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Importance of Partnership in Countering the Financing of Terrorism

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Despite stringent security and financial measures, terrorists and their financiers continue to raise and move funds through the formal financial system. The emerging threat of "home-grown" terrorism has added a new dimension to the mounting challenge in Countering the Financing of Terrorism (CFT). More effective counter-measures are urgently needed to boost better awareness and capability. Singapore, a global financial hub, is taking the lead in this proactive initiative.

THE PHENOMENON of homegrown terrorism has displaced al-Qaeda central as the new face of global terrorism. Homegrown terrorists -- the western-educated, middle-class, technology savvy individuals inspired but not necessarily directed by al-Qaida -- have carried out a string of attacks: the Madrid train bombing on 11 March 2004; the London underground train and bus bombings on 7 July 2005; the attempted London bombing on 21 July 2005; and the foiled Trans-Atlantic airline bombings plot on 21 August 2006 in London.

Terrorism and Terrorist Financing

Al-Qaidism -- the call to violent Jihadi against "Islam's enemies" such as the United States and the West -- has become more lethal as an ideology than it has as an organisation. Its virulent ideology has become a high-level threat worldwide as al-Qaeda has successfully positioned itself via an extensive network of global franchises to wage global jihad against western governments, their citizens and other "infidels." This strategy has proven effective in radicalising the general community, generating hatred and breeding suicide operatives.

Money is inextricably linked to al-Qaeda's Jihadist campaign, since it is a factor in the terrorists' organisational and operational capabilities. The Southeast Asian region is seen as a breeding ground for extremism and terrorism and these groups have moved funds across the region's jurisdictions and borders for attacks.

Dr Rohan Gunaratna in a recent Countering the Financing of Terrorism (CFT) seminar in Singapore estimated that as much as US\$3 million per month is raised by key regional terrorist groups in the Asian region. In addition to highlighting Asia as a terrorist financing hub, he underscored the

importance of the financial sector in the fight against terrorism. He appealed to the financial community's participation in a partnership that will help create a hostile environment for terrorist financing.

This seminar also saw the inauguration of a Consortium on Countering the Financing of Terrorism (CCFT), a key initiative endorsed by both public and private sector in Singapore in order to build capability to deal with this problem. This consortium and the CFT seminar are ground-breaking initiatives for Southeast Asia and beyond, which are important to ensure an appropriate working model to leap towards the right direction.

Is there light at the end of the tunnel?

The compliance world has mainly been focusing on money laundering; however, terrorist financing came to the fore in the wake of the 9/11 attacks. On a tactical front, the United Nations demonstrated its leadership by calling member states to criminalise terrorist financing and also by introducing a series of Security Council resolutions. The Financial Action Task Force (FATF) also introduced nine special recommendations regarding the suppression of terrorist financing. In addition, numerous multi-lateral agreements and conventions are in place for better cooperation to combat terrorist financing between governments; a key political willingness from the top level.

However, despite all stringent financial and security measures in place, terrorists continue to raise and move funds, indoctrinate members through violent propaganda and recruit new operatives. A key reason is that terrorist financing is a universal problem. Terrorists do not have to engage in any complex financial transactions to conceal their activities, but instead they look for weaknesses they could exploit.

For example, those banks without robust KYC (Know your customer) programme open loopholes for terrorists to exploit to the detriment of all the stakeholders that have implemented effective countermeasures. After having spent millions of dollars to deal with terrorist financing, that is the reason why the financial sector still experiences limited success. The financial sector also bears the burden as the first line of defence against terrorist financiers.

Even though the financial sector has developed expertise in Anti Money Laundering measures, there is further need to better understand the dynamics of terrorist financing. Despite some similarities, terrorist financing must be viewed as a separate problem, given the differences in motives, perpetrators and mechanisms behind it. Detecting terrorist financing requires active participation and commitment from relevant key stakeholders from both the public and private sectors; each play crucial a part in "connecting the dots". In Southeast Asia alone, hundreds of young jihadists had and have undergone extensive training in al-Qaeda-run and sponsored camps in Afghanistan, Iraq as well as Southern Philippines; however, their identities remain unknown to banks.

It is against this urgent need that in 2005, the Association of Banks in Singapore (ABS) and S.Rajaratnam School of International Studies – International Centre for Political Violence and Terrorism Research (RSIS–ICPVTR) of Nanyang Technological University embarked and collaborated under the Financial Response Programme. Since then, the collaboration has seen numerous CFT capacity building initiatives in and outside Singapore, as well as the creation of strategic partnerships with other regional government agencies.

As global power shifts to Asia, the region faces greater risks from terrorism and extremism. The number of resources available to do further CFT works is scarce. In the same CFT seminar, FATF President Sir James Sassoon stressed that it is important that competent authorities develop mechanisms to strengthen their relationships with private sector. Such strategic initiative is crucial as it attracts the engagement of the private sector and enhances the intelligence building process in order

to manage the threat. He welcomed Singapore's initiative in establishing CCFT that formalises partnership between government, private sector and academia.

Singapore currently awaits the result of FATF evaluation, performed in the third quarter of 2007. The existing CFT initiatives are expected to contribute to its cause in fighting terror and crime. It is not only the robust compliance mechanism but also our proactive initiatives and willingness to share and assist others in building capability.

Terrorist financing is more than a political problem and it requires a holistic approach to counter; it is about all sectors understanding the nature of the threat, understanding its financial structure, the social relationships between terror groups and the much required partnership based on trust to counter this problem. To do this, financial intelligence is crucial and must be the forefront of any investigation process. It not only helped unearth the robustness of terrorist financial infrastructures but also helped identify its support, logistical and operational networks.

Law enforcement agencies cannot do their jobs without the help and cooperation from the financial sector. In this respect, partnership within CCFT shall encourage information sharing, cooperation and coordination between relevant stakeholders. This will in turn create greater potential to disrupt the terrorists' financial networks and infrastructure. With a stronger system in place and better coordination, there is a better chance of detecting and stopping terrorists before they can act. Through public and private partnership, this goal can be achieved.

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