

*Nahian Reza Sabriet***TERRORIST FINANCING IN BANGLADESH IN THE POST-9/11 ERA: METHODS AND RESPONSES****Abstract**

This article investigates the major sources of terrorist financing in Bangladesh and measures that have been taken by the Government of Bangladesh to counter those sources of terrorist financing. In doing so, a modified theory has been developed upon Michael Freeman's theoretical framework of the methods of terrorist financing. The modified theory refines the concept of state sponsorship by adding regime support as a variable. It has been argued in the article that the domestic political regime may provide direct or indirect support to terrorist groups targeting political opposition. Relevant empirical evidence is also manifested to prove the utility of the modified framework. In conclusion, the paper stresses the need for bolstering national efforts to combat terrorist financing.

**Keywords:** Terrorist Financing, Money Laundering, Legal Sources of Terrorist Financing, Illegal Sources of Terrorist Financing, State Responses to Terrorist Financing

**1. Introduction**

Terrorist groups operating in Bangladesh have shown remarkable skills in raising and moving funds. A close look at the post-9/11 terrorist incidents in Bangladesh would clarify this. On average, most of the terrorist attacks required an amount ranging from BDT200,000-1,000,000 (US\$2,400 to 12,000).<sup>1</sup> The highest amount was spent for the Holey Artisan Bakery attack in 2016 which required an estimated amount of BDT800,000-1,000,000 (US\$10,000 to 12,000).<sup>2</sup> The gravity of the threat is often referred to as 'an economy within an economy'.<sup>3</sup> According to

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<sup>1</sup> Information collected from the Bangladesh Police (BP) Headquarters and content-analysis of the *Daily Prothom Alo* (2005-19). However, the amounts may vary considering whether the cost of only a terrorist attack is considered or whether the subsidiary costs are included as well. In this case, the subsidiary costs are also included.

<sup>2</sup> Ibid.

<sup>3</sup> Paul Cochrane, "The Funding Methods of Bangladeshi Terrorist Groups", *Combating Terrorism Center (CTC) Sentinel*, Vol. 2, No. 5, 2009, available at <https://ctc.usma.edu/the-funding-methods-of-bangladeshi-terrorist-groups/>, accessed on 3 June 2019.

one analyst, 33-35 terrorist groups in Bangladesh have created a network within the country for systematic funding of terrorism and these groups have generated about US \$300 million every year.<sup>4</sup>

This study focuses on the trends in terrorist financing in Bangladesh in the post-9/11 era. According to the Dhaka Metropolitan Police (DMP) officials, the grenade attacks on the Awami League (AL) convention in 2004 and the Jama'at-ul-Mujahideen Bangladesh's (JMB) countrywide terrorist attacks in 2005 had each cost around BDT200,000-300,000.<sup>5</sup> After those two major events, most of the incidents were executed by individual militants<sup>6</sup> rather than organized terrorist groups targeting secular bloggers, Lesbian-Gay-Bisexual-Transgender (LGBT) activists and some foreigners around the country. However, none of these attacks cost more than BDT 10,000 except for two incidents: the Holey Artisan attack in 2016 and a robbery at the prison van in Trishal, Mymensingh, in 2014.<sup>7</sup> The proper value of the cost required for these events vary depending on how the concept of 'financing' is depicted; however, it has been estimated by both the Counter Terrorism and Transnational Crime (CTTC), DMP officials and the journalists from a leading national newspaper that in these two cases, the amount crossed the boundary of thousand (in BDT). It has also been reported that different groups like the neo-JMB<sup>8</sup> and Ansar Al Islam (AAI) are now planning to build up inter-group nexus for fundraising and other operational issues.<sup>9</sup>

This paper makes a contribution to the terrorism studies literature by revisiting Michael Freeman's theory on the sources of terrorist financing. A thorough study of 150 journal articles published between 2001 and 2018 suggested that Freeman's typology is the most widely cited literature on the sources of terrorist financing. Specifically, it is indeed the only concrete theoretical material which has been referred to by the Western academia. However, there has been no previous research focusing on the evaluation of Freeman's theory in the Bangladeshi or any South Asian context and this research looks forward to contributing in this regard.

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<sup>4</sup> Ibid.

<sup>5</sup> From personal interviews taken in between June 2018 to December 2019.

<sup>6</sup> This does not refer to lone-wolf terror attacks (LWTAs), per se. They might be part of different groups, but the financing of the events did not require organized financial capacity. The attacks on the bloggers were carried out by the Al-Qaeda inspired terrorist outfit, viz. Ansar al-Islam (AAI).

<sup>7</sup> See more in Iftekharul Bashar, "Bangladesh", *Counter Terrorist Trends and Analyses*, Vol. 9, No. 1, 2017, pp. 43-46; and, Madiha Khan, Md. Shahidul Islam and Shejuti Haque, "Impact of Holey Artisan Restaurant Attack on Restaurant Business in Dhaka City", *Southeast University Journal of Arts and Social Sciences*, Vol. 2, No. 1, 2017, pp. 67-81.

<sup>8</sup> The reemergent variant of the previously banned (old)-JMB outfit which came to the scene after 2015.

<sup>9</sup> "JMB planned to merge with Ansarullah Bangla Team, Neo-JMB: Police", *The Business Standard*, 25 November 2019, available at <https://tbsnews.net/bangladesh/crime/jmb-planned-merge-ansarullah-bangla-team-neo-jmb-police>, accessed on 10 May 2020.

Nevertheless, in this research, Freeman’s framework has been modified in light of other academic works.

The paper addresses a central research question: what are the major sources of and responses to terrorist financing in Bangladesh? The research is a qualitative study. Both primary and secondary data were used for this study. The primary data includes in-depth interviews and document analysis. 17 interviews with senior officials and experts were conducted in order to get substantial amount of perspectives, varied opinions and diverse experiences.<sup>10</sup> Official reports published by Bangladesh Financial Intelligence Unit (BFIU)<sup>11</sup> were studied thoroughly to understand the initiatives taken at the national level to counter the sources of terrorism. Other primary sources include United States (US) Country Report on Terrorism from the US Department of State<sup>12</sup>, the Mutual Evaluation Reports published by the Asia-Pacific Group (APG) on Money Laundering<sup>13</sup>, annual reports from notable think tanks such as the Global Financial Integrity and reports from various national and international newspapers.

Secondary data were collected from various books, journals and newspaper articles. The conceptual and theoretical part of this paper has benefited from several writings. These include, among others: Jeanne K. Giraldo and Harold A. Trinkunas’s edited volume *Terrorism Financing and State Responses: A Comparative Perspective*<sup>14</sup>, Thomas J. Biersteker and Sue E. Eckert’s edited book *Countering the Financing of Terrorism*, and Paul Cochrane’s article “The Funding Method of Bangladeshi Terrorist Groups”<sup>15</sup> published in *Combating Terrorism Center (CTC) Sentinel*.

Thus, the paper examines the sources of and responses to terrorist financing in Bangladesh. It has been organized as follows. After the introduction, the second section reviews existing literature and touches on the conceptual debates on terrorist financing. Three distinct issues emerge in the existing literature: the connection

<sup>10</sup> For detailed information about the interviewees, see Appendix 1.

<sup>11</sup> An extensive document analysis has been performed by studying the Annual Reports published by the Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank, including BFIU Annual Report 2011-12, BFIU Annual Report 2012-13, BFIU Annual Report 2014, BFIU Annual Report 2014-15, BFIU Annual Report 2015-16, BFIU Annual Report 2016-17. See more on BFIU’s official site [https://www.bb.org.bd/bfiu/bfiu\\_publicitn.php](https://www.bb.org.bd/bfiu/bfiu_publicitn.php)

<sup>12</sup> US Department of State, Bureau of Counterterrorism and Countering Violent Extremism, *Country Report on Terrorism: Bangladesh*, Washington, D.C.: US Department of State, 2005-16.

<sup>13</sup> Asia Pacific Group on Money Laundering, *Mutual Evaluation Reports*, Sydney South: APG, 2013-17, available at <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-bangladesh.html>

<sup>14</sup> Jeanne K. Giraldo and Harold A. Trinkunas (eds.), *Terrorism Financing and State Responses: A Comparative Perspective*, California: Stanford University Press, 2007.

<sup>15</sup> Thomas J. Biersteker and Sue E. Eckert (eds.), *Countering the Financing of Terrorism*, New York: Routledge, 2008.

between terrorist financing and international political economy; the lack of a concrete theoretical basis for the study of terrorism as well as terrorist financing; and, finally, the changing patterns in the sources of terrorist financing following the newer waves of terrorism. The third section modifies a dominant theory of terrorist financing, given by Michael Freeman. The fourth section presents the central research findings. The fifth section evaluates the existing national, regional and international measures for combating terrorist financing. The sixth section concludes the paper.

## **2. A Review of Literature**

A review of the existing literature on terrorist financing reveals three major themes. The first deals with relations between terrorist financing and the international political economy; the second shows how the lack of a strong theoretical conceptualization has created ambiguity in the study of terrorist financing; and the third narrates how the study of terrorist financing has changed in recent years embracing the newer sources.

### **2.1 Terrorist Financing and the International Political Economy**

Jeanne K. Giraldo and Harold A. Trinkunas note that adopting a political economy perspective to the financing of terrorism implies “how the potentially divergent interests of the key actors engaged in the raising, distribution, and spending of funds—and the institutional settings in which decisions about financing have made, might have outcomes”.<sup>16</sup> However, the approach looks heavily driven by the issues of ‘interests’ and ‘policies’ which ignores other variables. Giraldo and Trinkunas’s analysis refers to state sponsorship and popular support as the sources to be dealt with greater emphasis. Thus, states are being taken into account as the sponsors of terrorism when it is important to infiltrate or taper off the strength of any rival power. On the other hand, popular support has two different magnitudes—working as a means of voluntary contribution or through the process of extortion. Their arguments capture the process of extortion in cases when there is scarce convergence among the interests of the terrorist group vis-à-vis the targeted population.

