to have his trial heard by a judge instead of a jury and acted as his own attorney but did not present witnesses or testify on his own behalf. Bujol faces a maximum penalty of 20 years in prison when sentenced.¹⁵

Man pled guilty to providing material support to Al Shabaab: On November 3rd, the Federal Bureau of Investigations (FBI) announced that Mohamud Abdi Yusuf pled guilty to three counts of providing material support to a designated terrorist organization and one count of conspiracy. Yusuf allegedly supported Al Shabaab, a designated terrorist organization in both the United States and in Canada, from February 2008 to at least July 2009. According to *STL Today*, Yusuf worked with Sheikh Saaïd, a mid-level leader for Al Shabaab, and raised nearly US\$6,000 for the organization. Yusuf allegedly used coded language to plan money transfers and sent the money under false names and phone numbers through money remitting businesses operating in the United States. According to Assistant U.S. Attorney Matthew Drake, the money Yusuf sent to Al Shabaab contributed to the purchase of a vehicle used for tactical operations in addition to hiding and delivering weapons for the organization. On October 21, 2010, Yusuf was indicted along with Duane Mohamed Diriye, a resident of Kenya, and Abdi Mahdi Hussein, who worked for a money remitting business in Minneapolis. While the cases of Hussein and Diriye remain pending, Yusuf could face a maximum of 60 years in prison plus fines up to US\$250,000 when sentenced.

In related news, on December 1st, a California woman named Nima Yusuf admitted to providing material support to Al Shabaab in a

plea agreement. Yusuf allegedly sent approximately US\$1,450 from San Diego to Somalia through 13 wire transfers from February 2010 to November 2010. According to court documents, Yusuf worked with four men – Mohamed Hassan, Abdisalan Ali, Cabdulaahi Faarax and Abdiweili Isse – who have all left the United States to join Al Shabaab in Somalia. According to Dennis Baker, special agent of the FBI, at least 20 American citizens have travelled to Somalia to join Al Shabaab. When sentenced, Yusuf could face up to 15 years in prison and a US\$250,000 fine.¹⁶

FINANCIAL ACTIVITY-BASED

Iraqi refugee admits trying to funnel weapons and cash to Al Qaida: On December 16th, Waad Ramadan Alwan, an Iraqi national living as a refugee in Kentucky, pleaded guilty to conspiring to attack U.S. soldiers in Iraq, conspiring to use a weapon of mass destruction and attempting to provide material support to terrorists. Alwan also admitted to making repeated attempts between September 2010 and May 2011 to wire money and transfer weapons to Al Qaida in Iraq. These attempts, according to U.S. authorities, failed due to a tightly controlled undercover operation. Between 2003 and 2006, Alwan conspired to kill U.S. nationals in Iraq by planning with others to plant and detonate roadside bombs to injure and kill U.S. troops. According to court documents, he also admitted to drawing diagrams of improvised explosive devices (IEDs) and providing detailed verbal instructions intending to train others on how to make and use the roadside bombs to kill U.S. soldiers in Iraq. Fingerprints were found on an IED in Iraq in 2005 and were matched to Alwan's, who prior to entering the United States as a refugee in 2009, was required to provide a set of fingerprints as part of a security check.

Following an investigation that began months after his arrival in the United States, Alwan was arrested in May 2011 and has since remained in federal custody. He faces a possible sentence of 25 years to life in prison when sentenced on April 3, 2012.¹⁷

U.S. resident charged for sending money to Pakistan to support terrorist attacks: On December 21st, a Turkish national with permanent resident status in the United States was indicted by a federal grand jury in Los Angeles on three counts of providing material support to terrorists and one count of making a false statement. Prosecutors alleged that Oytun Ayse Mihalik, who worked as a pharmacist, wired more than US\$2,000 from a grocery store in Buena Park, California, to Pakistan. While the court documents do not identify the recipient of the wire transfers or name any terrorist organizations, prosecutors stated that Mihalik knew that the money she was sending would be used to help fund terrorist attacks against American military personnel overseas. An article in *Thomson Reuters* reported that the money was sent in three instalments using Western Union – US\$750, US\$600, and US\$700 – from December 2010 to January 2011. As stated in the article, the first transfer was made under Mihalik's name with her husband's cellular phone number while the last two transfers were made under the fictitious name of "Cindy Palmer" with a phone number that was not linked to her. However, according to an affidavit filed by investigators, Mihalik signed her real name to all the Western Union receipts for the transfers. The affidavit also stated that when Mihalik was first interviewed by federal agents on August 8, 2011 she denied using an alias to send money through Western Union. Mihalik also told investigators that she could not remember the name of the person in Pakistan to whom she sent the money to but that the money was meant for a

