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Terror Financing in Bangladesh and Government's Efforts to Fight the Menace

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One of the major weaknesses of Bangladesh in its fight against Islamic militancy since 2000 has been the government's inability to curb terror financing and money laundering. The Bangladesh authorities began to choke the overt and covert financing methods of the terrorist groups only after Sheikh Hasina's assumption of power in 2009. The country's radical Islamic outfits and jihadi elements had been procuring funds from numerous sources, including Sharia banks, non-governmental organisations (NGOs), expatriates' remittance, illicit money transfer and state actors of Pakistan.

Bangladesh experienced the worst kind of Islamist violence during Khaleda Zia's second tenure as prime minister (2001-2006). With funds coming from multiple sources and no effective control of government over the illicit financial transactions, the Islamic militants stepped up terror activities threatening Bangladesh's peace, security, stability and democracy. The countrywide serial bomb blast on August 17, 2005 jolted the very foundation of the state. In just 30 minutes, Jamaat-ul-Mujahideen-Bangladesh (JMB) triggered 459 explosions in 63 of the country's 64 districts, killing three persons and injuring 100 others¹.

The August 2005 terror incident was a watershed moment which transformed the Bangladesh government's lackadaisical approach towards countering terrorism. The Bangladesh Nationalist Party (BNP)-Jamaat-e-Islami coalition government led by Khaleda, which initially blamed the external forces especially Indian and Israeli intelligence agencies for the attacks, admitted for the first time, the existence of Islamic militants in the country².

Islamic Banks

The unholy nexus between the Islamic banks and jihadi organisations was brought to light after the synchronised bomb blast. The subsequent investigations and trial of JMB leaders, including its chief Sheikh Abdur Rahman and his deputy Siddique Islam alias Bangla Bhai unearthed their suspicious transactions with the Islami Bank Bangladesh Limited (IBBL)³. Taking advantage of IBBL's close ties with the fundamentalist Jamaat, the JMB repeatedly flouted the banking rules and regulations to execute their diabolic plans.

There has always been a nexus between the two Sharia-compliant banks—IBBL and Social Islami Bank Limited (SIBL) and terror financing in Bangladesh. The United States (US) Senate Subcommittee on Investigation, in its July 17, 2012 report titled "US Vulnerabilities to Money Laundering, Drugs and Terrorist Financing: HBSC Case History", disclosed that two Bangladeshi banks, IBBL and SIBL were engaged in funding Islamic militancy. The US report noted that the leading British Bank HSBC had provided US dollars to IBBL and SIBL even after knowing about their links to terror financing⁴.

The infusion of massive petro-dollars from West Asia has made the Islamic banks key players in the Bangladesh economy. These banks rapidly expanded their market during the military rule (1975-90) due to official patronage and the trend continued after the restoration of civilian rule especially when Khaleda was the country's premier. A report says the Islamic banking has been growing at almost 20%, twice the average for the whole banking sector in Bangladesh⁵. But the country's civil society is worried about this development as these banks diverted a share of their profits to finance Islamic militancy.

IBBL's Role

In recent years, the IBBL has emerged as the major financier of the Bangladeshi terrorist groups and the country's largest Islamist party Jamaat which staged several violent street demonstrations to unseat the democratically-elected Awami League (AL) government. The 2012 US report clearly mentioned that Saudi Arabia's Al Rajhi Bank had a 37% stake in IBBL. It raises concern since the Al Rajhi Bank had been involved in suspicious transactions and maintaining close ties with al Qaeda⁶.

Moreover, the IBBL was associated with the Kuwait-based NGO, Revival of Islamic Heritage Society (RIHS)—a top financier of jihadi activities in Bangladesh. In 2006, RIHS' account with IBBL was closed following the discovery that in November 2005, it released Tk 20 million ostensibly for use in jihadi operations. The Jamaat too facilitated terror financing in the country. Funds were allegedly transferred into Jamaat's account with IBBL. The Islamist party subsequently distributed those to different terrorist groups active in Bangladesh⁷.

The IBBL, which was formed in 1975 after the violent political changeover, has become one of the three top banks in South Asia. Reports indicate that the bank's 60% stakes are owned by Saudi individuals and institutions. Moreover, nationals of Kuwait, Qatar and United Arab Emirates have developed stakes in this bank⁸. The Bangladesh government never attempted to formulate a separate regulatory mechanism for the Islamic banks and it has helped them grow in their own way.

However, the IBBL has been kept under close watch since the 2012 US Senate report accused it of indulging in terror financing. In a significant move on January 24, 2016, the Bangladesh Bank removed Deputy Managing Director of IBBL Nurul Islam for his involvement in terror financing and violence perpetrated by Jamaat's student wing Islami Chhatra Sibhir. The central bank took the decision after the Finance Ministry directed its governor to initiate step against the financial institutions associated with Jamaat⁹.

