Following the Money to Combat Terrorism and Crime
Case Studies on Mexico and Afghanistan

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The Drivers in an Age of Globalization

- Population
- International Trade/Finance
- Information Communications
- Intellectual Capital
- Race for Resources
- Environment
- Climate Change
- Technology

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
The New Global Security Environment
Threats from the Convergence of Illicit Networks

Illicit Activities
- Narcotics Trafficking
- Financial Crimes
- Cybercrimes
- Corruption/Extortion
- Counterfeiting
- Arms Trafficking
- Human Trafficking

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
Illicit Networks are Empowered by Globalization

Flow of Transnational Organized Crime

Source: LA Times
Global Supply Chain Management
Four Critical Elements

**MATERIEL**
- What is Moving?
- What Resources are Accessed?
- How is Technology Used?

**MANPOWER**
- Who is Moving?
- Who is in Control?
- Who is Enabling?

**MONEY**
- Who is Funding?
- How is Revenue Generated?
- Where is Money Going?

**MECHANISMS**
- What Modes of Conveyance?
  - Land, air, sea routes?
- What about Cyberspace?

Source: Celina B. Realuyo
Convergence of Terror-Crime Networks around the Globe

“Terrorists are motivated by God while criminals are motivated by greed.”
-- Moises Naim

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
The New Global Security Environment
U.S. Responses to Transnational Threats

Counter-Terrorism
Counter-Proliferation
Counter-Narcotics
Cybersecurity
Counter-Crime

Source: Celina B. Realuyo, CHDS
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The New Global Security Environment in an Age of Globalization

Instruments of National Power

- Diplomatic
- Law Enforcement
- Information
- Military
- Financial
- Economic

Security
Prosperity
Society
Governance

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
Why Does Money Matter?

Every organization (business, government, charity, mafia, or terror network) needs:

1. Product or Service
2. Personnel
3. Assets, Equipment, Supplies
4. Production, Training, Development
5. Sales and Marketing
6. Financing

“money makes the world go around”

Source: Celina B. Realuyo, CHDS RealuyoC@ndu.edu
Following the Money and Leveraging Financial Intelligence to Combat Terrorism and Crime

VS.

Facilitators

Terrorists

Criminals

Source: Celina B. Realuyo, CHDS RealuyoC@ndu.edu
Definition of Terms

**Money Laundering** is the process of taking the proceeds from criminal activities and making them appear legal.

**Terrorist Financing** is the collection or processing of funds intended to sponsor or facilitate terrorism (funds may be licit or illicit).

**Material Support of Terrorism** - Whoever provides material support or resources or conceals or disguises the nature, location, source, or ownership of material support or resources, knowing or intending that they are to be used in preparation for, or in carrying out a terrorist plot (U.S. Code Title 18, 2339A).

Source: Celina B. Realuyo, CHDS RealuyoC@ndu.edu
Stages of Money Laundering

1. **Placement** - placing, through deposits or other means, unlawful proceeds into the financial system.

2. **Layering** - separating proceeds of criminal activity from their origin through the use of layers of complex financial transactions.

3. **Integration** - using additional transactions to create the appearance of legality through the purchase of assets.

Source: Celina B. Realuyo, CHDS RealuyoC@ndu.edu
Money Laundering and Terrorist Financing Methods

Traditional Banks

Trade-Based Money Laundering

Bulk Cash Smuggling

Money Services Businesses

Mobile Internet Virtual

Store of Value

ARS/Hawala

Source: Celina B. Realuyo, CHDS RealuyoC@ndu.edu
Bulk Cash Smuggling

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
Trade-Based Money Laundering

Example of Money Laundering through Global Trade

2. To launder the U.S. dollars, cartel contacts intermediary, called peso broker.
4. Broker's U.S. employees place the dollars in U.S. banking system.
5. Broker offers the U.S. dollars to a Colombian importer, in exchange for Colombian pesos.
6. Importer uses the drug U.S. dollars to buy U.S. goods, which are shipped to Colombia.

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
Store of Value/Prepaid Cards

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
The Threat from Illicit Networks in the Americas

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
Combating TCOs in the U.S. and Mexico

Leadership

Money

Arms

Drugs

People

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
March 2010 - Wachovia settled case with $160 million ($50m fine and forfeiture of $110m) of drug profits laundered from Mexico.

June 2012 - Seven Zeta members (including brother of Zetas’ leader) were arrested per a U.S. indictment accusing them of money laundering through the breeding and racing of American quarter horses in the U.S.

July 2012 - U.S. Senate report reveals HSBC’s Mexico unit shipped $7 billion in cash to its U.S. affiliate in 2007-2008
“Terrorists are motivated by God while criminals are motivated by greed.”

-- Moises Naim
Convergence of Terror-Crime Networks around the Globe

- Taliban, Haqqani Network, Al Qaeda in Afghanistan
- Al Qaeda in the Islamic Maghreb
- Al Shabaab/Somali pirates in Horn of Africa
- FARC in Colombia
- Shining Path in Peru
- Hezbollah in South America
Afghanistan/Pakistan: Donors and Drug Trafficking Fund Taliban, Haqqanis, and Al Qaeda

- Foreign Donors fund AQ and the Taliban
- New axis of evil – narco-traffickers, terrorists, international crime syndicates in Af/Pak
- Insurgents are dependent on the drug trade

Source: Gretchen Peters
Terrorist Activities

OPERATIONAL ACTIVITIES

- Surveillance/Reconnaissance
- Rehearsal
- Final surveillance/reconnaissance
- Attack

SUPPORT ACTIVITIES

- Propaganda
- Recruitment
- Finance
- Procurement
- Transport
- Travel
- Safe Havens
- Communications
- Multiple identities
- Training