Giraldo and Trinkunas rightly claim that most writings on terrorism focuses on the political and societal dimensions of security.<sup>17</sup> Thus, terrorist financing, which represents an economic dimension of the problem, is often seen as a subsidiary part to the political motives of a terrorist actor or group.<sup>18</sup> They suggest a ‘political economy’

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<sup>16</sup> Jeanne K. Giraldo and Harold A. Trinkunas, *op. cit.*, pp. 11-12.

<sup>17</sup> Thomas J. Biersteker and Sue E. Eckert, *op. cit.*

<sup>18</sup> Jeanne K. Giraldo and Harold A. Trinkunas, *op. cit.*, pp. 15-16.

approach for a better understanding of terrorist financing. On the other hand, a group of scholars who lean towards the alternative or Marxists theories, address the issue of globalization and the development of a capitalist-consumerist economy that enabled the terrorist groups to gather a generous and continuous network of alliances. These alliances are spread all over the world defying the conventional sources of terrorist financing attaching a multifaceted apparel to the analysis.<sup>19</sup>

## 2.2 Lack of Well-Grounded Theory

Detecting the sources of terrorist financing hugely depends on how terrorism or terrorist activities are defined. Hence, Hamed Tofangfaz's argument on the conceptual peculiarities deserves a special attention. 'How objectively terrorism should be defined' catches a major debate given that there are numerous dialects used to refer to terrorism, be it as a 'repressive act' or 'terrorist offence' or just 'terrorism'.<sup>20</sup> The constituting elements of terrorism are often represented as 'underlying acts', 'repressive acts' or 'acts of violence' which contain different types of crimes respectively ranging from murder to hijacking.<sup>21</sup> This indeed led to the sustaining complexity in adopting a universal convention or all-encompassing regulation on terrorist financing in the first hand.

From a generic lens, terrorism is defined as an activity that is performed by a group or a 'structured' or 'organized' group. Which, on the other hand, implicitly shifts the debate towards organized crimes and individually motivated terrorist activities. Hence, it is worth looking at the definition of a terrorist act provided by the Financial Action Task Force (FATF), an initiative of G-7 countries to combat money laundering and terrorist financing. According to the FATF:

[A]ny group of terrorists that: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and wilfully (ii) participates as an accomplice in terrorist acts; (iii) organi[z]es or directs others to commit terrorist acts; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.<sup>22</sup>

<sup>19</sup> Peter Kurrild-Klitgaard, Mogens K. Justesen and Robert Klemmensen, "The Political Economy of Freedom, Democracy and Transnational Terrorism", *Public Choice*, Vol. 128, No. 1-2, 2006, pp. 289-315.

<sup>20</sup> Hamed Tofangfaz, "Criminalization of Terrorist Financing: From Theory to Practice", *New Criminal Law Review: International and Interdisciplinary Journal*, Vol. 21, No. 1, 2018, pp. 57-140.

<sup>21</sup> Ibid.

<sup>22</sup> Financial Action Task Force (FATF), "Guidance on Criminalising Terrorist Financing", available at [https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKewjmt8vO\\_6npAhVC73MBHWKSCelQFjAAegQIAhAB&url=https%3A%2F%2Fwww.fatf-gafi.org%2Fmedia%2Ffatf%2Fdocuments%2Freports%2FGuidance-Criminalising-Terrorist-Financing.pdf&usg=AOvVaw1bOZHur](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKewjmt8vO_6npAhVC73MBHWKSCelQFjAAegQIAhAB&url=https%3A%2F%2Fwww.fatf-gafi.org%2Fmedia%2Ffatf%2Fdocuments%2Freports%2FGuidance-Criminalising-Terrorist-Financing.pdf&usg=AOvVaw1bOZHur)

The FATF's reference to the phrase 'group of terrorist' is not to be ignored since it offers a narrow perspective on the organizer and user of terrorist financing. Anne L. Clunan has rightly pointed out how conceptual loopholes have been creating practical 'jailbreaks' against combating the sources of terrorist financing at the international level. As the argument continues, she has addressed the conceptual ambiguity on the definition of 'collective interest' which lets the countries lean on free-riding tendencies and eventually creating the ultimate beneficiary payoff for the terrorist regimes.<sup>23</sup> Thus, countering the sources of terrorist financing that depends upon the multiple rubrics of collective actions (i.e., institutional capacity, punctuated learning) is also hampered due to the enigma and a sheer lack of conclusiveness.

### 2.3 New Terrorism, Newer Sources

It is undoubted that following the global systemic change, the world has never seen diversity as much as it has experienced in the late 20<sup>th</sup> and the early 21<sup>st</sup> century. Hence, the phenomenon named as 'new terrorism' arrives at the doorsteps, which is defined by its monstrous degree of casualties and lack of definite politically motivated demands.<sup>24</sup> However, an interesting issue can be addressed while discussing this new form or structure of terrorist activities regarding how the non-state actors have taken over the lion's share of the terror acts all over the world. On the other hand, a number of scholars have directly addressed the growth of Islamist terrorism as one of the 'major distinguishing' features of new terrorism. The forms of terrorist financing have also earned major shifts. Noticeably, during the period of 'old terrorism', state sponsored terrorism would be considered as one of the defining characteristics and, as a result, state sponsorship would be the most frequent source of terrorist financing.

The sources, nowadays, have become manifold and multifarious. John T. Picarelli, Louise I. Shelly and Chris Corpora have focused on different 'enterprises' as sources of modern-day terrorist financing. In their analysis, crimes being used as the sources of the funding of the terror acts include—narcotics smuggling, commodity smuggling, goods smuggling, migrant smuggling, trafficking in persons, extortion, intellectual property theft, counterfeiting, fraud, credit card theft and armed robbery.<sup>25</sup> On the other hand, there have been significant changes in the types of actors involved.

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HNm88X8wG0rkos, accessed on 11 May 2020.

<sup>23</sup> Anne L. Clunan, "The Fight against Terrorist Financing", *Political Science Quarterly*, Vol. 121, No. 4, 2006, pp. 569-596.

<sup>24</sup> Antony Field, "The 'New Terrorism': Revolution or Evolution?", *Political Studies Review*, Vol. 7, No. 2, 2009, pp. 195-207.

<sup>25</sup> Louise Shelley, John Picarelli and Chris Corpora, *Beyond Sovereignty: Issues for a Global Agenda*, Ohio: Wadsworth, 2003, pp. 143-166.

Phil Williams notes the emergence of ‘hybrid forms of organizations’ that adopt an ‘explicit political agenda’ followed by ‘a quest for power’.<sup>26</sup> These organizations inhibit a desire to make profit through illegal activities and use of a tremendous level of violence.<sup>27</sup>

Michael Freeman has added six criteria upon which terrorists determine their sources of funding—quantity, legitimacy, security, reliability, control and simplicity.<sup>28</sup> Thus, it clearly says that a terrorist group would look for the highest amount of money from a secure and consistent/predictable source that would let them attain ideological superiority and control over the targeted group. As diverse the categories are, the sources have also become dispersed. One example can be given with reference to Douglas Farah and Stephen Braun’s narratives on the gemstone trade by Al-Qaeda.<sup>29</sup> Farah and Braun have addressed how the organization adopted a tricky manoeuvre for terrorist financing through the international trade of diamonds and tanzanite as their value is sustainable than any other capital, their easy transportability and, more precisely, they cannot be spotted by any metal detector.<sup>30</sup> Therefore, following the alteration of the methods of terrorism and the means of terrorist financing, counter terrorism activities have to follow suit. However, this is where the issue gets complicated considering the contradictory expedients and controversial outcomes. One factor is undoubtedly recognizable that even in the 21<sup>st</sup> century, states are the primary units on the global stage and inefficient measures by such countries lead to the scar of poor governance and terrorist outbreaks. Following this cynical chain of terrorist network created by the gemstone trade, Ola Olsson sarcastically refers to diamonds as ‘rebel’s best friends’.<sup>31</sup>

In summary, the existing literature on terrorist financing incorporates diverse issues. In one hand, terrorist financing is seen from a politico-economic perspective going beyond its traditional strategic dimensions; on the other hand, a number of newer sources are being taken into account in order to adopt more comprehensive narratives. However, the absence of an all-encompassing theoretical grounds is still creating ambiguity for both the theorists and the practitioners.

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<sup>26</sup> Phil Williams, “Warning Indicators and Terrorist Finances”, in Jeanne K. Giraldo and Harold A. Trinkunas, (eds.), *Terrorism Financing and State Responses: A Comparative Perspective*, California: Stanford University Press, 2007, p. 32.

<sup>27</sup> Ibid.

<sup>28</sup> Michael Freeman, op. cit.

<sup>29</sup> Douglas Farah, and Stephen Braun, *Merchant of Death: Money, Guns, Planes, and the Man who Makes War Possible*, New Jersey: John Wiley & Sons, 2007.

<sup>30</sup> Ibid.

<sup>31</sup> Ola Olsson, “Diamonds Are a Rebel’s Best Friend”, *World Economy*, Vol. 29, No. 8, 2006, pp. 1133-1150.

### 3. Theoretical Framework

This section presents the theoretical framework of Michael Freeman on terrorist financing. It also modifies Freeman’s framework by adding new variables. Finally, this section addresses three approaches dedicated to countering terrorist financing: international approach, regional approach and national approach.

