

## Overview of terrorism financing

Australia is not immune from terrorism. In recent years Australian authorities have arrested suspects alleged to be supporting terrorism abroad or preparing to commit acts of terrorism in Australia. The funding methodologies outlined below, although not specific to the arrests in Australia, provide a key insight into the manner in which funding can be generated.

The World Bank defines 'terrorist financing' as 'the financial support, in any form, of terrorism or of those who encourage, plan or engage in terrorism'<sup>1</sup>. Terrorism financing can be divided into two broad areas:

- **Funding of terrorist attacks** – funding the cost of conducting an actual terrorist attack, including the cost of explosive materials, firearms, communications equipment, vehicles, travel and accommodation.
- **Logistical funding** – funding required to support groups or individuals who may plan a terrorist attack, or direct, recruit for and provide training to terrorist groups. The funding may also be used to maintain terrorist infrastructure such as training camps.

As part of Australia's response to the threat of terrorism, our national intelligence and law enforcement agencies investigate the financial activity of individuals and groups. These agencies use financial transaction reports, including suspicious matter reports (SMRs), to inform their enquiries and investigations.

Financial intelligence, including details contained in selected SMRs and other transaction reports, can assist agencies to develop a more comprehensive assessment and understanding of terrorism financing. The information enables analysts and investigators to better detect, monitor and disrupt terrorist planning or operations. The analysis of financial activity can assist investigators to:

- reveal behavioural information about the subjects of investigations
- highlight personal relationships of subjects, either within Australia or offshore
- identify attempts to purchase controlled or 'dual-use' goods (that is, tangible items developed to meet commercial needs, but which may be used either as military components, or in the development or production of military systems).

Analysis of past terrorist attacks overseas has found such attacks can be relatively inexpensive to carry out, especially when compared with the damage and economic disruption caused. For example, past attacks in Indonesia (the Bali bombings in 2002 and 2005, the 2004 bombing of the Australian Embassy and the attack on the Marriott Hotel in 2009) are assessed to have cost between AUD2,000 and AUD20,000 per attack.

Australian investigations into terrorism financing indicate this financial activity often involves amounts of less than AUD10,000. However, this does not exclude larger amounts being of interest to investigating authorities.

The lower dollar amounts involved in terrorism financing may be attributed to:

- the relatively small amounts of money required to fund terrorist attacks and support terrorism
- limited access to funds or assets by individuals who seek to raise funds for terrorism
- a general awareness of Australian regulations and financial transaction reporting limits by those who may seek to raise funds for terrorism

Following are a number of general observations Australian national security agencies have made about the methods that may be used to raise and move funds in support of terrorist activity or terrorist organisations.

<sup>1</sup> World Bank and International Monetary Fund, *Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism*, (2003).

## Raising funds

The most common methods of raising funds in Australia include:

- the use of an individual's or group's own income for logistical funding or to fund actual terrorist attacks
- financial contributions collected from witting or unwitting donors, occasionally through formal charitable donations. These funds may be diverted to support terrorism by the individuals who control the end use of the collected funds
- in limited circumstances, the proceeds of criminal activity, which may contribute to logistical funding within or from Australia.

Once raised, funds are kept as cash reserves or stored in bank accounts so they can be readily moved as and when required.

## Movement of funds

Methods used to transfer funds generated in Australia to support terrorist activity either domestically or offshore include:

- formal bank transfers using the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system for international funds transfers
- formal, non-bank remittance service providers
- informal, cultural-based remittance arrangements. These systems predate formal banking systems and often provide a cheaper and faster service with little or no paper trail involved. In some countries, informal arrangements can also reach more remote areas than the formal bank and non-bank systems
- cash couriers, whereby passengers physically carry cash as they travel to another country. The lack of records and the ability to conceal cash on the person, in luggage or within other items makes this activity difficult to detect. Often, as individuals are aware of reporting thresholds, the amounts carried are less than the AUD10,000 cross-border movement reporting threshold.



## Methods of misusing the financial system

Australian agencies have identified a number of potential methods that could be employed to misuse the Australian financial system to generate and manage funds to support terrorism. These include:

- opening and operating an account in a false name
- conducting transactions using the names of other individuals or groups
- providing or having access to the accounts of other individuals or groups
- providing access to bank accounts within Australia and offshore, particularly via electronic means, including automatic teller machine (ATM) networks
- obtaining loans, especially through fraudulent applications, where the funds are used for purposes other than those stated or where the borrower has no intention to repay the loan
- using online international funds transfer systems, especially in combination with false identification.

Individuals seeking to financially support terrorism are likely to have a general understanding of the relevant transaction reporting requirements and thresholds. They are also likely to have a general awareness of the financial sector and the means used by government authorities to monitor financial transactions. These individuals will employ various methods to conceal their activity, such as structuring, use of false identification and use of third parties.

Any financial activity considered suspicious by reporting entities should be referred to AUSTRAC in an SMR – where the suspicion relates to the financing of terrorism, the report must be submitted within 24 hours of the suspicion being formed.

AUSTRAC analyses SMRs and disseminates relevant reports to its partner agencies for their action. Australian agencies regularly provide feedback to AUSTRAC about the valuable contribution such reports make to their enquiries into the activities of individuals suspected of supporting terrorism. Where feedback is also provided to reporting entities about these matters, this feedback is provided through confidential bilateral discussions with the entity.

