

Tracking Transnational Terrorist Resourcing Nodes and Networks

**C. Leuprecht (RMC), A. Cockfield (Queen's),
P. Simpson (Queen's), and M. Haseeb (Queen's)**

**TSAS Presentation June 9, 2018
Art Cockfield, Queen's University Faculty of Law**

Introduction

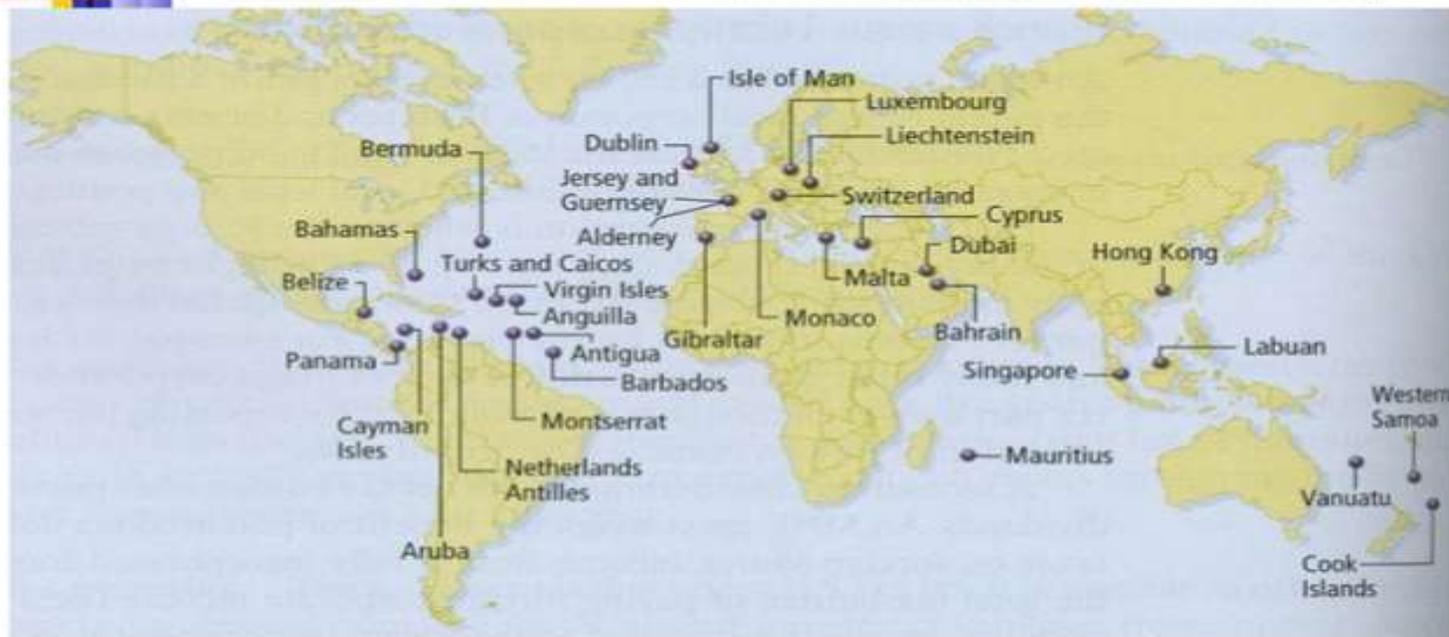
- **Discuss my related research drawn from tax haven data leaks: what does it tell us about global financial crimes?**
- **Discuss forthcoming article ‘Tracking Transnational Terrorist Resourcing Nodes and Networks’: a comprehensive effort to collect, code, compare and analyze open-source data on transnational terrorist *financing/resourcing* networks.**

Background: Tax Haven Data Leaks

- In recent years a number of high profile data leaks from tax havens: Lichtenstein (2007) and Swiss UBS (2008)
- Int'l Consortium of Investigative Journalists (ICIJ) gets a hold of four massive leaks:
 - (1) 2013 leak from Cook Islands, Singapore, BVI, Caymans (2.5 million documents)
 - (2) 2016 Panama Papers (11 million documents)
 - (3) 2016 Bahamas leak (1.5 million documents)
 - (4) 2017 Paradise Papers (13.4 million documents)



MAJOR TAX HAVENS



Confidential information stolen from tax haven law firms and offshore service providers



Worries about crooked Canuck lawyers and accountants...