#### 3.1 Michael Freeman’s Theory and the Sources of Terrorist Financing

Freeman identifies four sources of terrorist financing—State Sponsorship, Illegal Activities, Legal Activities and Popular Support.<sup>32</sup> State sponsorship refers to external support provided to a terrorist group by a foreign state. Freeman refers to state sponsorship as a common phenomenon during the Cold War years adopted by both United States (US) and the Soviet Union.<sup>33</sup> Other examples of state sponsorship can be found in the cases of Libya supporting Abu Nidal, the Red Brigades, the Japanese Red Army, Iran-supported Hezbollah and Syria-supported Hamas and Palestinian Islamic Jihad.<sup>34</sup> Second, Freeman considers illegal means as an alternative for the terrorist groups given state sponsors can be unreliable and may constrain their activities. From money laundering to kidnapping, every illegal activity can be a source of terrorist financing. The examples include Revolutionary Armed Forces of Colombia (FARC) imposing forceful taxation upon the population and kidnappings by the Talibans in Pakistan or by the Abu Sayyaf Group in the Philippines.<sup>35</sup> Third, legal activities include legitimate sources of funding like the Japanese organization Aum Shinrikyo’s operations through the earnings from a computer software company, a real estate business and a noodle shop.<sup>36</sup> Fourth, public support incorporates the donation by a sympathetic or a motivated population. Hence, Freeman refers to groups like Al-Qaeda and Palestinian Islami Jihad who receive donations from charitable sources and diaspora communities.<sup>37</sup>

In the existing literature, a hierarchy among the sources is found. Freeman himself has addressed state sponsorship to be more or less obsolete in the post-Cold War era. On the other hand, scholars like Ali Hamza, C. Christine Fair and Rebecca

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<sup>32</sup> Michael Freeman, *op. cit.*, p. 464.

<sup>33</sup> *Ibid.*, p. 465.

<sup>34</sup> *Ibid.*

<sup>35</sup> *Ibid.*, p. 466.

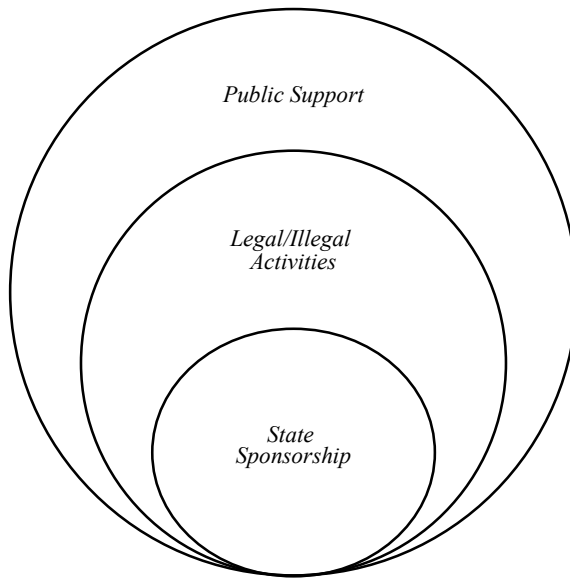
<sup>36</sup> *Ibid.*, p. 469.

<sup>37</sup> *Ibid.*, p. 470.



Heller,<sup>38</sup> Mark Basile,<sup>39</sup> Steven Simon and Jeff Martini<sup>40</sup> have predominately focused on popular support, particularly, in the case of weak or less developed countries. In Figure 1, Freeman’s model is explained through three layers where each of the tier shows different level of importance captures by the theorists who worked on the sources of terrorist financing in developing or third world countries.

**Figure 1: Freeman’s Framework for Understanding Terrorist Financing<sup>41</sup>**



In this figure, state sponsorship becomes the least important source whereas legal/illegal activities become more significant and public support is considered as the most significant source of terrorist financing. However, this hierarchy is majorly based on the stereotyped idea of the North/South divide where the Southern countries’ population is being taken as less educated and prone to cooption, external motivation and assimilatory means.

<sup>38</sup> C. Christine Fair, Ali Hamza, and Rebecca Heller, “Who Supports Suicide Terrorism in Bangladesh? What the Data Say”, *Politics and Religion*, Vol. 10, No. 3, 2017, pp. 622-661.

<sup>39</sup> Mark Basile, “Going to the Source: Why Al Qaeda’s financial network is likely to withstand the current war on terrorist financing”, *Studies in Conflict & Terrorism*, Vol. 27, No. 3, 2004, pp. 169-185.

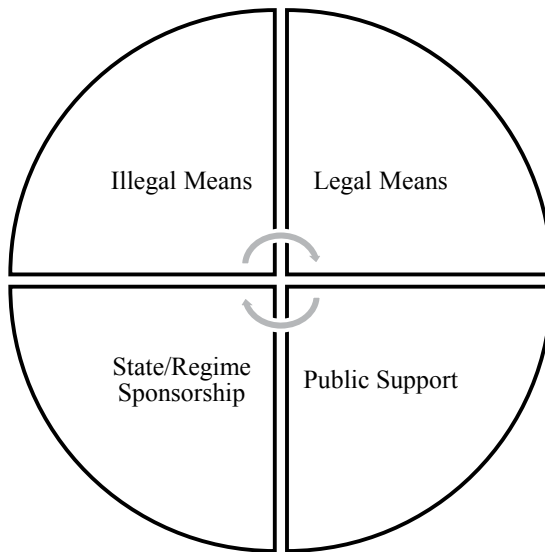
<sup>40</sup> Steven Simon and Jeff Martini, “Terrorism: Denying Al Qaeda Its Popular Support”, *The Washington Quarterly*, Vol. 28, No. 1, 2004, pp. 129-145.

<sup>41</sup> Michael Freeman, op. cit.

### 3.2 A Modified Theory of Terrorist Financing

This article contributes to the existing literature by presenting a modified theoretical framework. It argues that political regimes in some countries, rather than an external state, may patronize terrorist groups against political opposition. This patronization may come in various forms: direct support for extremist groups at best, toleration of their presence or tacit support at least. In a nutshell, the domestic state regime, rather than a foreign state sponsor, may also act as a source of terrorist financing for non-state groups. Figure 2 presents a modified theoretical framework for understanding the sources of terrorist financing.

**Figure 2: Modified Framework of Terrorist Financing**



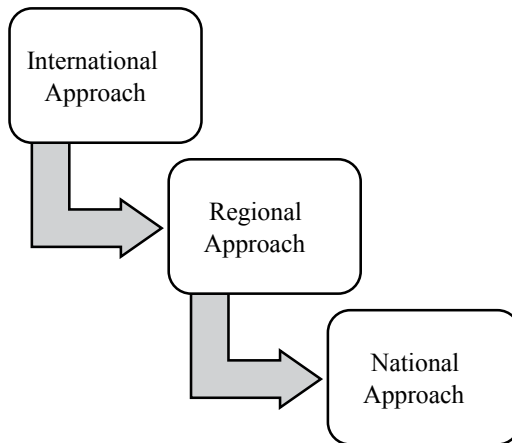
Here, public support, legal/illegal means and state sponsorship all are given equal importance considering the sources of terrorist financing in Bangladesh. However, the idea of ‘state sponsorship’ is modified with an additional conceptualization of ‘regime sponsorship’ where the terrorist groups can also be funded by internal regimes or political parties, not just by external states. Thus, coupled with regime sponsorship, state sponsorship earns an equal status in the framework with public support and legal/illegal means. There is also an interplay between the sources where the variables may have significant connection with one another’s domain of operation.

This modified framework challenges the dominant idea found in the literature that public support is the most significant source of terrorist financing in developing or underdeveloped countries. It contends that each source can be equally important given the changing nature of terrorism landscape in the post-9/11 era.

### 3.3 Approaches to Countering Terrorist Financing

Efforts to countering terrorist financing can be taken at three levels: international, regional and national (Figure 3). At the international level, the most significant actor is the United Nations, more precisely, the United Nations Security Council Counterterrorism Committee. The United Nations Office on Drugs and Crime (UNODC) itself declares the regional/multilateral approach as a part of the Violent Extremism Action Plan. Another international actor is the Paris-based Financial Action Task Force (FATF). The FATF is an initiative of the G-7 industrialized countries aimed at combating both money laundering and terrorist financing. At the regional level, Asia-Pacific Group (APG) on Money Laundering plays an important role. Although economic cooperation-focused regional institutions such as the Association of Southeast Asian Nations (ASEAN) and the South Asian Association for Regional Cooperation (SAARC) have adopted several legal instruments in the fight against terrorism, they are yet to formulate any mechanism for countering terrorist financing.

**Figure 3: Organizational Hierarchy in Countering Terrorist Financing**



For the purpose of this article, the BFIU is the lead national agency in Bangladesh responsible for detecting and countering terrorist financing. The BFIU works closely with various other national agencies such as the Criminal Investigation

Department (CID) of Bangladesh Police, for investigating terrorist financing related offences.

In summary, although Freeman’s framework is a prominent one reflecting upon the sources of terrorist financing, it still requires modification in order to be applied in the context of Bangladesh. The present paper argues that this modification will give a clear understanding of the sources of terrorist financing in Bangladesh which may help counter terrorist financing at national, regional and international levels.

#### **4. Terrorist Financing: A Bangladesh Perspective**

This section presents the central research findings on the sources of terrorist financing in Bangladesh.

##### **4.1 Illegal Activities**

Freeman defines illegal activities as extortion of money through ‘revolutionary taxes.’<sup>42</sup> This section explores how money laundering, robbery, underground leftist activities and illegal arms sales constitute four major illegal activities and their possible use for terrorist financing.