family friend who was experiencing financial problems. Mihalik was taken into custody on August 27, 2011 after she was arrested for providing false statements while she was preparing to board a flight to Turkey with a one-way ticket. Mihalik could face up to 53 years in prison if convicted of all counts.¹⁸

Money wiring services from Minnesota to Somalia suspended: The Somali American Money Services Association (SAMSA), which represents 14 Minnesota money transfer businesses, or hawalas, announced that as of December 29th it would no longer allow wire transfers to Somalia. The announcement came after two Minnesota women of Somali-origin, Amina Farah Ali and Hawo Mohamed Hassan, were found guilty of wiring more than US\$8,600 through hawalas to Al Shabaab, a Somalia-based designated terrorist organization. The *Star Tribune* reported that SAMSA was concerned that its accounts could be in violation of state and federal anti-terrorism financing laws and decided to suspend remittance operations until the issue is resolved. The American-Somali population, which is largely concentrated in Minnesota, heavily depends on hawalas to send money to their relatives in Somalia since there is no formal banking system in the African nation. The U.S. Treasury Department stated that approximately US\$100 million is sent to Somalia from the American-Somali community each year. Sunrise Community Banks, a small group of independently managed banks that support hawala services to Somalia, announced they will work with Minnesota's congressional delegation to remedy the issues identified in order to restore their services.¹⁹

COUNTRY-BASED

Eritrea allegedly funds terrorist groups by taxing Eritrean-Canadians: A *National Post* article published on November 5th revealed that Eritreans living in Canada have been required to pay a 2% “diaspora tax” to the government of Eritrea. Although several countries impose fees on their nationals abroad, the *National Post* explains that Eritrea is unique because it has been accused by the United Nations (UN) of supplying weapons and money to armed opposition groups, particularly the Al Qaida affiliate, Al Shabaab. Although the government of Eritrea has denied these allegations, the UN has imposed an arms embargo on the country since 2009 and, more recently in July 2011, released a report providing its findings of the country’s support of Al Shabaab. Alongside these allegations, Eritrea was accused in the first week of November of delivering two planeloads of arms to the terrorist group. According to the *National Post*, Eritrea, one of the world’s least developed countries with almost no modern economy, is able to raise approximately one-third of its income by levying a 2% “diaspora tax” on Eritrean nationals abroad. In Canada, the “two per cent tax form” requires monthly and annual income to be reported since 1992, which was the first full year of Eritrea’s independence. The Eritrean government also requests Eritrean-Canadians to submit their T4 slips and Revenue Canada forms to prove their incomes are reported accurately. The tax is collected by the Consulate-General of Eritrea and, despite what the consulate suggests, interviews with Eritrean-Canadians have revealed that the tax is not voluntary. During interviews with the *National Post*, Eritrean-Canadians reported being blacklisted by the government if they refused to pay the tax, stating that they, and their families in Eritrea,

would be harassed. The UN has confirmed these allegations, noting that those who do not pay the diaspora tax may be denied entry into Eritrea, denied permission to leave the country should they visit and may have their property in Eritrea seized. Although the Eritrean-Canadian population is small, it is growing with Canada accepting over 500 Eritrean refugees since 2008. Since a quarter of Eritrea’s population lives abroad, the UN speculates that potentially hundreds of millions of dollars are generated through the diaspora tax. According to the UN, the money collected from the diaspora enters “increasingly opaque financial networks,” with much of it going to Dubai, which is the financial centre of the current ruling party in Eritrea, the People’s Front for Democracy and Justice. The United States claims that some of the tax proceeds also go to Eastern European arms vendors via Malta. Efforts are being made to combat the diaspora tax both nationally and internationally. The Department of Foreign Affairs is encouraging any Eritrean-Canadians experiencing intimidation from their home government to contact the RCMP and/or local police authorities while the United Nations Security Council is currently considering imposing more sanctions on Eritrea in an effort to end its support of terrorist organizations.²⁰

