



FINANCING EVIL WITH GOODNESS: Terrorist financing through charities & non-profit organizations.

By Jasman Saran for [ACFE Vancouver Chapter](#) for April 2021

Charities are exclusively organizations that aims to assist those in need, whereas non-profit organizations can operate for social welfare, civic improvement, recreation, or any other purpose except profit (Canada Revenue Agency, 2016). Non-profit organizations and charities have been important role in our world supporting the goals of United Nations and play a significant role in combatting terrorism. The activities of these organizations can have wide range, large geographic reach, and operational endurance, thus making them important international actors. It has been found that the assets of non-profit organization reached \$2 trillion and annual revenues are more than \$700 billion (Jansen, Bradley & Silverman, 2003). In 2020, there are more than 10 million non-profit and non-governmental organizations around the

world and if they were a country, they would make the 5th largest economy in the world (Conrardy, 2020). Charities and non-profit organizations rely a lot on public trust for the success of their initiatives and it is crucial that this trust remains intact for their continued effectiveness.

Terrorism is the use of violence and intimidation against civilians for political aims. As most with most operations, terrorism required money to carry out their objectives. Terrorists need money to buy safe-houses, fund travel, run training camps, recruit new terrorists, pay off officials, procure weapons, obtain false documentation, promote their cause, support their members and more. Terrorist financing involves collecting funds to be used in supporting terrorist organizations, storing the funds until it is determined and planned what the funds will be used for, moving the funds as required and using the funds to further the terrorist organization's goals (FATF, 2014). One channel that is exploited by terrorists to get financial support for their operations is charities and non-profit organizations. Several charities and humanitarian organizations have been accused, as well as convicted of using their revenues for to finance or support terrorist activities (FATF, 2014). The misuse of non-profit organizations and charities has severe effects on the terrorism victims, impacts the individuals that could be supported by the funds and can lead to the loss of public confidence in the integrity of the organizations.

Terrorists can misuse charities and non-profit organizations to raise funds to finance or support their activities with or without the charity's knowledge. Jennifer Lynn Bell highlights there being direct and indirect ways which charities and non-profit organizations could be misused (Bell, 2008). Direct misuse involves active engagement of the charity in conducting fundraising activities with the intention of financing terrorist activities, whereas indirect misuse involves mistakenly financing terrorist activities (Bell, 2008). Terrorist financing can occur using charity cash funding or terrorists may utilize charity's assets, such as vehicles or premisses to transport and store weapons. This paper will examine the factors that make charities and non-profit organizations vulnerable to terrorist organizations and the methods in which they are misuse for terrorist financing.

Why Non-Profit Organizations and Charities are at Risk

There are several factors and characteristics of non-profit organizations and charities that make them susceptible to misuse for financing by terrorist entities. Firstly, the inherent risk factor is the purpose of non-profit organization and charities. Non-profit and charities are legal individuals or organizations that engages in raising and disbursing funds to carrying other various activities and initiatives. When the Cold War ended there was a bipolar power balance for decades to come and let loose many simmering tensions, thus result in new conflicts, but state actors that were adapting to post-war environment faced difficulty addressing these conflicts resulting in humanitarian demands and services being given to private sector including non-profit organizations and charities (FATF, 2014). These organization help the states and governments with less financial burden for the demands, but the growth and global complexity of the issues has resulted theses organization being at risk of misuse. The organizations are involved in collection, storage, transfer, expenditure of resources and programmes which can meet the financial needs of terrorist groups for variety of objectives.