###### *4.1.1 Money Laundering and Cryptocurrency Business*

Money laundering involves a process where ‘unclean’ capitals are being refined. This ‘dirty money’ is usually obtained by activities which are considerably connected with ‘the avoidance of particular economic regulations’.<sup>43</sup> In modern days, money laundering itself is being seen as a crime which incorporate smuggling, trafficking or illegitimate arms/drugs sales.

The worldwide plight attached to the distortion of illegal capitals or money launder has been noticeably increasing throughout the recent years. The illegitimate capital flow that is contributing to the global Gross Domestic Product (GDP) is worth US\$800 billion – US\$2 trillion which is estimated to be the 2-5 per cent of the global GDP.<sup>44</sup> The ‘dollarization’ trend has significantly helped the money launderers get a free pass with the money following a global financial network and monetary system.

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<sup>42</sup> See Michael Freeman and Moyara Ruehsen, “Terrorism Financing Methods: An Overview”, *Perspectives on Terrorism*, Vol. 7, No. 4, 2013, pp. 5-26, and, Michael Freeman, “Typology”, op. cit.

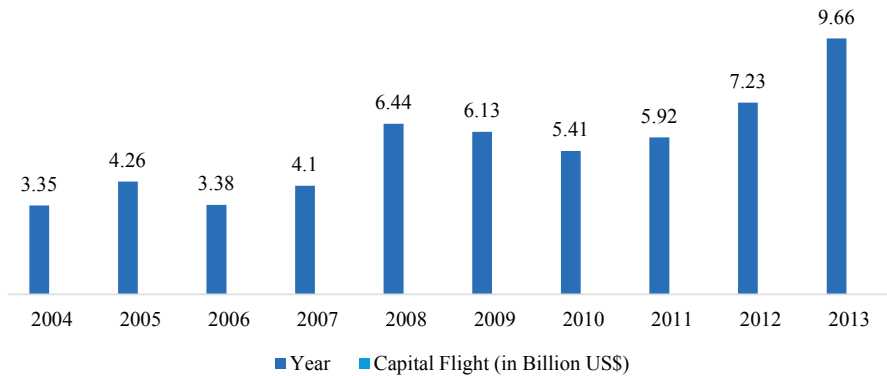
<sup>43</sup> Vito Tanzi, “The Underground Economy”, *Finance and Development* Vol. 20, No. 4, 1983, pp. 10-13.

<sup>44</sup> The Global Initiative against Transnational Organized Crime (GITOC), *Transnational Organized Crime and The Impact on The Private Sector: The Hidden Battalions*, Geneva: GITOC, 2017.

In the case of Bangladesh, this flow has its effects. Since 2004, the level of capital flow has been increasing (Figure 4). The average yearly flow started rising from US\$3.35 billion and had a significant increase in 2008 peaking US\$6.44 billion. In 2013, the amount reached its highest remarking US\$9.66 billion as the estimated yearly capital flight.

It is difficult to identify a symmetric connection among capital flows, money laundering and terrorism due to lack of empirical evidence in the context of Bangladesh; neither there has been a generous amount of research on this issue, particularly in the case of Bangladesh. Domestically, the issue is also region-specific.

**Figure 4: Capital Flight from Bangladesh (2004-2013)<sup>45</sup>**



On the other hand, a brief focus on Table 1 provides with an understanding how different areas of the country contribute differently to the issue of money laundering and terrorist financing. The table contains the proportion of the Suspicious Transaction Reports (STRs) based on different areas provided by the BFIU.

<sup>45</sup> Reports collected from Global Financial Integrity, “Average Annual Illicit Financial Outflows”, available at <https://www.gfintegrity.org/issues/data-by-country/>, accessed on 13 August 2018.

**Table 1: STRs in Bangladesh<sup>46</sup>**

Sl.	Division	Per Cent
1.	Dhaka	55
2.	Chattogram	19
3.	Rajshahi	7
4.	Khulna	7
5.	Barishal	1
6.	Sylhet	4
7.	Rangpur	5
8.	Mymensingh	2

As Table 1 shows, Dhaka and Chattogram regions are more vulnerable to suspicious transactions. Even though Sylhet and Rajshahi regions do not show a larger proportion, according to the DMP officials, both of the regions have a growing number of illegal cash transactions through both formal and informal means.<sup>47</sup> On the other hand, BFIU notes that in the FY 2015-16, the number of STRs found to be involved in terrorist financing was 3, which increased to 10 in the 2016-17 and to 21 in FY 2017-18.<sup>48</sup> Similarly, cryptocurrency and credit card forgery have become a popular source of terrorist financing among different groups, particularly, among the AAI members. In between mid-2019 and mid-2020, at least three major incidents can be traced, i.e., on 27 September 2019; 10 February 2020 and 24 March 2020 where the police arrested numerous AAI wolfpack members for their engagement in cryptocurrency business.<sup>49</sup>

Friedrich Schneider and Ursula Windischbauer had explained that organized crimes overall had a value of US\$800 billion all over the world in 2001 which increased to US\$1700 billion in 2008 following the rapid growth of capital flow.<sup>50</sup> In this study, six amongst the sixteen interviewees, including two from the BFIU, do also think money laundering should be considered as one of the major sources contributing to the terrorist financing in Bangladesh. The main reason money laundering is not reported as significant as it is because in most of the cases the

<sup>46</sup> See More on the BFIU’s official website: Bangladesh Financial Intelligence Unit (BFIU), *Annual Report 2011-18*, Dhaka: Bangladesh Bank. Available at [https://www.bb.org.bd/bfiu/bfiu\\_acts.php](https://www.bb.org.bd/bfiu/bfiu_acts.php)

<sup>47</sup> From personal Interviews taken between August 2018 and November 2018.

<sup>48</sup> From a personal interview with the Deputy Directors, BFIU, 12 September 2019. See more in Bangladesh Financial Intelligence Unit, *Annual Report 2017-18*, Dhaka: Bangladesh Bank, 2019.

<sup>49</sup> For more, see Mohammad Jamil Khan, “ABT converting cash to Bitcoin to buy arms”, *The Daily Star*, 27 September 2019. And, “‘Wolfpack leader’ of Ansar Al Islam arrested by CTTC”, *The Daily Star*, 25 March 2020.

<sup>50</sup> Friedrich Schneider and Ursula Windischbauer, “Money Laundering: Some facts”, *European Journal of Law and Economics*, Vol. 26, No. 3, 2008, pp. 387-404.

transaction is so fast that the counterterrorism units cannot trace it or find out its sources or its connection with a terrorist group. On the other hand, the interviewees have also opined that some of these people who are engaged in terrorist financing through money laundering are backed by powerful politicians or business executives. Thus, they can easily slip through the loopholes of law and order and this issue hardly becomes a mainstream concern.

#### 4.1.2 *Robbery*

Robbery is comparatively a new method regarding the sources of terrorist financing. Although its propensity is limited within a specific region like Chattogram and Rajshahi, it should still be counted as a source considering the recent upheaval. A high official from the Intelligence and Special Affairs division of the CID, BP has specifically mentioned the robberies aimed at shops and other places owned by Hindu families which have been appropriated by the concept of '*gonimot er shompod*' [goods which are captured through jihad] by the Islamist militants.<sup>51</sup>

In the last week of September 2018, an organized robbery took place in a Hindu jewellery store in Chattogram from which ornaments worth BDT 12,00,000 had been robbed off.<sup>52</sup> The 2016 Ashulia bank robbery is one of the sensational cases in the domestic crime-terror continuum. However, from the arrested criminals with terrorist group affiliations, the division of the looted resources have been learned. The collected resources, once being transformed into cash or other monetary value are assembled into the collective funding. Such groups' accumulated funds are then generally divided into three factions: i) organizational expenditure; ii) salary of the members; and iii) terrorist activities.

Terrorist groups' appropriation of funds through robbery clearly illustrates why terrorism is often defined as a form of organized crime. The groups who are even operating at local levels have infrastructures of their own which include joined or combined networks and they are regularly officiated. An estimated amount of BDT4,000,000-6,000,000 is collected through robbery in a year and about 40-50 per cent of the collected money is being used for organizational expenditure, 25-30 per cent for the salaries and only 10-20 per cent are only for prompted terrorist activities (Figure 5).<sup>53</sup>

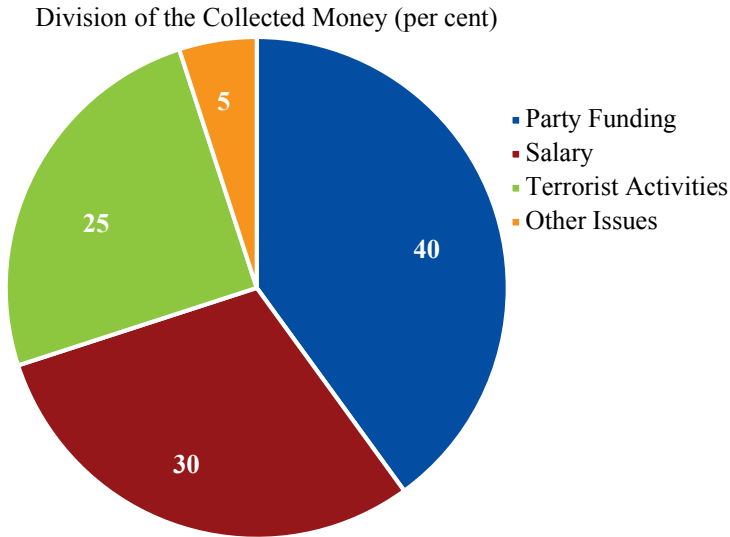
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<sup>51</sup> From a personal interview with the Deputy Inspector General (DIG), CID, BP, 25 November 2018.

