



UNIVERSITEIT VAN AMSTERDAM

A Finance/Security Assemblage Banks in the Frontline

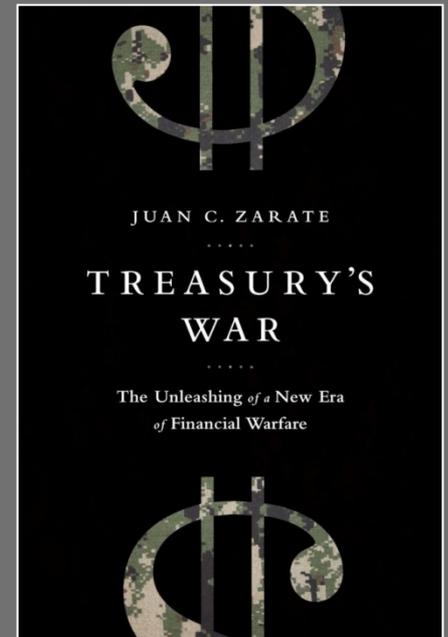
Dirty Assets conference
Tilburg October 2015

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‘The challenge would be to shape the classic financial weaponry of anti-money-laundering strategies and sanctions into a robust set of tools that could disrupt Al Qaeda’s operations and...dismantle its networks’ (Zarate, *Treasury’s War*, p. 21)

“Financial transactions “yield valuable intelligence...[with] particular value for detection of terrorist activity and players involved” (European Commission 2013: 5)



New elements after 9/11

- Terrorism Financiering: ‘money dirtying’
- Statistical history limited
- *Unknown* risks
- Future use & intent
- Small amounts /
mundane transactions



Preemptive security

“Financial information has a key intelligence role,” because it allows law enforcement to

look sideways, by identifying or confirming association between individuals and activities linked to conspiracies, even if overseas – often opening up new avenues of inquiry; and
look forward, by identifying the warning signs of criminal or terrorist activity in preparation” (UK Treasury 2007)

→ The purpose of the pursuit of terrorism financing is to broaden the *space* and *time* of security

→ Regulatory assemblage & dispersed security decisions

“The hijacker’s transactions were not extraordinary or remarkable...[T]hey used their accounts just as did many other banking customers”

Monograph on Terrorist Financing (2004)

Place	Year	Cost		Sources
NY, Washington (9/11)	2001	\$400,000-500,000	Flight lessons, rent, cost of living	Wire transfers from Dubai
Casablanca	2003	€4,000	Cost of living	Self-financed
Madrid (11-M)	2004	€30,000	Rent, explosives, mobile phones	Self-financed, petty drug trade
London (7/7)	2005	£8,000	Travel, explosives, rent	Self-financed

Banks in the Frontline

- Risk-based regulation
- Complex regulatory landscape: FATF / EU 3rd Directive / sanctions lists
- OFAC fines

→ *Effectiveness vs effects*



OFAC fines



ING 2012 (US\$619 mil.)

Barclays 2010 (US\$298 mil.)

ABN Amro 2010 (US\$500 mil.)

Credit Suisse 2009 (US\$ 536 mil.)

HBSC (US\$ 1,9 miljard)

o.a. transacties met Bank Melli / Bank al-Rahji

Effectiveness?

John Howell,
Rapport voor de
Europese
Commissie, 2007,
p. 26

“It is difficult to measure success because the preventive effect of the recommendations can hardly be measured at all.”

Uit ons onderzoek blijkt dat terrorismefinanciering nog onvoldoende wordt voorkomen. (...) de kans dat witwassen en terrorisme financiering bestraft worden is klein.

Algemene Rekenkamer



Effectiveness?

Preemption or network identification?

Cases Terrorism Financing Tracking Report (2012/2013 EU-US
Joint review reports)

“In the Breivik case...it was not about finding a person because he was known immediately....Europol on request of Norway made requests, and we got an answer still during the weekend, the attack was on a Friday, to find out what money connection does he have? And does that give us information if this is networked?”

Senior EU Commission official, January 2013



Effects

Authorising banks to make security decisions



- Banks as 'petty sovereigns'
- changing logic of decisions ?
- Transparency and predictability toward citizens?

Effects: 'Derisking'

- Derisking: sectoren 'too risky to bank'?

“In recent years, in combination with a reduction of banks’ ‘risk appetite’ and general banking ‘de-risking’, the consequences have escalated. Certain users of the banking system deemed to be ‘high risk’ have found it ever harder to receive, send and store their money. In the worst cases they have had their bank accounts closed, losing financial access.”

Keatinge report, Demos, 2014

Banks as social utilities?

UK controversies

“Barclays does not want to unwittingly facilitate such transactions, given these serious risks. If we were caught up in such transactions Barclays could be punished by our regulators and potentially fined, as we have seen with global banks receiving fines of hundreds of millions for anti-financial crime failures.”

(quoted in WSJ)



Rushanara Ali (MP): “I have deep concerns about decisions that have been made in the past, not just by Barclays but by other banks such as HSBC, to remove banking facilities that are affordable for hard-pressed families who are trying to get support to other parts of the world”

Questions?

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