Non-profit organizations and charities have global presence, allowing for a network for national and international operations and financial transactions (Australian Charities and Not-for-profits Commission, n.d.). Terrorist can take advantage of this global presence with increased mobility, interconnectedness of networks, expanded and deepened access to area of conflict and low-governance, decentralized communications and management and increased public global engagement (FATF, 2014). For instance, it is not uncommon for a fundraiser in Canada to be sending money overseas to build a school in a small village of Afghanistan or funding being transferred from a big city in Afghanistan to a smaller village. Non-profit organizations and charities can also have a presence in multiple jurisdictions which provides a well-established infrastructure for cross border operations and financial transactions (Australian Charities and

Not-for-profits Commission, n.d.). The organizations may create branches around the globe and a network making the interactions between the different parts of the globe easier. The Holy Land Foundation is an Islamic charitable organization operating in multiple locations and based out of Texas, United States (Al Jazeera World, 2016). It was shut down by US Treasury in 2001 for its support of Hamas, a foreign terrorist organization (Al Jazeera World, 2016).

The support consisted of direct fund transfers to Holy Land Foundation offices in West Bank and Gaza, which were affiliated with Hamas. It also transferred funds to Islamic charity committees and other charitable organizations that are part of Hamas or controlled by its members (Al Jazeera World, 2016). The organization had five of its leaders convicted in the states (Al Jazeera World, 2016). The Holy Land Foundation is an example of a global presence of a non-profit organization which can be used by terrorist to move funds more within the organization but in another nation. Like the Holy Land Foundation in United States, Canada had an organization called International Relief Fund for the Afflicted and Needy-Canada (IRFAN-Canada) and was declared terrorist entity in April 2014 by Public Safety Canada (Government of Canada, 2014). The Canadian government alleged that between 2005 and 2009 the group funneled \$14.6 million to Hamas (Government of Canada, 2014). The investigation alleged the funds were transferred to UK-based non-profit organization which then sent the funds to several Palestinian aid organizations in Gaza and the West Bank known to be under the control of Hamas or its leaders (Government of Canada, 2014).

The sole purpose of this organization was believed to raising financial and asset support for Hamas. Again, this shows the global network for terrorist financing made easier through non-profit organizations and charities. Charities being used to finance terrorist activities also came to much scrutiny after the 9/11 attacks in United States (Levitt, 2004). The International Islamic Relief Organization is one charity that has been definitively linked to financing to various terrorist groups (Levitt, 2004). The IIRO has funded al Qaeda directly and through many of its satellite groups, for example Osama Bin Laden's brother-in-law, Mohammed Jamal Khalifa was the head of the organization in Philippines (Levitt, 2004). Another example of one terrorist organization being financially support in a global network.

Such networks can also make misuse more difficult to detect. Liberation Tigers of Tamil Eelam ran global network of charities and non-profit organizations and shockingly the network of organizations was so resilient that it outlasted the Liberation Tigers of Tamil Eelam's military wing (FATF, 2014). This highlights the breadth of non-profit organizations and charities combined with operational needs can make these organizations a target for terrorist looking to take advantage of the global environment. 31% of donors worldwide give donations to non-profit organizations and charities located outside of their country of residence (Conrardy, 2020). The

global reach as further increased with social media. Shafi Sultan Mohummad Al-Ajmi, an active Kuwaiti fundraiser for Al Nusrah Front, operates on social media campaigns seeking donations (Vela, 2014). He has publicly admitted that he collected money for the purpose of charity and delivered the funds in person to Al Nusrah Front, as well as purchased and smuggled arms on behalf of Al Nusrah Front (Vela, 2014).

Moreover, the operating location of charity and non-profit organizations also makes them vulnerable as they work within or near areas that are most exposed to terrorist activity (Narcotics Division Security Bureau, 2018). Some of these areas are in emergencies or the charities are providing humanitarian response where there are no banks and infrastructure, forcing them to deal in cash or use alternative remittance systems (Narcotics Division Security Bureau, 2018).

Charities and non-profit organizations that collect cash funds that are used in such areas make it difficult to distinguish whether the cash flow is legitimate or illegitimate. Within these areas, many organizations are unable to reach themselves, thus requires the support of locals to get the funds into the area. The third-party involvement in such areas can also introduce the funds to those that can misuse them. Terrorist groups in these areas may lead to non-profit organizations and charities experiencing theft, being threatened for money, tariffs, self-imposed taxes, or members of the organization being held for ransom (FATF, 2014).