'Onshore' Financial World

- Leaks reveal Canada beloved by global financial criminals
 - Why? Our laws help them move and hide money
 - Two main problems:
 - (1) Corporate law allows corporations to mask identity of true owners;
and
 - (2) Corporate law allows for 'bearer shares'
- (Dec. 2017: Finance Ministers promise to fix)

Summary: Offshore and Onshore World a Gangster's Paradise

- Undisclosed wealth hidden in tax havens: \$5 to \$35 trillion
- Money laundering at \$2.5 trillion a year
- Hidden offshore by Canadians: Estimated at \$300 billion (Zucman 2015)
- CRA to estimate revenue loss
- Leaks provide no evidence of use of tax havens for terrorist financing purposes (consistent with views of Richard Gordon and others)

Terrorism Resource Model (TRM) Methodology within Our Study

- The TRM model to map and detect terrorist resourcing patterns.
- The TRM focus on resources is more comprehensive than that of the money laundering/terrorist financing (ML/TF) model conventionally used by FIUs.
- The TRM incorporates all assets that are deemed resources, including trade-based fraud and use of online social networks.
- Combined with the basic premise of Social Network Analysis, TRM provides insights into the relationships among data points that might otherwise be obscured.
- Identified 32 cases involving terrorist resourcing across national borders.

Coding Variables

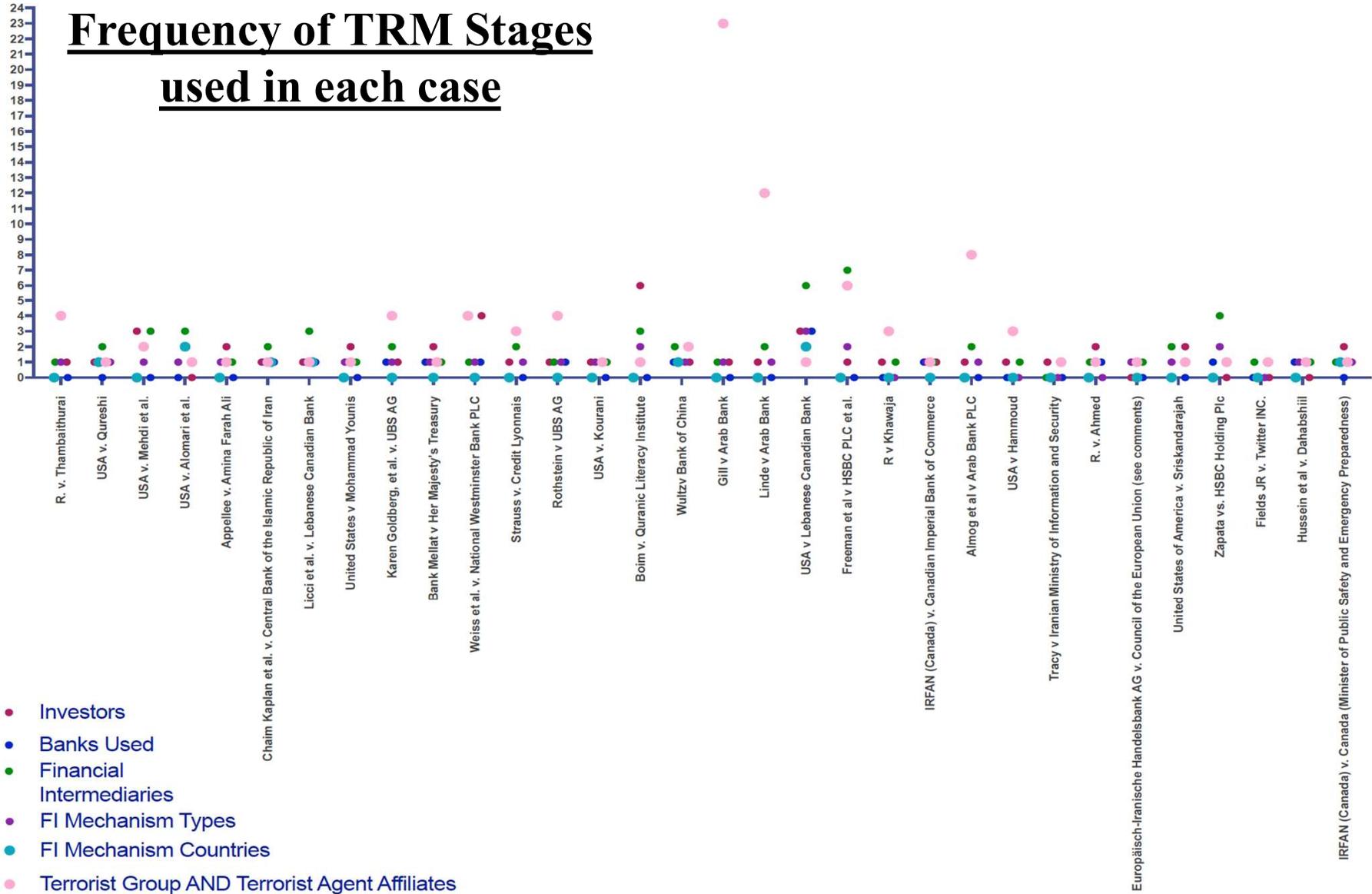
- Coding the data derived from Case Law
- *Jurisdiction and type of legal case, Investor, Investor location, Bank origin, Bank origin Country, Financial intermediaries, Financial intermediaries' location, Financial intermediary mechanism type, Financial intermediary mechanism Country, Tax haven name, Tax haven Country, Terrorist agent, Terrorist agent affiliates, Terrorist agent Country, Terrorist agent ideology, Investigating agency name, Investigating sub-agency, Investigating agency Country, Victims Country, Victims count, Cash transferred, Value of non-cash goods transferred, Transfer start and finish date, Cash raised, Value of non-cash goods raised, Cash raised start and finish date*
- (Any tricky methodological questions to be answered by Christian Lepreucht who is currently snorkeling in the Great Barrier Reef)