Earlier in December 2015, the country's central bank detected 27 suspected terror financing transactions made by IBBL and kept it under surveillance. The IBBL was fined four times before as per the provisions of the Money Laundering Prevention Act (MLPA) for financing Islamic militancy. In 2014, the National Committee on Militancy Resistance and Prevention asked the Bangladesh Bank to facilitate submission of the reports to the Finance Ministry on the expenditures of the Islamic Banks and insurance companies¹⁰.

Bangladesh's media reports suggest that IBBL's "corporate social responsibility" funds had been used to pay the fees of suspected war criminals accused Islamic terrorists. The Bangladesh government previously implicated IBBL for terror financing. The Home Ministry disclosed that the IBBL diverts 8% of its profit to finance militancy in the name of "corporate zakat". The ministry further added that IBBL's higher officials among trouble makers included alleged collaborators, war criminals and jihad tax advocates¹¹.

The IBBL had also been engaged in various other activities designed to destabilise the country's economy and promote Islamic militancy. According to two reports, the IBBL distributed counterfeit currency to some of its subscribers¹². The Bangladesh Bank reviewed a report of the IBBL in 2014 on its expenditures. The government tried to ascertain whether the IBBL had genuinely disclosed names of its beneficiaries and if the bank had transactions with individuals included in international black-list¹³. Some of the foreign banks operating in Bangladesh, for example, Citi Bank and Bank of America had already suspended transaction with the IBBL¹⁴.

SIBL and Terrorism

The other major Sharia-compliant bank SIBL operating in Bangladesh for several years has developed links to terror financing. Like IBBL, this Islamic bank is also controlled by the Jamaat and its key stakeholders are from West Asia. The 2012 US report pointed out that SIBL's ownership stakes were held by two Saudi Arabia-based NGO's—International Islamic Relief Organisation (IIRO) and Lijnat-al-Birr-al-Islam (Benevolence International Foundation). The IIRO, SIBL's single largest shareholder was implicated in terror financing by the US government and included on the list of those barred from doing business in the country. On the other hand, Lijnat, a charitable organisation, had been one of one of the major financiers of al Quida and many of its affiliated organisations¹⁵.

The SIBL had established linkages in neighbouring India. Reports indicate that the Islamic bank had been channeling funds to Kolkata and other places in India and abroad. Its Executive Vice President, Shawkat Ali, was arrested by Kolkata Police and expelled from the city in August 2006 for suspicious and undesirable activities¹⁶.

Role of NGO's

The NGO's constitute another key source of funding for Islamic terrorist groups. There are as many as 1, 00,000 NGO's both big and small, in the country engaging in diverse development activities and the government has found it difficult to monitor and regulate their activities. Many Saudi-based NGO's have been funding Islamic education and philanthropic activities in Bangladesh but some of them were found involved in promoting terrorist activities under the cover of social work. One such NGO al- Haramin Islamic Foundation, which was banned by United Nations Security Council Committee 1267, came under scanner along with other Islamic charities from West Asia for financing Islamic militancy in Bangladesh¹⁷.

This charitable organisation having links with al Quida had set up office in Dhaka. It thereafter opened an account with Al Arafah Islami Bank in Dhaka. However, following

a bomb blast in Saudi Arabia recently, Riyadh requested the Bangladesh government to ban al-Haramin and confiscate its bank account and properties. Bangladesh authorities responded to the call and the country's central bank subsequently discovered that huge funds had been stashed away from the NGO's account in Al Arafah Bank's Cox's Bazar and Rangpur branches, to persons who promptly withdrew the amount¹⁸.

The foreign NGO's and charities are also held responsible for the resurgence of religious extremism and terrorism in the country. Bangladesh's intelligence agencies divulged that two RIHS officials had released \$ 700,000 to local and foreign terrorist groups¹⁹. The Kuwait-based RIHS and Saudi organisation Hayatul Igacha had been funding nearly 650 mosques across the country. Many of these mosques were used by the radical Islamic groups such as Ahle Hadith Andolan Bangladesh and JMB-affiliated Jagrata Muslim Janata Bangladesh²⁰.

Expatriates' Funding

The radical Islamic groups also receive funds from Bangladeshis working in Arab and Gulf countries, Europe, US and Canada. The remittance of the expatriate Bangladeshis remains an area of concern as it happens to be a prime source of terrorism financing. Bangladesh acquires \$ 7 billion a year as remittance through banks, while another \$ 7 billion comes to the country allegedly via "hundi" system; an alternative transfer method akin to the "hawala" network which persists in West Asia²¹.