<sup>52</sup> From a personal Interview with Superintendent of Police (SP), Lawful Interception Cell (LIC), BP, 9 July 2019.

<sup>53</sup> Ibid.

**Figure 5: Estimated Proportion of Looted Money Being Used by a Terrorist Group<sup>54</sup>**



Hence, a very little amount is required for a terrorist incident to happen and the leftovers are preserved to bolster the groups politico-infrastructure status. It is, however, not quite surprising considering how Damian Bugg, Australian Commonwealth Director of Public Prosecutions has estimated Al-Qaeda would use only 10 per cent of its income on terrorist operations while the remaining 90 per cent would have been used for training of the troops and maintaining the network cells.<sup>55</sup>

#### 4.1.3 *Underground Leftist Activities*

Although considered as a very unconventional source of terrorist financing, leftist groups operating at the underground levels should be identified as well. The BP officials have predicted a very low amount (almost about BDT 500,000-1,000,000 per year) being obtained from these movements. However, interestingly, these groups do not identify themselves as ‘terrorists’ or ‘criminals’, rather ‘radical armed groups’ or ‘Robinhoods of the community’ who would long for overthrowing the asymmetrical relation between the rich and poor population within the country and extract money from the former to banish the social inequality. On the other hand, these groups often have connection with other organized groups who are motivated by radical religious ideas but converge at any point of interest to organize some activities together.

<sup>54</sup> Based on personal interviews and documents from the CID, 19 September 2018- 23 December 2019.

<sup>55</sup> Thomas J. Biersteker and Sue E. Eckert, op. cit.



Armed leftist movements, however, is not a very recent phenomenon in the global context. Rather, in the mid-20<sup>th</sup> century, there had been significant rise in the number of leftist terrorist attacks in the countries exposed to the capitalist economy. The trend is rather different considering how these groups have affiliated themselves with conflicting and similar ideologies at the same time.

#### 4.1.4 *Illicit Arms Sales and Drug Trafficking*

Both regionally and internationally selling arms have been a long running business all over the world. In the case of arms business, the network can operate in two distinct formats — either arms are directly sold to the buyers or the technology which can be used for further production of arms in a distant place.<sup>56</sup> Both of the forms have been used in terrorist networks where the earnings from the business are also being invested in further kind of terrorist activities. As per the opinion of a senior reporter from *Prothom Alo*, direct arms sales are more prominent among the Bangladeshi terrorist groups than transfer of technologies.<sup>57</sup> Moreover, in most of the cases, technological lessons are provided as complimentary handouts given the senior members of an organized group will help the newbies learn the procedure of making small arms.

In most of the individually motivated terrorist acts in Bangladesh, neither expensive nor heavy arms have been used. Looking at the terrorist events from 2014-2019, it is quite visible that most of the activities have been carried out by using explosive belts, machetes or light arms. Selling old arms being used in criminal activities is convenient for two reasons — since most of them are risky to use once they have been under the lens of the police force and, on the other hand, sold out arms can be reused in other activities by professionals who can dismember the machineries and recycle them without leaving any trace of their previous activities. According to some professionals from the CID, about 20-30 per cent of the arms sales are being used for terrorist activities or operations largely of illicit kinds.<sup>58</sup> Hence, the amount of money is not more than BDT800,000-1,000,000 but this is not again something to be ignored or subsided. In summary, money laundering, robbery, underground leftist activities and illegal arms sales constitute a major section of the illegal activities that contribute to the financing of terrorism in Bangladesh. However, it is really a hard task to differentiate a crime in general and an illegal action which may lead to terrorist financing. Hence, these sources are often unnoticed and ignored.

<sup>56</sup> Andrew J Pierre, *The Global Politics of Arms Sales*, New Jersey: Princeton University Press, 2014.

<sup>57</sup> From a personal Interview with a Senior Reporter, *The Daily Prothom Alo*, 15 September, 2018.

<sup>58</sup> From Personal interviews with DIG and Additional DIG, CID, 25-28 November 2018.

The transnational crime-terror nexus and the geopolitical dimension also become relevant as Bangladesh is located in the middle of three drug trafficking channels—the Golden Triangle in the east, the Golden Wedge in the north, and the Golden Crescent in the west.<sup>59</sup> In 2005, the National Board of Revenue (NBR) found out five Bangladeshi companies to be involved in terrorist financing by investing their profit from illicit heroin trafficking in the UK.<sup>60</sup> Although the major groups like the AAI or JMB have not developed any consolidated form of drug smuggling business, they often link up with criminal groups and create temporary networks around these vulnerable regions to complement the financing of terrorism.<sup>61</sup>

## 4.2 Legal Activities

In Michael Freeman’s theoretical framework, the use of legal means for the collection of funds for terrorist activities, depends on a state’s jurisdiction and regulatory means whether certain activities are considered legal. Freeman refers to mostly national and international business operations from which the collected profits are later being used for terrorist activities.<sup>62</sup> This section discusses how Hawala/Hundi and Money Collected from Cow Sellers and Fish Markets take part in the financing of terrorism in Bangladesh.

### 4.2.1 *Hawala/Hundi and Foreign Remittances*

*Hawala* can be defined as an alternative to remittance which is extensively informal in means and depends on trust between the broker and the owner. It is often used as a medium of easy means of transaction and also for preserving time. According to the 9-11 Commission,

The *hawala* system, long dominated by South Asians and serving customers throughout the Middle East, ... operates out of nondescript storefronts and countless bazaars and souks. It reaches both small villages throughout the region and large cities around the world. It is quick, efficient, reliable, and inexpensive. It draws from a long tradition of providing anonymous services.<sup>63</sup>

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<sup>59</sup> Md Razidur Rahaman, “Drug Trafficking in South Asia: A Case Study on Bangladesh”, *Asian Journal of Multidisciplinary Studies*, Vol. 2, No. 9, 2014, pp. 178-184.

<sup>60</sup> Anand Kumar, “Terror Financing in Bangladesh”, *Strategic Analysis*, Vol. 33, No. 6, 2009, pp. 903-917.

<sup>61</sup> From a personal interview over the phone with Deputy Commissioner (DC), Counter Terrorism and Transnational Crime (CTTC), Dhaka Metropolitan Police (DMP), 23 April 2020.

<sup>62</sup> Michael Freeman, *op. cit.*, 469.

<sup>63</sup> National Commission on Terrorist Attacks Upon the United States, “Al Qaeda’s Means and Methods to Raise, Move, and Use Money”, in *Terrorist Financing Staff Monograph*, 2003, available at [http://govinfo.library.unt.edu/911/staff\\_statements/911\\_TerrFin\\_Ch2](http://govinfo.library.unt.edu/911/staff_statements/911_TerrFin_Ch2), accessed on 23 February 2019.

The operational characteristics of *hawala* transaction evolves around the *hawaladars* who ‘hold accounts with the banking sector or use its channels for settlement operations’.<sup>64</sup> Hence, *hawala* system is not always a means of corruption but in some countries, it has been ordained as ‘illegal’ (for example, India). In the case of Bangladesh, most of the informal transactions are happening from the channel though Middle East consider the huge number of migrants working there. A CID investigator notes, since this transaction method hardly leaves a formal specimen to trace the whole system, it is very hard to detect which money is transacted for which purpose.<sup>65</sup> Specially, in a country like Bangladesh where there have been numerous informal transactions happening, surveillance is a troublesome issue.

The system is defined by five major characteristics: i) speedy transaction; ii) less operational cost; iii) versatility; iv) cultural convenience; and v) anonymity.<sup>66</sup> Some DMP officials claim that in September 2018, there had been significant information about a considerable illegal transaction of about BDT1,800,000 through informal channel which supposedly had a link with terrorist groups could not be captured because of the rapid and anonymous network of *hawala* system.<sup>67</sup>

Sometimes, both over invoice and under invoice methods are followed to get away with the criminalization of the *hawala* system. Most often, false invoices are related to imports and exports aligned to the people working in the Middle Eastern countries. But they somehow manage to present a medical emergency or some purpose of higher necessity. At times, there is no benefit in capturing the receiving point because the family members who live in remote villages often are not even aware of the system. They would just receive the money while the broker might invest the additional money for additional/illicit purposes.

However, the BFIU estimates about 15-20 per cent of the yearly *hawala* transaction being used for the purpose of terrorist activities or intra-regional crimes.<sup>68</sup> A reporter from the Daily *Prothom Alo* has provided with the statement that almost about BDT1,800,000-2,000,000 for the purpose of the organizational fund for the neo-JMB organizations have been collected through *hawala* channels solely from India.<sup>69</sup>

<sup>64</sup> Mohammed El Qorchi, Samuel Munzele Maimbo and John F. Wilson, “Informal Funds Transfer Systems; An Analysis of the Informal Hawala System”, *IMF Occasional Papers* 222, Washington, DC: International Monetary Fund, 2003.

<sup>65</sup> From a personal interview with the DIG, CID, 25 November 2018.

<sup>66</sup> El Qorchi et al., op. cit.

<sup>67</sup> From a personal interview with the DIG, CID, 25 November 2018.

<sup>68</sup> From a personal interview with Deputy Director (Policy Wing), BFIU, 13 September 2019.

<sup>69</sup> From a personal interview with Senior Reporter, *Prothom Alo*, 16 August 2019.

