

# Adapt or perish

By John Solomon

Successful adaptation to change is integral to the longevity of any organisation. Terrorist groups are no different. While its fortunes have waxed and waned over the years, al-Qaeda has remained resilient in the face of a formidable global onslaught on its finances and operations. An important question is: how and what can be done about it?

**T**HIS ARTICLE ARGUES that al-Qaeda's evolution into a decentralised, ideologically-structured network has outpaced the international regulatory frameworks put in place to counter it after 9/11. For businesses that want to do all they can to mitigate regulatory, reputation and legal risk of terrorist financing, the best strategy is to follow FATF's recommendation to identify broad organisational infrastructures of associated groups and affiliated cells for know your customer (KYC) purposes that extend beyond slow-moving sanctions lists.

According to Marc Sageman, a prominent terrorism scholar, al-Qaeda has remained viable because it decentralised into 'homegrown' networks, mainly among Western diaspora communities in Europe and the United States. The al-Qaeda of old is no longer the threat, he argues; instead, anti-terrorism organisations should focus on bottom-up networks of 'bunches of guys' that have no ostensible link to Bin Laden's al-Qaeda other than an ideological kinship. Accepting that al-Qaeda's structure has decentralised, it follows that its finances have too. Indeed, the funding for these bunches of guys depends on the fiscal resourcefulness of each small network and individuals more so than it does on the old set of known private donors from the Gulf.

The US Treasury Department in October cited al-Qaeda's recent appeal for money by its leadership in Pakistan as evidence of its weakened fiscal condition. Indeed, Bin Laden

and his deputies in Waziristan are likely in dire straits. Robust sanctions and regulatory regimes have been a major factor in depleting the group's war chest. The terrorist group's traditional donors now reconsider funnelling their wealth to the network. The current state of affairs stands in stark contrast to the heady 1990s, when oil-rich donors replenished the group's accounts while rogue states offered it and its money safe harbour. That said, any claim of victory would be premature.

Al-Qaeda is a hydra-headed beast, and the new head is much more amorphous, transnational and hence more difficult to counter than the Saudi and Egyptian Bin Laden network of old. To effectively combat the group and its finances, governments and private sector partners need to recognise that the group's traditional hierarchy has broken down, and that the ideology that inspires terrorism and its financing is the common denominator tying al-Qaeda together globally.

The intense pressure applied to al-Qaeda core in the form of Predator drone attacks in Pakistan coupled with targeted financial sanctions on its donors has rendered the group less able to fund and thus command its followers. Al-Qaeda's core has only been able to conduct one successful major attack on Western soil, the 7/7 attack in London, since 9/11.



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This development has necessitated that de-centralised cells have greater autonomy in their operations and fundraising in order to continue the movement's irregular warfare campaign.

With its commanders in Pakistan under fire, the greatest threat of a successful terrorist attack on Western soil now emanates from grassroots jihadists in Western countries. This trend has been borne out by an unusually large number of high-profile plots being disrupted in the past year. In several of these cases, the individuals involved either initiated or attempted to initiate contact with al-Qaeda. Once they seek out al-Qaeda to obtain training or guidance, these potential terrorists are more likely to be detected and disrupted.

Those unable to connect with the formal leadership of the group, the so-called lone wolves, often plan and act alone. Fortunately, these autonomous terrorist cells generally lack adequate skills in tradecraft, such as rudimentary bomb-making skills. Many of these plots are unsophisticated and fail at various stages of the attack cycle.

In contrast, individuals who manage to obtain some form of support from the larger jihadist movement, be it training, material support or guidance, are one of the most significant terrorist threats facing Western societies. The combination of being already assimilated into Western society and also armed and proficient in terrorist tradecraft greatly enhances the threat they pose.

Three recent high-profile plots can be examined to highlight some common characteristics of this alarming trend. The first is the case of Adlène Hicheur, a French-Algerian physicist who reached out to various jihadist groups on the internet and made contact with members of al-Qaeda in the Islamic Maghreb (AQIM) in a jihadist forum online and offered his services to al-Qaeda's north African affiliate. He was arrested in October 2009 by French authorities on suspicion of plotting terrorist attacks in Europe on behalf of AQIM.

The second example is Tarek Mehanna, a US citizen, and the fifth person living in the US to be arrested on terrorism charges in the past five months. A pharmacist with a doctorate from the Massachusetts College of Pharmacy, Mehanna allegedly travelled to the Middle East in an attempt to join terrorist groups in Pakistan, Syria, Iraq and Yemen. After failing to do so, Mehanna apparently returned to the US and conspired with associates to attack civilians at a shopping mall, kill American soldiers abroad and assassinate two US government officials.

The third and perhaps most high-profile case involves Najibullah Zazi, an Afghan-born immigrant living in Colorado, and a key figure of what the FBI suspects was an al-Qaeda cell nearly ready to launch a domestic terror attack. What distinguishes Zazi from other homegrown plots and lone-wolf wannabes are reports that Zazi was apparently in indirect contact with Mustafa Abu al-Yazid, a top leader of al-Qaeda core. According to media reports, Zazi



received weapons and explosives training in Pakistan and had made nine pages of handwritten notes on how to make and handle bombs.

Although the three individuals mentioned above met with varying degrees of success in their attempts to make contact with al-Qaeda's core network, the important takeaway is the fact that they were self-funded and self-selected. While the conceptual model underlying the sanctions regimes assume terrorist financing takes place from the top down, recent events suggest just the opposite is taking place. Terrorist groups are being funded from the bottom up. Law enforcement and national security agencies managed to disrupt all three plots, but the threat of more such plots emerging in the coming months is likely, given the growing trend toward grassroots jihad. For banks and other financial institutions to practise good CTF in light of this constantly adapting form of terrorism, they will have to be more proactive in conducting due diligence checks based on CTF-specific red flags.

With al-Qaeda struggling financially, home-grown jihadists increasingly have to take on more responsibility for raising their own funds to carry out operations. These new sources of financing run the gamut from personal funds to traditional criminal activities. Most all of them involve use of the Internet for communication and use of fraud to raise funds. For instance, Najibullah Zazi and his associates reportedly used stolen credit cards to purchase bomb-making materials in Colorado. While the CTF/AML measures currently in place are well-suited to effectively disrupt established terrorist financing networks, the evolution of terrorist financing schemes represents a new challenge for governments and law enforcement officials, as well as the private sector.

The decentralisation of terrorism and its financing has placed the onus on the private sector to become more proactive in order to avoid doing business with terrorists. Whether this is right or wrong is an open question. What is absolutely clear, however, is that reliance on government sanctions lists is necessary but by no means sufficient to mitigate the abundant regulatory, reputational and legal risks associated with terrorist financing. FATF indicates the way forward. Broad organisational infrastructure must be identified and tracked for more efficacious KYC. Just maintaining the status quo, and merely checking the box without first adopting a risk-based KYC approach, misses the point. □