Case Example

R v Thambathurai (2001)

- **Mr. T had raised \$3000 to fund the Liberation Tigers of Tamil Eelam (LTTE)**
- **In Vancouver, Mr. T sought humanitarian aid donations for Tamils living in Sri Lanka.**
- **Landmark ruling on terrorism financing**
- **Six months imprisonment**
- **First international terrorism financing conviction in Canada.**

Frequency of TRM Stages used in each case



Locational Hubs for Terrorist Resourcing

City	Investors	Financial Intermediaries	Terrorist Organization(s) Funded
London	(2) in (2) Different Cases: Defendants in R. v. Khan Internal in Weiss et al. v. National Westminster Bank PLC	(7) in (4) Different Cases: Bank Saderat PLC in Chaim Kaplan et al. v. Central Bank of the Islamic Republic of Iran National Westminster Bank PLC in Weiss et al. v. National Westminster Bank PLC HSBC Group in Freeman et al v HSBC PLC et al. Barclays Bank in Freeman et al v HSBC PLC et al. Standard Chartered Bank in Freeman et al v HSBC PLC et al. Bank Saderat in Freeman et al v HSBC PLC et al. HSBC Group in Zapata vs. HSBC Holding PLC	Funded (4) in (5) Cases: Hamas in Palestine (National Westminster Bank Case) Hezbollah in Lebanon (Freeman & Chaim Kaplan) Al-Qaeda in Saudi Arabia (R v Khan) Mexican Cartels (Zapata)
Beirut	(2) in (2) Different Cases: Hassan Ayash Exchange Company in USA v. Lebanese Canadian Bank Shahid Foundation in Licci et al. v. Lebanese Canadian Bank	(11) in (6) Different Cases: Lebanese Canadian Bank in USA v Lebanese Canadian Bank Arab Bank PLC in Gill v Arab Bank Arab Bank PLC in Linde v Arab Bank BLOM Bank in USA v Lebanese Canadian Bank Arab Bank PLC in Almog et al v Arab Bank PLC Sheik Abbas Harake in USA v Hammoud Sahid Foundation in Licci et al v Lebanese Canadian Bank Middle East and Africa Bank in USA v Lebanese Canadian Bank Lebanese Canadian Bank in Licci et al v Lebanese Canadian Bank Federal bank of Lebanon in USA v Lebanese Canadian Bank	Funded (2) in (6) Cases: Hezbollah in Lebanon (Lebanese CB & Licci) Hamas in Palestine (Linde, Gill, & Almog) Hezbollah in Lebanon (Hammoud)
New York	(2) in (1) Case: Mohammad Younis, and Faisal Shahzad in United States v Mohammad Younis	(8) in (6) Different Cases: Mohammad Younis in United States v Mohammad Younis Credit Lyonnais in Strauss v. Credit Lyonnais Arab Bank PLC in Linde v. Arab Bank PLC Arab Bank PLC in Almog et al. v. Arab Bank PLC HSBC Bank in Zapata et al. v. HSBC Holding PLC American Express Bank in Licci et al. v. Lebanese Canadian Bank	Funded (4) in (6) Cases: Hezbollah in Lebanon (Licci) Hamas in Palestine (Linde & Almog) Mexican Cartels (Zapata) Individual in New York (Younis)