Informal transactions are very common among the people who visit Saudi Arabia for a yearly pilgrimage. Thus, it is difficult to trace whether the money is going to be used for just religious purpose or terrorist activities. On the other hand, almost every interviewee from the DMP has pointed out to one important issue that terrorism nowadays does not require a significant amount of money for the task itself, thus, surveillance on irregular financing mechanism becomes hard and uncertain.

Besides these direct linkages, foreign remittances have also been used for the purpose of terrorist financing. Although there is no evident data on what percentage of these remittances might be involved in the financing of terrorism, Bangladesh Bank empowered by the Anti-Terrorism Act (ATA) has published specific guidelines for postal remittance business for combating money laundering and terrorist financing. It has been reported that the intelligence agencies are focusing on the British diaspora comprising some 600,000 members which alone send around half a million remittances to Bangladesh every year.<sup>70</sup> A similar situation is speculated to happen so far as the Bangladeshi diaspora in the Middle Eastern countries are concerned. Given how these contributions are interlinked with crowd funding and willful contribution, it is very hard to separate them from each other due to the lack of theoretical and empirical clarification.<sup>71</sup>

#### 4.2.2 *Money Collected from Cow Sellers and Fish Markets*

The contribution of money collected from cow business and fish markets to terrorist financing is very unique in the context of Bangladesh. Around the border areas with India, cow business is a very common profession. However, the connection of these business groups is quite extraordinary considering their affiliation with religious purposes. According to a senior official of Counter Terrorism and Transnational Crime (CTTC), most of these people who are in this business are either former felons or people with significantly dark past who used to have this job as a subsidiary form of earning.<sup>72</sup> Thus, terrorist organizations with religious motif influence these people to invest their income into something ‘not sinful’, rather may become a means of decontaminate their sins and live a pious life.

Although no distinct amount is known, the police estimates a sum of BDT10,000-25,000 being organized from the cow selling market and the fishing

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<sup>70</sup> “Radicalisation in Reverse: How Britain Exports Islamist Extremism to Bangladesh”, *The Economist*, 19 September 2019, available at <https://www.economist.com/britain/2019/09/19/how-britain-exports-islamist-extremism-to-bangladesh>, accessed on 23 April 2020.

<sup>71</sup> From a personal interview over the phone with Professor, Department of International Relations, University of Dhaka and Deputy Director, BFIU on 23 April 2020.

<sup>72</sup> From a personal interview with DC, CTTC over the phone, 19 August 2019.

population in a year.<sup>73</sup> It is also easier to manipulate this section of targeted population since the literacy rate tends to fluctuate within these working groups. There is hardly any formal or institutional way to make them aware of the consequences and the broader cycle initiated by the terrorist groups making the whole situation evasive and complex.

To summarize the section, it can be said that the contribution of legal activities to terrorist financing in Bangladesh is quite alarming because these activities are quite difficult to put under surveillance. The underlying networks under informal transactions and simple cattle business help the terrorist form a different kind of channel where it is easier to hide in front of the naked eye.

### 4.3 Public Support

This section analyzes two sources of public support for terrorist financing in Bangladesh: individual or public donations and women's contributions. Popular support is a very convenient source for terrorist financing as it can easily collect a huge amount of money without risking an easy exposure.

#### 4.3.1 *Individual/Public Donations and NGO Funding*

In the case of Bangladesh, donations for terrorism are mostly based on individual enthusiasm rather than organized public donations. Even in the terrorist incidents which occurred from 2001 to 2018, most of the terrorists were motivated by a relative or a friend. In the case of Holey Artisan Attack, as collected from the information provided by one of the leading newspapers of the country, Tanvir Qaderi who was a prime donor of the attack, sold his private car (Dhaka Metro GA37-5961) to Md Motiur Rahman at Uttara and in exchange received BDT1,250,000 and used the entire payment for the purpose of the attack.<sup>74</sup> In addition, a daughter of the owner of a very famous business organization was radicalized and left home with BDT800,000 which she supposedly donated for financing terrorist activities.<sup>75</sup>

Public donations are significantly low in the case of Bangladesh. In most of the cases, the number of collective public donations arrive from the Madrasa funds and from the weekly collection of Mosques where the organizations themselves may not be directly involved in terrorist operations, but the broad network of alliances filter out the money and invest it for the purpose of terrorism. A less prominent

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<sup>73</sup> Ibid.

<sup>74</sup> Information collected from the documents provided by a national newspaper [to remain anonymous], collected from the CTTC, DMP.

<sup>75</sup> From a personal interview with a Senior Reporter, *Prothom Alo*, 18 September 2018.

yet alarming source of public support in terrorist financing is freelancing. Hence, Bangladesh is entering the realm of Terrorism 2.0 which represents a new era of terrorism where the terrorist groups are utilizing the social networks and online means to achieve their own goals and spread out their political manifesto.<sup>76</sup> A high-ranked official from the Rapid Action Battalion (RAB), BP has pointed out that internet providing with an enormous opportunity of anonymity, Bangladeshi terrorist groups are also using it to motivate people, gather money through online transaction and through mobile financial services like bKash while using fake virtual phone number and Internet Protocol (IP) address.<sup>77</sup>

Non-Governmental Organizations have also been found to be responsible for a significant source of terrorist financing. In 2009, a Madrasa funded by Green Crescent, a British charity organization was found to extremist linkages.<sup>78</sup> In 2019, four local NGOs: Small Kindness Bangladesh (SKB), Bangladesh Chashi Kalyan Samity, Nobo Krishi Private Ltd, and Nobodhara Kalyan Foundation were caught for channeling around BDT730 million for the purpose of terrorism.<sup>79</sup> These organizations not only funded terror groups operating in Bangladesh like JMB or AAI but also transferred funding through banking channels to sponsor foreign militants in India.<sup>80</sup>

The extent of voluntary public support may not be as severe as it seems to be as in a society, it is not an easy task to get radicalized while being unnoticed. A police official working on the issue of terrorist financing has given an insight into this:

Most of the people of Bangladesh are self-educated. Even people in the remote areas who don't know how to read or write, are conscious about their surroundings and whereabouts; they regularly read out the political events and thus develop a critical knowledge, which is more practical than theoretical basis. On the other hand, Bangladesh is not an individualistic society. It is really hard to be radicalized and keep it as a secret from the family, extended family or even from the neighbors who have a good communication with the family.<sup>81</sup>

Thus, the role of the community becomes crucial in the question of surveillance as it is fruitful to engage the local community in the information

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<sup>76</sup> Arie Perliger and Ami Pedahzur. "Social Network Analysis in the Study of Terrorism and Political Violence", *Political Science & Politics*, Vol. 44, No. 1, 2011, pp. 45-50. And, Steve Ressler, "Social Network Analysis as an Approach to Combat Terrorism: Past, present, and future research", *Homeland Security Affairs*, Vol. 2, No. 2, 2006.

<sup>77</sup> From a personal interview with the Additional Director General (ADG) (ret.), Rapid Action Battalion (RAB), 7 January 2019.

<sup>78</sup> "Radicalisation in Reverse", op. cit.

<sup>79</sup> Mohammad Jamil Khan, "4 local NGOs funded terror organisations", *The Daily Star*, 01 January 2019.

<sup>80</sup> Ibid.

<sup>81</sup> From a personal interview over the phone with SP, LIC, BP, 28 September 2018.

collection mechanism rather than a rigid formal procedure to gather substantial information.

#### 4.3.2 *Gendering Terrorist Financing: The Role of Religious Women Groups (Talims)*

The role of women in terrorist financing is quite noticeable vis-à-vis Bangladesh and other South Asian Muslim majority states. Women groups named as *Talims* are often seen roaming around households providing women with religious and motivational lessons. According to the DMP, these groups gain a certain advantage in the case of terrorist financing as they can go beyond the traditional public vs private spatial distinctions of the society. Once being familiar with a certain household, they can learn about the monthly income of the family, the name of the earners and also other socio-economic conditions. Thus, these groups often work as a manipulative network for the women, particularly the housewives who can further collect funds from the family earnings and donate them to the religious groups.

These groups, on an average, mostly are found in the semi urban or rural areas where they build up a strong network of communication. As opined by an official from the DMP who had been engaged in the counterterrorism activities against female radicalization, women can easily melt within the local households as women are mostly welcomed in the *andarmahals* (in-house) than the males considering the societal formulations.<sup>82</sup> According to CTTC, recently, these groups have shifted their focus on the elite women living in the high-class urban area, specifically around the capital's Gulshan, Banani, Uttara and Mohammadpur area from which a significant amount of funding is expected.<sup>83</sup>

Individual/public donations and the role of women groups are unavoidable since they hold the potential to radicalize a large number of people while gather funds for terrorist operations. The blessings of anonymity lying with these charitable donations make it easier for the groups to collect funding and harder for the counterterrorism units to catch them.

#### 4.4 **State and Regime-Sponsorship**

The concept of state sponsorship was relevant in the context of ethnic insurgency in the southeastern Chattogram Hill Tracts (CHT) of Bangladesh. In the CHT region, the Shanti Bahini, an armed wing of the Parbatya Chattogram

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<sup>82</sup> From a personal Interview with Additional Deputy Commissioner (ADC), CTTC, 16 September 2018.

<sup>83</sup> From a personal interview with DC, CTTC, 28 November 2019.

Janasamhati Samity (PCJSS), was engaged in a protracted rebellion against the state security forces for two decades, which ended in 1997 following the signing of the CHT Peace Accord.

