



## Accountants and Counter-Terrorist Financing

Terrorism is not necessarily expensive business. The London public transport bombings that took place in July 2005 are estimated to have cost a mere £8k. The price tag on the January 2015 shootings at Charlie Hebdo in Paris is thought to be less than \$20k. The fact that we are not looking at large amounts of money changing hands makes terrorist financing that much more difficult for an accountant to spot, but not impossible, especially as we may well see numerous financial transactions during a single engagement.

### Sources of funds

#### *Criminal activity*

Terrorist funds are often derived from crimes perceived as 'low level' or 'low risk', such as DVD pirating, counterfeiting, cigarette smuggling, credit card fraud, or small scale drugs trade. Such activity might be of a scale limited enough to fall below the radar but as noted above can still be lucrative enough to fund a terrorist operation. It is essential for an accountant to gain an understanding of their clients business, including revenue stream(s).

#### *Sham charities*

Terrorists may purport to represent a charity that does not in fact exist and produce false campaign material to raise funds by way of eg. a street collection. Remember that an accountant can use the registers of the Charities Commission, Scottish Charity Regulator, Charities Regulatory Authority or the Charity Commission for Northern Ireland as a source of client due diligence.

#### *Diversion of funds to/from real charities*

The sad fact about a lot of terrorist funding is that it can originate from legitimate donations given in good faith, either due to individuals falsely purporting to act on behalf of an existing charity, or fraudulent interception of charitable expenditure resulting in it never reaching its intended destination. The latter achieved through the use of 'insiders', or external recipients fraudulently claiming monies for objectives that are far from charitable. An accountant should remain sceptical and be alert to potentially suspicious transactions.

### Moving the money

In keeping with the desire to remain below the radar, the methods of moving money may well be quick and simple. This is where we can perhaps draw a contrast with some 'traditional' money laundering arrangements that result in unnecessarily complicated transaction structures. Methods include cash mules, pre-paid gift cards, pre-paid credit cards and diversion of charitable funds (see above).

Slightly more elaborate is the possible use of online gambling or MMORPGs (Massive Multiplayer Online Role Playing Games) that use virtual money (or credits) that players can exchange for real currency. Such games include, for example, World of Warcraft. Not only are transactions between avatars, but the small amounts are relatively inconspicuous. Yet they allow users to pay virtual money to their associates anywhere in the world, who can then take steps outside the system to convert it into local currency.

Consultative Committee of Accountancy Bodies

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Unfortunately terrorists also use our financial sector, and facilitating organisations may be unwitting or complicit (or turning a blind eye which I would hazard belongs in the second category in terms of culpability).

Take for example BNP Paribas processing transactions involving sanctioned entities in Sudan despite being in violation of U.S. law. Internal emails referred to historical relationships with significant commercial stakes and that the compliance team did not want to stand in the way of maintaining such business.

Contrast that scenario with that of a money service business, transferring funds between two individuals with no known connection to terrorist organisations.

A vast spectrum lies in between, and as accountants we are also subject to commercial pressures, but we also have codes of ethics that are there to protect us.

### Measures to combat

*Client due diligence:* We would recommend including a sanctions check as part of your customer due diligence. Details of targets can be found on the HM Treasury website. Additionally, robust due diligence should help identify just how genuine your latest 'non-profit' client is. Ongoing due diligence is also important, though the contrast with money laundering due diligence is that there may be no predicate offence, the source of funds may in fact be clean and it is the intended use that is criminal. This also makes terrorist financing more difficult for accountants to spot. But look out for the following red flags (by no means an exhaustive list):

- Unusual business activity
- Being unable to ascertain sources of funds
- Transfers of money where there is no apparent business relationships.
- Sending or receiving funds by international transfers to/from locations of concern (keep an eye on the HM Treasury [sanctions list](#) for high risk jurisdictions)
- Wire transfers following cash deposits
- Media coverage

### SARs

Accountants have a legal obligation to report any suspicions of terrorism (including terrorist financing) to the National Crime Agency (NCA). This system provides the NCA with valuable intelligence that can help them disrupt terrorist funding and terrorist activity. Go to the [NCA website](#) for more information.

### Take personal action

Now here come the difficult questions. Have you ever bought a pirate DVD? Or some cheap branded cigarettes in non UK packaging? If so there is a risk that your money was used for an act that you would never knowingly have funded. Worth bearing in mind the next time you pass a market stall (foreign or domestic) laden with pirate DVD's and counterfeit Gucci. And ask yourself if you really trust the individual that you met online earlier today (and from whom you purchased an upgrade).

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## Case Study

Mr X received large cash deposits into his account.

When asked his explanation was that these were his wages paid by an employer in the Middle East.

This, along with a large cash deposit made by Mr X to secure the rental of a building aroused suspicion and a Suspicious Activity Report (SAR) was submitted.

Mr X was also the ultimate owner of an African company which also received substantial amounts from the Middle East.

Further enquiries showed that the manager of this company had been convicted of terrorism and the company was connected to an investigation regarding a terrorist organisation.

The cash deposits in Mr X's personal account were linked to terrorist financing.

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