ALL THESE ACTIVITIES ARE ENABLED BY NETWORKS

Source: Rohan Gunaratna
Counterterrorism Financing Strategy

MISSION

To deny terrorists, illicit actors, and their supporters the financial means to plan and execute dangerous activities by detecting, disrupting, and dismantling threat financing networks through three pillars:

1. military, law enforcement, intelligence operations
2. public designations, sanctions, asset freezes
3. capacity building and international cooperation

Source: Celina B. Realuyo, CHDS RealuyoC@ndu.edu
U.S. Counterterrorism Finance Strategy
II. Public Designations/Asset Freezes

U.S. Measures
– Foreign Terrorist Organizations
– E.O.13224 on Individuals/Groups
– Terrorist Exclusion List
– Specially Designated Nationals List

International Measures
– UN Security Council Resolutions
– FATF (Financial Action Task Force) 40 Recommendations
– FATF Recommendations on Terrorist Financing

State Sponsors
Cuba
Iran
Sudan
Syria

“Named and Shamed”
Osama bin Laden
Al Qaeda
Taliban
Hezbollah
Iranian Revolutionary Guard
Haqqani Network

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
International Efforts to Combat Money Laundering and Terrorist Financing

- United Nations Security Council Resolutions
- Financial Action Task Force (FATF)
  - AML/CFT Recommendations – Mutual Evaluations
- Financial Action Task Force – Style Regional Bodies

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
Afghanistan’s AML/CTF Efforts

- Da Afghanistan Bank criminalized money laundering and terrorist financing in 2004
- Financial institutions must file STRs but few do so
- FinTRACA (FIU) in operation since 2006, joined Egmont in 2010, leading AML/CTF efforts
- Revamped law enforcement still lacks capacity to pursue financial crimes
- There were no ML prosecutions in 2011
A Comprehensive Framework for Strategies
Five Critical Elements for Success

- INSTITUTIONS
- MECHANISMS
- RESOURCES
- PERFORMANCE METRICS
- POLITICAL WILL

Source: Celina B. Realuyo
New Trends in Terrorist Financing
Following the money trail is more difficult

- Declining cost of actual terrorist operations
  - 9/11 Attacks ($400,000-$500,000)
  - Madrid Train Bombings 2004 (8,000-15,000 Euros)
  - London July 7 Bombings 2005 (8,000 UK Pounds)

- Auto-financing of Al Qaeda affiliates via local criminal activities like drug trafficking and financial fraud

- Increased use of charities, hawalas, cash couriers, front companies, and mobile banking to move funds across borders

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
Counterterrorism Finance Strategy

Positive Impact of Counterterrorism Finance Efforts

• Detect, dismantle, and deter terrorist financing networks

• Name and shame terrorist financiers and block their assets

• Make financial institutions accountable for “knowing their clients” and responsible for reporting suspicious activity

• Create an environment of “good governance” to build consumer confidence and attract investment

• Deter organized crime, narcotraffickers, arms dealers from using the formal banking system to launder and move their funds
Financing and communications remain essential (yet vulnerable) activities for terror and crime networks

• Remain vigilant, monitor, detect and disrupt new methods of terror financing and money laundering

• Leverage the financial instrument of national power and promote interagency and international cooperation to combat terror and transnational crime networks

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
To Combat Terrorism, Crime, and Illicit Networks
Foster Collaboration and Communities of Interest at the National, Regional, and International Levels

Facilitators

VS.

Terrorists

Criminals

Intelligence

Military

Law Enforcement

Source: Celina B. Realuyo, CHDS
RealuyoC@ndu.edu
Part I. A Clear and Present Danger
Chapter 1 Deviant Globalization by Nils Gilman, Jesse Goldhammer, and Steven Weber
Chapter 2 Lawlessness and Disorder: An Emerging Paradigm for the Twenty-First Century by Phil Williams
Chapter 3 Can We Estimate the Global Scale and Impact of Illicit Trade? by Justin Picard

Part II. Complex Illicit Operations
Chapter 5 The Illicit Supply Chain by Duncan DeVille
Chapter 6 Fixers, Super Fixers, and Shadow Facilitators: How Networks Connect by Douglas Farah
Chapter 7 The Geography of Badness: Mapping the Hubs of the Illicit Global Economy by Patrick Radden Keefe
Chapter 8 Threat Finance: A Critical Enabler for Illicit Networks by Danielle Camner Lindholm and Celina B. Realuyo
Chapter 9 Money Laundering into Real Estate by Louise Shelley

Part III. The Attack on Sovereignty
Chapter 10 The Criminal State by Michael Miklaucic and Moisés Naím
Chapter 11 How Illicit Networks Impact Sovereignty by John P. Sullivan
Chapter 12 Counterinsurgency and Counternarcotics in Afghanistan and Lessons for State-building in the Context of Illicit Economies by Vanda Felbab-Brown

Part IV. Fighting Back
Chapter 13 Fighting Networks with Networks by David Luna
Chapter 14 The Department of Defense's Role in Combating Transnational Criminal Organizations by William F. Wechsler and Gary Barnabo
Chapter 15 Collaborating to Combat Illicit Networks through Interagency and International Efforts by Celina B. Realuyo

CONVERGENCE
Illicit Networks and National Security in the Age of Globalization

Edited by Jacqueline Brewer and Michael Miklaucic

Source: Celina B. Realuyo, CHDS
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To Combat TOC and Illicit Networks
Fostering Collaboration and Communities of Interest
Adopt a “Whole of Nation” Approach

Source: Celina B. Realuyo, CHDS
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