Terrorists may also prefer to use financing through charities since they have complex financial operations which are not always accounted for in detail. Accounting for the details in charities is complex because there are multiple donors, multiple investments, multiple currencies, high number of small transactions and informal money transfers. In December 2009 in Australia Aruran Vinayagamoorthy, Sivarajah Yathavan and Armugan Rajeevan pleaded guilty to offence of making assets available directly or indirectly to The Liberation Tigers of Tamil Eelam (Bricknell, 2011). They were a militant separatist group fighting for an independent homeland for Hindu Tamils (Bricknell, 2011). The individuals played a role in collection and transfer of \$1,030,259 AUD in donations to the terrorist organization between 2002 and 2004 (Bricknell, 2011). In addition to the donations, Vinayagamoorthy also provided \$97,000 AUD worth electronic components to them (Bricknell, 2011). The judge found that the complex structure

used to transmit funds made it probable that defendants knew Liberation tiger of Tamil Eelan was a prohibited entity in other countries (Bricknell, 2011).

However, the court accepted that the funds were collected to provide humanitarian assistance and not purposely to assist terrorist activity; Yathavan and Rajeevan were sentenced to one year in prison and released on three-year good behaviour bonds and Vinaygamoorthy was sentenced to 3 years in prison but released on a four-year good behaviour bond (Bricknell, 2011). This is an example of despite there being evidence of strong connections between individuals and organizations with terrorist entities (there were images of the individuals supporting the organization), the complex network to transfer funds makes it difficult to establish that the intention was on purpose. Furthermore, charities and non-profit organizations have unpredictable and unusual income and expenditures; thus, suspicious, and unusual transactions are harder to identify. They also tend to be cash intensive, and the cash flow is more difficult to trace and establish an audit trail. Many charities rely on intermediary partner organizations to carry out complex programs and pass the funds to them to carry out the programs. This results in charities not using the funds themselves but passing the funds to an organization they believe can carry out the charitable work on their behalf (Australian Charities and Not-for-profits Commission, n.d.).

Moreover, charities are also vulnerable to being misused because they may be run by one or a few individuals leading to unsupervised roles (Australian Charities and Not-for-profits Commission, n.d.). With few internal checks in charities the moving of money and assets around is easier and quicker. There may be a small charity or non-profit organization that collects funds and give it to another organization to carry out an initiative. Often there they are subject to little or no regulation and experience few obstacles to be created. Each state government have varying levels of regulations. Non-profit organizations and charities also have a high level of public trust (Australian Charities and Not-for-profits Commission, n.d.). Charities are known to do good work and improve our world. Supporting these charities through funding and supporting their prerogative makes individuals feel they are doing a good deed as well. This results in charities to not be scrutinised for the use of the charitable funding or their charitable activities, especially compared to other sectors. There are many factors and traits of non-profitable organizations and

charities that can make them good targets for terrorist financing and require regulation from the states they operate in and larger organizations have internal controls.

Methods of Abuse of Non-Profit Organizations and Charities for Financing

Previous incidences of misuse of non-profit organizations and charities are the main source of understanding how these organizations become victims to terrorist abuse. It is crucial to understand these methods used by terrorist organizations to understand the possible measures that can be implemented to effectively address the risk.

The most common way in which charities and non-profit organizations get misused for terrorist funding is diversion of funds (FATF, 2014). Diversion of funds involves funds and assets raised for humanitarian initiatives like disaster relief, humanitarian relief, cultural centres, relief of poverty, promoting education, etc. are instead diverted to support terrorist entities. The diverted funds are not only used to support terrorist activities but also families of terrorists. The funds can be used by terrorist organizations may be diverted domestically or sent abroad (Laksmi, 2019). Islamic charity groups in regions of Indonesia have been established to collect and disburse funds to the poor (Arianti & Taufiqurrohman, 2020). These charity groups include Islamic microfinance institutions which have come up since the development of Islamic banking in Indonesia (Laksmi, 2019). Many individuals linked to Jamaah Ansharut Daulah (JAD), an IS-affiliated terrorist network that is known for many gun and suicide attacks have exploited such institutions to support their terrorist activities (Laksmi, 2019). An example of this is Baitul Maal Tamwil which was set to primarily fund JAD's terrorist operations (Laksmi, 2019).