Reoccurring Banks in the Dataset

Bank	Location	Number of Terrorist Groups Funded
Arab Bank PLC	<p>(2) Locations in (3) different cases:</p> <p>New York in <u>Almog</u> et al. v Arab Bank</p> <p>Beirut in <u>Almog</u> et sl. V. Arab Bank</p> <p>New York in Linde v. Arab Bank</p> <p>Beirut in Linde v. Arab Bank</p> <p>Beirut in Gill v. <u>Arab</u> Bank</p>	<p><u>Terrorist groups funded (1):</u></p> <p>Hamas in Palestine (Gill)</p> <p>Hamas in Palestine (Linde)</p> <p>Hamas in Palestine (<u>Almog</u>)</p>
UBS AG	<p>(1) Location in (2) different cases:</p> <p><u>Zurich</u> in Karen Goldberg v. UBS AG</p> <p><u>Zurich</u> in <u>Rothstein</u> v. UBS AG</p>	<p><u>Terrorist groups funded (2):</u></p> <p>Hamas in Palestine (Goldberg)</p> <p><u>Hezbollah</u> & Hamas in Iran (<u>Rothstein</u>)</p>
HSBC Group PLC	<p>(3) Locations in (2) different cases:</p> <p>London in Zapata vs. HSBC Holding PLC</p> <p>London in Freeman et al v HSBC PLC et al.</p> <p>New York in Zapata vs. HSBC Holding PLC</p> <p>Mexico City in Zapata vs. HSBC Holding PLC</p>	<p><u>Terrorist groups funded (2):</u></p> <p>Hezbollah in Lebanon (Freeman)</p> <p>Mexican Cartels (Zapata)</p>

Visual Examples of the TRM

Diagram 1. Showing all stages of the TRM, using one case of network of terrorist resourcing.

Linde v. Arab Bank PLC:

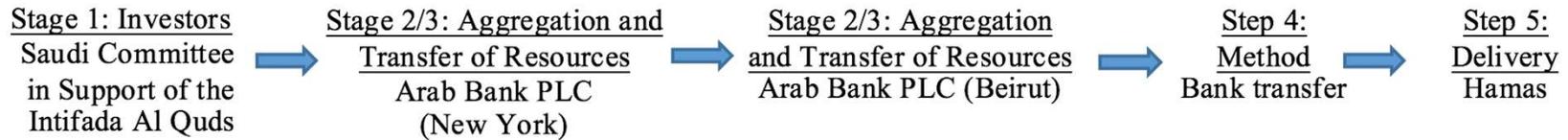
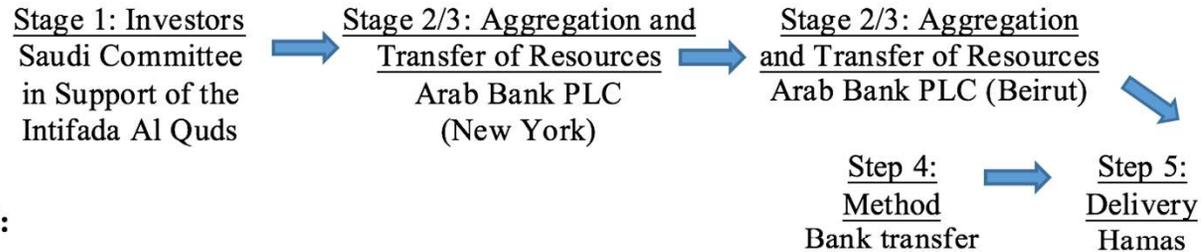
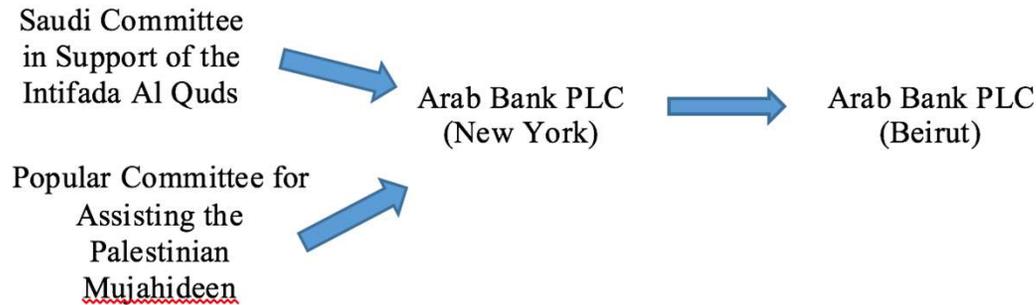


Diagram 2. Showing all stages of the TRM using two cases of network of terrorist resourcing.

Linde v. Arab Bank PLC:



Almog et al v. Arab Bank PLC:



Conclusion: Some Interesting Findings

- Nearly half of the cases show resources transferred using conventional banking system (challenge to FATF 'know your customer' standards)
- Financial hubs: NYC appears less frequently, and London appears more frequently, than expected
- If more resources transferred then more financial institutions and intermediaries involved
- Online social networks cost effective way to recruit and mobilize terrorists (*Fields v. Twitter*, 2016)
- Main contribution: TRM offers more and better information compared to conventional ML/TF model and could improve ATF laws, policies and risk-management practices