Although Freeman has posited the notion of state-sponsored terrorism as an external threat, most of the interviewees for this study suggest that internal regimes or political parties have to be considered as important actors when the sources of terrorist financing is considered. Hence, question arises whether we need a regime-centric approach or a state centric approach to study terrorist financing. A high ranked official from the Intelligence and Special Affairs division of the CID, BP has referred to the verdict on the 2004 grenade attack, which was delivered on 10 October 2018. In the verdict, the court sentenced 38 individuals including senior officials of the then BNP-led four party alliance government for their direct involvement in the grenade attack on Bangladesh Awami League rally that killed 24 people and seriously injured another 400.<sup>84</sup> Terrorism analysts in Bangladesh contend that the political regime in 2004 developed an unholy alliance with the militant group Harkat-ul-Jihad-al-Islami (HuJI) to eliminate Bangladesh Awami League, the then major opposition party.

Therefore, the idea of state sponsorship cannot be referred to as a dominant source of terrorist financing in Bangladesh unless the concept is modified with the idea of internal supports from different political regimes. The direct and indirect alliances between the political parties and militant organizations are important variables given their roles in terrorist operations.

In summary, both state and non-state actors can be engaged in direct or indirect funding of terrorist financing. The means or instruments can be different and the funds can be collected through legal or illegal activities and public donations. In the case of Bangladesh, all of the sources added by Freeman was found in the empirical evidences. The description suggests that each of the sources must be treated with equal emphasis as well.

## **5. Countering the Financing of Terrorism in Bangladesh**

This section discusses the relevance of three levels of analysis for understanding responses to terrorist financing in Bangladesh.

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<sup>84</sup> From a personal Interview with the Deputy Inspector General (DIG), Intelligence and Special Affairs Division, CID, 27 November 2018 and 21 January 2019. For more, see, "August 21 grenade attack: What happened on that day", *The Daily Star*, 10 May 2020.



## 5.1 International Approach

Internationally, the foundation of the FATF by the G-7 community in 1989, initiated a breakthrough in countering the financing of terrorism. The United Nations Global Counterterrorism Strategy also refers to the forty points and nine recommendations provided by the intergovernmental organization. As referred to the Section II, Paragraph 10 of the strategy,

To encourage States to implement the comprehensive international standards embodied in the Forty Recommendations on Money-Laundering and Nine Special Recommendations on Terrorist Financing of the Financial Action Task Force, recognizing that States may require assistance in implementing them.<sup>85</sup>

The creation of Egmont Group of Financial Units in 1995 expanded the scope of surveillance upon the factor to a greater extent. However, these financial units do not have any enforcement ability or any juridical power over the sovereign state authorities; they are merely taken as instruments to create certain legislative measures, operative suggestions and analytical reports for assessment.

The BFIU became a part of the Egmont group in July 2013. It expanded the global partnership for the organization as well as its responsibility to advocate the bridge between national and international concerning bodies. However, although there is no definite way to measure how much impact the global authorities are having upon countering the sources of terrorist financing in Bangladesh, it is undoubted that an international coordinating means is a very significant necessity if not an obvious one, considering how terrorism and terrorist financing are transcending the conventional borders every day.

There are a number of issues why this global management system is not sufficient to combat terrorist financing. A retired RAB official has claimed this is happening because the exchange of information is mostly happening in a linear order where the international bodies are less concerned about listening to the necessary appeals by the domestic bodies and more interested in pushing their own agendas.<sup>86</sup> On the other hand, another CTTC official has argued, the policies adopted by the global authorities are based on some stereotypical ideas on the financing of terrorism presenting mostly the demands of the western world.<sup>87</sup> He has also mentioned that often these governing bodies have their links with the World Bank, International

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<sup>85</sup> United Nations, "UN Global Counter-Terrorism Strategy: Counter-Terrorism Implementation Task Force", available at <https://www.un.org/counterterrorism/ctitf/en/un-global-counter-terrorism-strategy>, accessed on 5 December 2018.

<sup>86</sup> From a personal interview with the Additional Director General (ADG) (ret'd), RAB, 7 January 2019.

<sup>87</sup> From a personal Interview with DC, CTTC, 21 November 2018.

Monetary Fund (IMF) and other global bodies which consider terrorist funding or illicit transaction as just natural ‘transaction activities’ and not of viable security concerns.<sup>88</sup> Moreover, the responsiveness of the international authorities also depends on the global stature of a country where countries like Bangladesh fails to get a considerable attention. Thus, the available international mechanism does not turn out to be fruitful enough to ensure necessary proliferation of regulations to national and local divisions.

## 5.2 Regional Approach

Regionally, the most significant supervisory body in the question of terrorist financing is the Asia Pacific Group on Money Laundering. The group was established in 1997 currently holding a number of 41 active member states. As a founding member of the Asia-Pacific Group (APG) on money laundering, the compliance report vis-à-vis the regulatory means of Bangladesh is not satisfactory. Following the Second Follow-up Report of APG in 2018, Bangladesh has been found to be low compliant to 27 of the 40 regulations; partially compliant to 12 and compliant to only one.<sup>89</sup> The APG suggests not only supervisory and regulative amendments but also judiciary actions to be developed concerning the global context of terrorist financing. In the 2016 Mutual Evaluation Report of the APG, the Judicial Administrative Training Institute (JATI) had been praised as a positive development to combat ‘financial crime matters.’<sup>90</sup>

A reason behind the dissatisfactory situation regarding the countering terrorist financing has been pointed out to be the lack of coordination between the cross-border counterterrorism units themselves and the financial organizations by both a Senior Reporter from the *Prothom Alo* and another high official from CID.<sup>91</sup> On the other hand, the South Asian Association for Regional Cooperation (SAARC) has failed to prove itself fruitful in the regional context. In one hand, the organization tends to avoid the debates on cross border terrorism within the region considering the cut-throat relation between India and Pakistan over the issue. Even though coming with a promise to help the member states take collective and individual attempts to combat terrorism, the association fails to organize practical manifestation. Hence, it is not only misusing the opportunity it could utilize as a regional organization but also

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<sup>88</sup> Ibid.

<sup>89</sup> Asia Pacific Group (APG) on Money Laundering, “Second Follow-up Report: Mutual Evaluation of Bangladesh”, *Mutual Evaluation Report*, Sydney: APG, 2018.

<sup>90</sup> Asia Pacific Group (APG) on Money Laundering, “Anti-Money Laundering and Counter-Terrorist Financing Measures: Bangladesh,” *Mutual Evaluation Report*, Sydney: APG, 2016.

<sup>91</sup> From a series of personal Interviews with Senior Reporters, *Prothom Alo* and Additional DIG (Ret.), CID taken in between 19 September 2018 and 23 September 2018.

restricting the counterterrorism efforts of the concerning states as well. However, the Additional Protocol to the 1987 SAARC Regional Convention on Suppression of Terrorism in 2004 has contributed to an important issue which is providing with a wider dimension to the definition of the ‘funds’ of terrorism. As elucidated in the Article 3(1),

‘Funds’ mean assets of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including, but not limited to, bank credits, travelers cheques, bank cheques, money orders, shares, securities, bonds, drafts and letters of credit.<sup>92</sup>

Among other regional arrangements, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)’s Joint Working Group (JWG) on Counterterrorism and Transnational Crime as well as the sub group on combating the financing of terrorism are to be noted. The 2015-16 meetings of the members have focus on various important issues of terrorism bringing in the requirement of broader regional cooperation, development of institutional framework and so on. The delegation from Bangladesh, hence, played a major role bringing in the issue of human trafficking and national & regional responses to terrorist financing including those of the United Nations Security Council Resolutions (UNSCR) and the FATF.<sup>93</sup>

### 5.3 National Approach

BFIU is responsible for the collection, analysis, and dissemination of information on terrorist financing from the Suspicious Transaction Reports (STR), Suspicious Activity Report (SAR), Cash Transaction Report (CTR) and other information related to money laundering as the central organization at the national level. BFIU works as a bridge between the banks, other monetary organizations and the law enforcement agencies where the cluster of information is collected, filtered and disseminated. The reporting organizations of BFIU includes insurers, money changers, stock dealers and stock brokers, securities custodians, asset managers, non-profit organizations, cooperative societies, real estate developers, lawyers, notaries and other legal professionals.<sup>94</sup> BFIU works through different wings including the Policy Wing, Monitoring and Supervision Wing, Complaints Handling

<sup>92</sup> “SAARC Regional Convention on Suppression of Terrorism”, available at <https://treaties.un.org/doc/db/Terrorism/Conv18-english>, accessed on 8 October 2018.

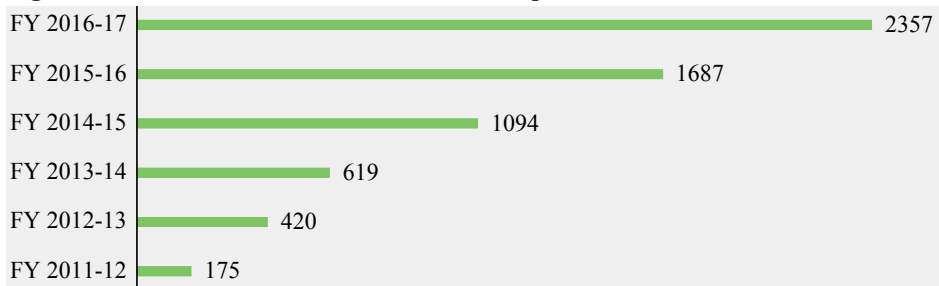
<sup>93</sup> Dipanjan Roy Chaudhury, “BIMSTEC Summit Delivers on Terror Where SAARC Failed”. *The Economic Times*, 2018. <https://economictimes.indiatimes.com/news/defence/bimstec-summit-delivers-on-terror-where-saarc-failed/articleshow/65623374.cms>.