United States posts US\$10 million reward for Al Qaida fundraiser: On December 22nd, the United States offered a reward of US\$10 million for information leading to the capture of a key fundraiser for Al Qaida as part of its “Rewards for Justice” program, marking the first time a terrorist financier has been targeted in such a way. Ezedin Abdel Aziz Khalil, also known as Yacine al-Suri, is a Syrian national believed to be operating from Iran on behalf of Al Qaida. Blacklisted by the U.S. Treasury Department in July 2011, al-Suri is labelled as a high-level Al Qaida

“facilitator.” A statement made by the U.S. Treasury Department in July accuses Khalil of operating inside Iran since 2005 under agreement of Al Qaida and the Iranian government. Khalil allegedly transported money and recruits from across the Middle East through Iran and then to Pakistan on behalf of Al Qaida. The U.S. State Department reaffirmed this allegation in December 2011, accusing Khalil of channelling money to Al Qaida’s leadership in Afghanistan and Iraq via Iran. In the same statement, the State Department also accused Khalil of negotiating with the Iranian government for the release of Al Qaida operatives from Iranian custody, at which point he coordinates their travel to Pakistan. Khalil is the only Iran-based individual to be targeted under “Rewards for Justice,” a program initiated in 1984 targeting suspects wanted for terror acts against the United States. The program has already rewarded over US\$100 million in exchange for information about wanted subjects. However, the U.S. administration will neither disclose the details of information it receives nor openly identify those arrested in an effort to protect informants. Currently, the highest bounty posted is for Al Qaida leader, Ayman al Zawahiri, for US\$25 million.²¹

large-scale kidnappings and drug gangs. Nonetheless, following a unanimous election on November 5th, Cano was succeeded by Rodrigo Londono (known as Timochenko), who is allegedly responsible for some of the FARC’s most notorious attacks and kidnapping raids. For example, Timochenko is accused of participating in the 1998 rebel occupation of the town of Mitu, where 30 members of security forces were killed and 61 members were kidnapped, some of whom were held in captivity for over 12 years. The Colombian government has issued over 100 warrants for Timochenko’s arrest for his suspected involvement in crimes including terrorism, kidnapping, rebellion, murder and forced disappearance. Although security forces believe he is hiding in the Perija Mountains, his role as chief of intelligence has provided him with an extensive network of informants that have allowed him to evade capture.²²

FARC under new leadership after death of

Alfonso Cano: On November 4th, Alfonso Cano, leader of the Revolutionary Armed Forces of Colombia (FARC), was killed by Colombian government forces during a mountain assault in the southwestern Cauca region. Al Jazeera reported Cano’s death as a strategic victory for Colombian President Juan Manuel Santos, who has strongly opposed the rebel group throughout his presidency, urging rebels to demobilize or face consequences. News of Cano’s death caused celebration around the capital city Bogota, where public support for the FARC has decreased over recent years due to the group’s involvement in