The organization set up an online channel on Telegram and the creators if Baitul Maal Tamwil, Wans Suyitno and Jajang Iqin Shodiqin, as coordinators of the organization invited people to attend their religious events and encouraged these participants to donate to the organization (Laksmi, 2019). Third party accounts were used to receive and hold the funds. Bank transfers and ATMs were used to move funds and spent on organization's activities (Laksmi, 2019). Such organizations used donations not only for their organizations and to support members with needs, but also family members of detained terrorist members and purchasing

property that than acts as a transit point for members of the JAD (Laksmi, 2019 and Arianti & Taufiqurrohman, 2020).

Diversion of funds may be carried out by internal actors or by external actors (FATF, 2014). Internal actors may see the charity being a victim when members of the terrorist groups become involved with the charity or non-profit organization as employees or volunteers, they then skim off money from fundraising (Laksmi, 2019). Internal actors may intercept cash funds collected prior to deposits made to the charity or non-profit organization's account by wire transfers, cash couriers, deposits being made to personal accounts, unrelated business accounts or traveller cheques (FATF, 2014). An example of unrelated business accounts being used for the movement of terrorist funds is a domestic company established with broad commercial purpose and small deposits being made to the business's bank account (FATF, 2014). It was suspected the small payments were coming from fundraisers by a non-profit organization and law enforcement information indicated the non-profit organization had ties to terrorist entities, thus leading to an investigation the business company was being used as a front company to transfer funds on behalf of the non-profit organization to terrorist entities (FATF, 2014).

Another incident reported found a non-profit organization raising funds for humanitarian relief through collection boxes outside religious institution had the founder of the non-profit organization divert the funds from the bank account to terrorist entities instead of the stated humanitarian cause (FATF, 2014). The founder was arrested and is being investigated (FATF, 2014). Moreover, another instance of terrorist financing through an organization's internal actors is the non- governmental organization Azzam Dakwah Center (Laksmi, 2019). Three of its key members, which included the chairman Achmad Romadian Denny, financial manager Muhammad Nur Solukin and public relations coordinator Agus Supriyadi were arrested in 2017 for partaking in terrorist activities (Laksmi, 2019). Azzam Dakwah Center was used as a front organization to cover JAD's movements and the primary objective of the charity was to conceal the activities of JAD operatives linked to the Islamic State through funding of social programs under partner charity foundation (Laksmi, 2019).

External actors such as external fundraisers or foreign partners can divert non-profit organization and charity funds to terrorist entities. The organizations may be unable be where the

funds are need, therefore must rely on external partners that are in the area where the funds need to go, to support them in their initiatives. An instance where the foreign partner misused a non-profit organization fund came to light when a large international non-profit organization collected funds for a humanitarian disaster and to provide the aid to beneficiaries in a terrorist entity-controlled area, they used a local money services business (FATF, 2014). When an examination of the campaign was done after a partner of the non-profit organization raised concerns, it was found that the money services business was deducting a tax which was given to the terrorist entity in the area (FATF, 2014). Such examples of misuse highlight that it has become a general understanding that portion of charitable funds go to the terrorist organization in the area.

Furthermore, a non-profit organization was established to support other charitable organization in foreign areas of conflict, subsequently an investigation indicated the charitable organizations in foreign areas were than transmitting the funds to organizations and individuals affiliated with terrorist organizations. This highlights the importance of not just the individual donors to do their research on the function of the non-profit organization or charity they support, but also the onus of those organization to understand the workings of the organizations they associate with and support with the funds they raised. With non-profit organizations and charities working with other organizations for their initiatives, it is not uncommon for there to be affiliations. However, some organizations may have affiliations with terrorist entities (FATF, 2014). The affiliation has the non-profit organization or charity collecting funds meant to financially support the terrorist entity.