<sup>94</sup> For more, see the official website of Bangladesh Bank, available at <https://www.bb.org.bd/bfiu/>. For associated laws and acts, see [https://www.bb.org.bd/bfiu/bfiu\\_acts.php](https://www.bb.org.bd/bfiu/bfiu_acts.php)

& Information Exchange Wing, Analysis Wing, Monitoring & Supervision Wing and Administration Wing. The BFIU also has the responsibility to supervise the implementation of the Money Laundering Prevention Act (MLPA) in 2002 and the Anti-Terrorism Act in 2009 as well as their amendments within the national border.

angladesh started with a terrific beginning as the first South Asian country to adopt the MLPA followed by its subsequent application since April 30, 2002.<sup>95</sup> The Anti Money Laundering Department (AMLDD) of the Bangladesh took follow-up steps to strengthen the strategies including the Know Your Customers (KYC) policies, established a Central Compliance Unit (CCU) and made obligations regarding the submission of STRs and the CTRs. A focus on the STR/SAR report of BFIU from the FY 2012-13 to the FY 2016-17 can give a view that the number of STRs has increased from 416 to 2357 (Figure 6). The numbers have also constantly had an increase over the years as in 2013-14, it went up to 621; 1094 in FY 2014-15 and 2357 in FY 2016-17.<sup>96</sup> According to one of the deputy directors from the policy wing, this indicates twofold implications—in one hand, the number of reports increasing means there can be a wider network of alliances between the illicit operatives; on the other hand, it does refer to the fact that more precise reports are also being available day by day.<sup>97</sup>

**Figure 6: Number of STRs from 2012-2017 Reported to the BFIU<sup>98</sup>**



<sup>95</sup> The repercussion of the forceful implementation of Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act) compelled Bangladesh to waste a significant amount of foreign money to gain the ‘frozen’ money back. Which, eventually, led to the creation of its own central task force and seven regional ones to combat money laundering and terrorist financing to combat future calamities. The subsequent result of these procedures helped the country formulate a significant any money laundering regime in 2002. For more, see Kamal Hossain, “Fighting Money Laundering and Terrorist Financing: The Role of Bangladesh Financial Intelligence Unit”, in *Intelligence, National Security and Foreign Policy: A South Asian Narrative*, edited by ASM Ali Ashraf (Dhaka: Bangladesh Institute of Law and International Affairs (BILIA), 2016), pp. 95-110.

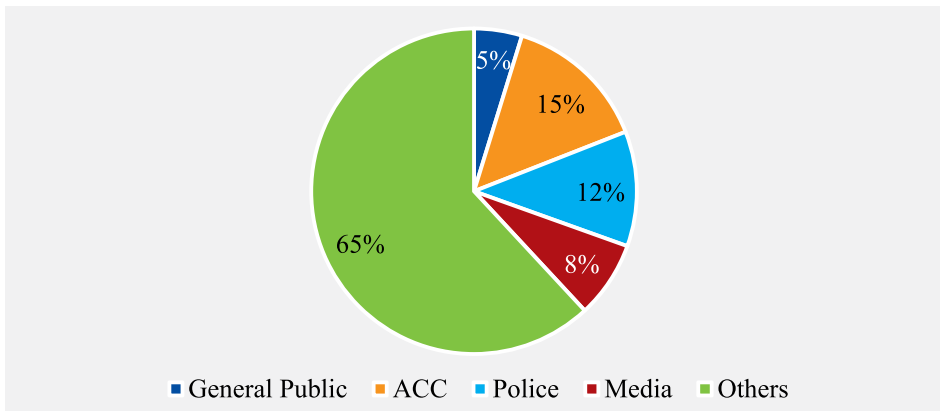
<sup>96</sup> See Muhammad Mijanur Rahman Jodder (eds.), Bangladesh Financial Intelligence Unit, *Annual Report 2016-18*, Dhaka: Bangladesh Bank.

<sup>97</sup> From a personal interview with Deputy Director (Policy Wing), BFIU, 25 September 2018.

<sup>98</sup> Bangladesh Financial Intelligence Unit, *Annual Report 2011-18*, Dhaka: Bangladesh Bank. Available at [https://www.bb.org.bd/bfiu/bfiu\\_publicitn.php](https://www.bb.org.bd/bfiu/bfiu_publicitn.php).

However, having a wider variety of reports does not necessarily mean that significant actions are taken to combat the sources. According to another Deputy Director from the Monitoring Wing, BFIU struggles to conjoin the enforcement and policy frameworks, since it works merely as a platform and does not have any jurisdiction over the implementation of the laws and the violations.<sup>99</sup> Following the 2016-17 BFIU annual report, BFIU’s engagement with its various sources can be elucidated through Figure 7.

**Figure 7: BFIU’s Engagement in Terms of Compliant Sources<sup>100</sup>**



According to both of the interviewees, BFIU does also have to rely on the information provided by various banks and organizations whose degree of providing valid information can differ. Sometimes, banks may have some known or familiar client whose suspicious or irregular transactions are not often reported. Table 2 provides with the data containing the estimated amount of transaction and the actual transaction reported by the banks concerned. Hence, it can be seen how a considerable amount of transaction often remain ignored or unreported.

<sup>99</sup> From a personal Interview with Deputy Director, Monitoring Wing, BFIU, 1 October 2018.

<sup>100</sup> Based on BFIU’s Official Publications, 2017-18.

**Table 2: Estimated STRs and Reported STRs Presented by Different Types of Banks in 2016-17<sup>101</sup>**

Sl.	Category	Estimated STR (million BDT)	Reported STR (million BDT)	Reported STRs as Percentage of Estimated STRs (per cent)
1.	Islamic Bank	4.97-5.96	2.98	50-60 per cent
2.	Foreign Bank	0.66	0.46	70 per cent
3.	Private Commercial Bank (PCB)	12.28-13.09	9.82	75-80 per cent
4.	State Owned Bank (SOB)	0.85	0.72	85 per cent

An interviewee from the Intelligence and Special Affairs Unit of BP has mentioned,

There is a growing reluctance among the police members. There is also no significant regulation for the police to combat terrorist financing. We just have to take ‘terrorism’ as a whole and dissect the incident into several categories. Sometimes, the focus on security makes the issue of financing subsided. And, again, there are newer sources which don’t even fit into the category of the general ideas of terrorist financing.<sup>102</sup>

However, the gaps in the countering terrorist financing also stem from the lack of awareness among the members in the counterterrorism units and also among the organizations directly or indirectly related to the surveillance of terrorist financing. The gravity which is more loosely fitted to the label of ‘financing’ has to be cut off and free from the stereotyped distinctions as well. On the other hand, Bangladesh Bank had limited the number of daily mobile cash-in transactions from BDT25,000 (US\$312) to BDT15,000 (US\$187) and restricted the discharge limit from BDT25,000 (US\$312) to BDT10,000 (US\$125)<sup>103</sup> but it has to be taken into consideration that most of the terrorist incidents did not require even an amount of BDT10,000 and in most of the cases the rules are not properly followed by the store managers/ bKash agents (specially, when the withdrawers are women/children).<sup>104</sup>

<sup>101</sup> Based on BFIU Annual Report 2016-17 and Personal Interviews with the Deputy Directors of the BFIU.

<sup>102</sup> From a personal interview, DIG, Intelligence and Special Affairs Unit, CID, BP 25 November 2018.

<sup>103</sup> Mehedi Hasan, “Mobile Banking Transactions Fell by 12.3% in September,” *Dhaka Tribune*, November 5, 2018, <https://www.dhakatribune.com/business/banks/2018/11/05/mobile-banking-transactions-fell-by-12-3-in-september>

<sup>104</sup> From a personal interview with DC, CTTC, 15 July 2019.

In summary, although a number of measures have been taken in order to counter the sources of terrorist financing in Bangladesh, they lack fruitful implementation. This creates a complexity and even prolongs the threat of terrorist financing at national, regional and international levels.

## **6. Concluding Remarks**

The sources of terrorist financing are diverse and multi-dimensional. As terrorist incidents do not require a lot of money to take place, every source can bring about severe impact. Thus, the sources have to be dealt with cautious approaches. Following the course of time, newer and newer sources are contributing to the financing of terrorism in Bangladesh. The sources discussed in different sections have shown how the sources can be politically motivated, socially motivated or completely based on an economic transaction system. Measures available for countering terrorist financing at three different levels have also shown interesting findings regarding how the efforts fail to meet expected outcomes due to the lack of implementation.

This paper has examined the relevance of a modified theory of terrorist financing. The modified theory builds upon the works of Michael Freeman. Three sources of terrorist financing, as hypothesized by Freeman, are found relevant in the context of Bangladesh. These include illegal activities, legal activities and public support. This article shows that Freeman's idea of state sponsorship can only be feasible if it is modified with the concept of regime sponsorship. Although Freeman's theory provides a broader framework for understanding the methods of terrorist financing, this paper provides a richer analysis of how the broader methods of terrorist financing, such as illegal activities, legal activities, and public support can be further disaggregated. Among the illegal activities, robberies and underground leftist activities are very unique in the case of Bangladesh. Similarly, money collected from the cow business and fish market as well as the role of women groups which have been respectively discussed under legal activities and public support are also very exclusive considering the conventional understanding on the sources of terrorist financing.

The findings in this article indicate the needs for strengthening existing efforts to combat terrorist financing. Given the fact that terrorist groups operating in the country have shown remarkable success in raising and moving funds through informal and cash-based transaction systems, traditional banking system can barely do anything to deal with such financing methods. More creative measures are needed to detect and counter terrorist financing that should emphasize robust intelligence, proactive law enforcement, and effective community-based intervention.