BIBLIOGRAPHY

1. "Fight on money laundering coordinated with Mexico: US." *AFP*. December 6, 2011.
 "Mexico's Drug War: Cartels Profit From U.S. Guns And Money-Laundering Help." *Huffington Post*. December 8, 2011.
 "US agents laundered drug money: report." *AFP*. December 4, 2011.
 Adams, Colby. "House Bill Extending Terrorist Designation to Drug Cartels Would Ease Path to Asset Freeze." *MoneyLaundering.com*. October 6, 2011.
 Boyle, Matthew. "Calderon spokesman: Mexico unaware DOJ was passing laundered cash to cartels." *The Daily Caller*. December 12, 2011.
 Corcoran, Patrick. "Money Laundering Crackdown Flounders in Mexico, But Does it Really Matter?" *In Sight*. December 1, 2011.
 Ellingwood, Ken, and Wilkinson, Tracy. "U.S. blacklisting seems to have little consequence in Mexico." *Los Angeles Times*. November 27, 2011.
 Lerner, Gabriel. "Mexican Drug War: U.S. accused of laundering drug cartel money." *Huffington Post*. December 6, 2011.
 Thompson, Ginger. "U.S. Agents Launder Mexican profits of Drug Cartels." *New York Times*. December 3, 2011.
 Wilkinson, Tracy and Ellingwood, Ken. "International Banks have aided Mexican drug gangs." *Los Angeles Times*. November 27, 2011.
 Wilkinson, Tracy and Ellingwood, Ken. "Mexico seeks to fill drug war gap with focus on dirty money." *Los Angeles Times*. November 27, 2011.
 Wilkinson, Tracy and Ellingwood, Ken. "Mexico's dirty-money fight." *The Seattle Times*. November 30, 2011.
2. Wilkinson, Tracy and Ellingwood, Ken. "Cartels use legitimate trade to launder money, U.S., Mexico say." *Los Angeles Times*. December 19, 2011.
 Wilkinson, Tracy and Ellingwood, Ken. "Mexico seeks to fill drug war gap with focus on dirty money." *Los Angeles Times*. November 27, 2011.
3. Van Rassel, Jason. "Money laundering probe leads to bank records search." *Calgary Herald*. November 14, 2011.
4. "Six foreign nationals indicted in massive car-selling scheme." *Los Angeles Times*. December 29, 2011.
5. Wolf, Brett. "Owners of metal recycling company sold millions in stolen batteries and laundered proceeds, jury finds." *Thomson Reuters*. November 7, 2011.
6. "US indicts Lebanese man accused of leading cocaine ring linked to Hezbollah that earned \$850M." *The Washington Post*. December 13, 2011.
 "US slaps sanctions on alleged money launderers for Mexican, Colombian drug cartels." *The Canadian Press*. December 29, 2011.
 "US sues Lebanese firms for 'laundering Hezbollah funds.'" *BBC News*. December 16, 2011.

- Adams, Colby. "Justice Department Seeks \$483 Million in Forfeitures in Hezbollah Laundering Plot." *MoneyLaundering.com*. December 15, 2011.
- Karam, Zeina. "Hezbollah denies US money laundering charges." *Associated Press*. December 20, 2011.
- Neumeister, Larry. "NY prosecutor: Hezbollah laundered millions in US." *Associated Press*. December 15, 2011.
7. Campbell, Alexia. "Drug money laundered in South Florida fuels U.S.-Venezuela trade." *Sun Sentinel*. December 18, 2011.
 8. Gridneff, Ilya. "Why this shop shifted \$95m." *Sydney Morning Herald*. November 20, 2011.
 9. "The next step in sanctioning Iran." *National Post*. November 23, 2011.
 "Treasury orders UK banks to cut ties with Iran." *Reuters*. November 21, 2011.
 "U.S. imposes sanctions on banks dealing with Iran." *Thomson Reuters*. December 31, 2011.
 "US to name Iran area of 'money laundering concern.'" *Reuters*. November 21, 2011.
 "US, UK to add further pressure on Iran with money laundering warning." *Thomson Reuters*. November 27, 2011.
 Adams, Colby. "U.S. Officials Say Expected Iran Sanctions Could Tie Their Hands." *MoneyLaundering.com*. December 1, 2011.
 Clark, Campbell. "Canada bars financial dealings with Iran." *The Globe and Mail*. November 22, 2011.
 Financial Action Task Force. *FATF Public Statement – 28 October 2011*. Paris: 2011. Accessed online.
 Levitt, Matthew. "Treasury Tightens Squeeze on Iran Front Companies." *NOW Lebanon*. October 28, 2011.
 Mohammed, Arshad and Somerville, Glenn. "Financial, energy sectors face new sanctions." *The Vancouver Sun*. November 22, 2011.
 Murphy, Jessica. "Watchdog growls at business with atomic rogue." *Ottawa Sun*. November 22, 2011.
 Office of the Superintendent of Financial Institutions Canada. *Special Economic Measures (Iran) Regulations*. Government of Canada. November 22, 2011. Accessed online.
 U.S. Department of the Treasury. "Fact Sheet: New Sanctions on Iran." Government of the United States, news release. November 21, 2011.
 U.S. Department of the Treasury. "Treasury Designates Iranian Commercial Airline Linked to Iran's Support for Terrorism." Government of the United States, news release. October 21, 2011.
 10. Huang, Carol and Thomas, Jen. "Plot to smuggle \$5bn gold thwarted." *The National*. December 27, 2011.
 11. "Illicit money: how much is out there?" *United Nations Office on Drugs and Crime*. October 25, 2011.
 "New UN report says criminals may have laundered \$1.6 trillion in 2009." *UN News Centre*. October 25, 2011.
 Adams, Colby. "As Much as \$35 Billion in Drug Funds Laundered Through U.S. Banks, Investments: Report." *MoneyLaundering.com*. October 27, 2011.
 12. "FATF removes Ukraine from money laundering blacklist." *English.news.cn*. October 31, 2011.