It may not be the entire non-profit organization or charity associated with a terrorist entity, but a specific individual (an internal actor) may be associated with a terrorist entity and they able to use their power in the organization to influence the operation of the organization to support the terrorist entities. However, a formal affiliation may be established with terrorist entities as well. This is seen through non-profit organizations creating regional branches creating an operation support network (FATF, 2014). In 2005, the Australian Federal Police got a complaint from Sri Lankan High Commission requesting that they investigate possible fundraising activity by Liberation Tigers of Tamil Eelam in Australia (Human Rights Watch, 2006). Upon this request, an investigation was carried out finding a Melbourne based non-profit

organization, Tamil Coordinating Committee run by a small committee was a cover for Liberation Tigers of Tamil Eelam (FATF, 2014).

The Tamil Coordinating Committee were soliciting funds through radio and posters within the Tamil community of Australia (Human Rights Watch, 2006). They even procured electronic and marine equipment on behalf of the Liberation Tigers of Tamil Eelam (Human Rights Watch, 2006). The non-profit organization used charity tins to collect donation at shopping centres and hundreds of individuals were persuaded to contribute monthly debit payments to Tamil Coordinating Committee (FATF, 2014). Not just Australia, the letter mentioned the international network fundraising for Liberation Tiger of Tamil Eelam and this affiliation with non-profit organizations around the globe were being used to finance the terrorist plans of this terrorist entity in Sri Lanka.

Another method through which non-profit organization and charities can be misused for terrorist entities for financing is through false representation under the pretext of charitable activities (FATF, 2014). This can occur with sham non-profit organizations or charities with a false purpose is set up as a front to support terrorist activities. An example of this from 2013 in United States found two women from Minnesota being sentenced for supporting US designated terrorist organization, al-Shabaab between 2008 and 2009 (Furst, 2020). The evidence presented against them showed the women raised funds by soliciting funds in Somali neighborhoods in Minnesota and other neighbouring cities by leading donors to believe they were helping the less fortunate (Furst, 2020). They also collected funds directly for al-Shabaab through participation in teleconferences and invited speakers to listeners to make donations (Furst, 2020).

The funds they collected were then sent through multiple remittance services using fake recipients' names to conceal the intended beneficiary (Furst, 2020). Interestingly, the women are scheduled for early release due to deteriorating health issues putting them at high-risk of COVID-19 (Furst, 2020). In addition to sham organizations and charities being established, individuals involved with terrorist activities may also falsely identify themselves as a member of a legitimate non-profit organization or charity, but instead of collecting funds on behalf of the legitimate organization, the funds are used for terrorist activities. An instance of this method being used is two individuals raising funds in public street collection using the name of a well-

known domestic humanitarian aid non-profit organization, against domestic law and having consent from the organizations to solicit donations (FATF, 2014). Once a considerable amount was collected by them, they wire transferred the amount to a relative listed as part of a terrorist organization abroad (FATF, 2014). They were arrested and convicted of terrorist fundraising (FATF, 2014). The use of the non-profit organization damages the integrity of organization, even though the organizations was not aware of this misuse.

Overall, there are various ways non-profit organizations and charities can be used by terrorist entities to obtain financing, diversion of funds raised for positive initiative, affiliation of terrorist groups with non-profit organizations and charities, and through false representation of a non-profit organization or charity. The various methods used to misuse funds makes monitoring of organizations activities crucial, as well as strong internal controls to understand the flow of the funds to the end. Government also needs to monitor the activities of non-profit organizations and charities within the countries and its links outside the country. There should also be transparency of the members the organizations and charities internally and the government to understand possible red flags.