"Ukrainian Banks Soliciting Personal Information From Clients." *Radio Free Europe/Radio Liberty*. November 10, 2011.

Financial Action Task Force. *Outcomes of the Plenary meeting of the FATF, Paris, 27-28 October 2011*. Paris: 2011. Accessed online.

National Bank of Ukraine. "Ukraine deleted from the FATF's 'black list.'" Government of Ukraine, press release. November 11, 2011.

13. "Filipino police arrest 4 suspected in AT&T phone system hacking." *The Canadian Press*. November 26, 2011.
14. "Court convicts 5 Dutch Tamils of fundraising for Tamil Tigers but acquits them of terror links." *The Canadian Press*. October 21, 2011.
"Dutch court sentences five for backing Tamil Tigers." *Reuters*. October 21, 2011.
"Dutch Court sentenced 5 Pro-LTTE Tamils to six years imprisonment." *Asian Tribune*. October 22, 2011.
15. "Texan accused of wanting to join al-Qaida convicted of trying to help terrorist group." *The Canadian Press*. November 14, 2011.
Cratty, Carol. "Texas man who wanted to join al Qaeda in the Arabian Peninsula found guilty." *CNN*. November 14, 2011.
Whittington, Mark. "Barry Bujol of Hempstead, Texas, Convicted of Terrorism Charges." *Yahoo! News*. November 15, 2011.
16. Federal Bureau of Investigation. "Local Man Pleads Guilty to Providing Material Support to Terrorist Organization." Government of the United States, news release. November 3, 2011.
Federal Bureau of Investigation. "Missouri Man Admits to Providing Money to Designated Terrorist Organization." Government of the United States, news release. November 3, 2011.
Mann, Jennifer. "Somali cabdriver pleads guilty to funneling money to terrorists back home." *Stltoday.com*. November 4, 2011.
Moran, Greg. "Somali woman pleads guilty in terrorism case." *U-T San Diego News*. December 1, 2011.
Wolf, Brett. "California woman admits wiring money to al Shabaab fighters in Somalia." *Thomson Reuters*. December 2, 2011.
17. "Iraqi man changes plea in Kentucky, admits trying to send weapons, cash to al-Qaida." *The Canadian Press*. December 16, 2011.
18. "California woman caught 'funneling money to Pakistani terrorists while also trying to flee the US.'" *Mail Online*. December 22, 2011.
Carter, Chelsea. "California woman indicted on charges of giving money to terrorists." *CNN*. December 22, 2011.
Wolf, Brett. "Los Angeles-area pharmacist wired funds to Pakistan to finance 'terrorist' attacks, prosecutors say." *Thomson Reuters*. December 22, 2011.

19. "Bank Plans to Close Accounts With Somali Money Transfer Businesses Over Fears Funds Go To Terrorists." *Fox News*. December 9, 2011.
"Somali groups suspend wire transfers from Minnesota." *Thomson Reuters*. December 30, 2011.
Shah, Allie. "Cash-to-Africa services frozen." *StarTribune*. December 29, 2011.
Shenoy, Rupa. "Bank to end wire transfers to hawalas; Somali community scrambles." *Minnesota Public Radio*. December 2, 2011.
20. Bell, Stewart. "Eritrea's 'EXTORTION.'" *National Post*. November 5, 2011.
Bell, Stewart. "Eritrea raising money in Canada, financing terrorists to attack Canada." *National Post*. November 5, 2011.
Bell, Stewart. "Q&A: Eritreans can have Canada's protection from country's 'diaspora tax': Jason Kenney." *National Post*. November 29, 2011.
21. "US posts \$10 million reward for al-Qaeda fundraiser." *The Telegraph*. December 22, 2011.
22. "Colombia Farc rebels pick Timochenko as new leader." *BBC News*. November 15, 2011.
"Colombian forces kill FARC leader." *Al Jazeera English*. November 6, 2011.