Actions Taken to Combat Misuse by Terrorist Entities

Around the world various steps and programs have been established to combat the issue of terrorist groups using non-profit organization and charities to finance them. The Financial Action Task Force is an intergovernmental body that sets international standards on combating money laundering and terrorist financing and first established its guidelines in 2002 (FATF, 2014). The Financial Action Task Force has developed 40 recommendations based on which the international community has been strengthening efforts to combat money laundering and terrorist financing (FATF, 2014). The Financial Action Task Force place Pakistan on a gray list, which includes countries that are only partially fulfilling international rules for fighting terrorism financing and money laundering (Al Jazeera, 2020). Recently official in Pakistan stated they believe once they are removed from the watchlist, the country's declining economy could revive (Al Jazeera, 2020). This shows the power of intergovernmental body to keep governments and states responsible for the possibility of terrorist financing and meeting goals for their nations well-being and reputation. Like Pakistan, states have a motivation for the progression of its

economic growth to meet the international guidelines set. Currently FATF has two nations on its blacklist, North Korea, and Iran and 18 nations on its grey list.

Countries have taken individual action to combat terrorist financing through non-profit organizations and charities. However, globally the regulations for charitable organizations vary. After the 9/11 attacks, United States government initiated the Terrorist Tracking Program to identify, track and pursue terrorist group funding (Davis et al., 2010). This program has been successful in uncovering and shutting down over 40 designated charities used as possible covers for terrorist financing (Davis et al., 2010). The Charity Commission is an independent regulator of charities in England and Wales and its role is to protect public's interest in charities and ensure that charities further their charitable purposes for the public benefit and remain independent from private, government and political interests (Dunn, 2008). They have created a Counterterrorism Strategy Report which dictates a four-strand approach to prevent abuse of charities by terrorists, including: co-operation with government regulators and law enforcement nationally and internationally, raising awareness in the sector of the risks charities face from terrorism, oversight and supervision through proactive monitoring of the sector in areas identified as being at high risk and intervention when abuse, or risk of abuse, related to terrorist activity is apparent an (Dunn, 2008). In Australia anyone can set up a charity and collect donations without registering with a regulatory body given that the funds raised for use in high-risk conflict areas are under a certain threshold (Bricknell, 2011).

In Canada, the constitution gives provinces jurisdiction to regulate charities and charitable donations, however most organizations do not or barely exercise the jurisdiction (Duff, 2010). The federal jurisdiction over charities looks at its taxing rather than supporting charities with their legal obligations and charitable purposes (Duff, 2010). However, the taxation department, Canada Revenue Agency does deny charity registration if the application lacks information of activities or are too broad with their objectives (Duff, 2010). Babbar Khalsa Society had been granted charitable status in Canada, surprising Babbar Khalsa Society is a militant organization in northern India with a goal to separate from India and create an independent fundamentalist Sikh state (Duff, 2010). They are believed to have planned the Air India bombing in June 1985. The organizations charitable status was revoked in 1996 (over a

decade after the Air India bombing) (Duff, 2010). The revocation resulted after reports of funds collected to support Sikh temples in Canada was diverted to support Sikh militancy in India.

Furthermore, in Babbar Khalsa Society remained a registered non-profit organization in one Canadian province until 2004 (Duff, 2010). Changes have occurred in Canada since the 80s and 90s. The income tax act requires non-profit organizations and charities to publicly disclose their information allowing for detection of possible misuse through members or donors (Duff, 2010). There has also been an increase in information sharing between Canada Revenue Agency and other organizations like RCMP and CSIS (Duff, 2010). There also penalties implemented for non-compliance by non-profit organizations and charities (Duff, 2010). Nevertheless, some are still question action taken in Canada about whether enough is still being done. In 2020, the infamous Canada Student Service Grant saw a non-profit organization being provided funding and approved for the program despite being suspended for possible connection with terrorist financing.

Conclusion

Actions must be careful of not harming genuine charities and support. Some charities, particularly those with Muslim religious connections have seen a large drop in donations or have claimed to being targets to unfair investigations and accusations. The international groups, individual states and non-profit organization and charities internally must set strong policies and regulations to prevent them from being target of terrorist financing.

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Most sincerely, Steve Wilson, President, ACFE Vancouver Chapter, www.cfevancouver.com