The Bangladeshi security forces' crackdown on the "safe heavens" of jihadi outfits, including JMB uncovered that those properties had largely been rented by the expatriates living in Saudi Arabia. The expatriates settled in the UK send huge volume of money that often ends up funding terrorist activities²².

Besides, there is a "diaspora link" to the growing incidents of Islamist valence in the country. This sort of linkage was exposed in March 2009 when a madrassa in southern Bangladesh's Bhola district was raided by an anti-terrorist unit of the government, recovering large amount of arms and ammunition and radical Islamic literature. A probe into the incident established that the Islamic seminary was funded by the UK-based charity Green Crescent, and that its founder Dr. Faisal Mostafa, a British citizen, had close links to JMB and the outfit's the then supremo Saidur Rahman²³.

Illicit Transfers

Bangladesh's economy has long been affected by illicit transfers. Investigations into the financial operations of Islamic terror groups like JMB and Harkat-ul-Jihad-al-Islami-Bangladesh clearly proved that a major part of their funding had come from Pakistan through "hawala" networks²⁴. The Bangladeshi militants are beneficiaries of illegal cross-border trade as well. Report say goods worth more than \$ 1 billion is smuggled into the country from India and a segment of this black money reaches the Islamic terrorist groups. They also get a share of profit from drugs and counterfeit US dollars that enter Bangladesh from neighbouring Myanmar and the Golden Triangle²⁵.

Pakistani Involvement

The state actors of Pakistan have recently been found transferring money to a Bangladeshi jihadi group. On December 2, 2015, the Pakistan government recalled one of its diplomats from Dhaka following allegations of financing Islamic militancy in Bangladesh. Farina Arshad, second secretary (political) at the Pakistan High Commission in Dhaka, allegedly developed links with a JMB militant named Idris Sheikh. After a complete investigation by the Detective Branch of Bangladesh Police, the government informally asked the Pakistan government two days earlier to withdraw the diplomat²⁶.

Bangladesh's troubled relationship with Pakistan is a matter of worry as Islamabad has been trying to destabilise the Bengali nation through various means in the last few years. The Bangladesh government has taken serious note of the recent JMB militant's case and without naming Pakistan, Home Minister Asaduzzaman Khan Kamal, blamed external forces for financing terrorism and orchestrating killings in Bangladesh²⁷.

Earlier in January 2015, one more Pakistani official at the Dhaka mission was expelled after the Bangladeshi intelligence agencies accused him of funding radical Islamists and peddling fake currency²⁸. The Indian intelligence organisations believe Pakistan has been using its diplomatic missions to circulate fake currency for financing terrorist activities in Bangladesh. A top intelligence report indicates that several operatives are managing circulation of fake currency notes from Pakistan and its diplomats based in Bangladesh, Thailand and Nepal conniving with the racketeers²⁹.

Legal Counter-measures

While the Islamic banks, charities and NGO's continued to pump money to the Bangladeshi jihadi groups, the country lacked stringent legislation to contain money-laundering and terror financing. The AL government accorded top priority to the task of curbing domestic and international terrorism immediately after assuming power in January 2009. The government established a 17-member National Committee on Militancy Resistance and Prevention, in the same year, headed by the state minister for Home Affairs to deal with violent extremism and terrorism and mobilise public opinion against such activities. The Bangladesh government introduced for the first time specific legislation—Anti-Terrorism Act (ATA), 2009 aimed at uprooting terrorism from the country³⁰.

The terror finance provisions of the ATA prohibit the receipt and collection of money, service and material where “there are reasonable grounds to believe that the same has been used or may be used for any purpose by a terrorist entity”. The legislation forbids membership and support of proscribed organisations which are engaged in terrorist activities, including the terrorist outfits listed under various United Nations (UN) Security Council Resolutions³¹. In order to integrate the ATA with the UN Action Plan on Counter Terrorism Strategy and other resolutions, it was amended twice--in 2012 and 2013³².

Towards a Control Regime

In addition to the ATA, the AL government undertook measures to address the problems related to terror financing and money-laundering. In 2012, the government enacted the

Money Laundering Prevention Act (MLPA), which was the first legal framework to stop the inimical forces from sponsoring terrorism in the country. The international community particularly donor agency like International Monetary Fund had been pressurising Bangladesh to initiate legal measures for combating money-laundering and financing of terror and enhance surveillance on the functioning of the Islamic banks in the country. Bangladesh was given time until February 2013 to address these issues to avoid black-listing by the Financial Action Task Force (FATF)—an inter-state organisation consisting of 34 developed nations and two regional forums³³.

The Bangladesh Bank considers money-laundering a serious issue. The country's central bank along with its financial intelligence unit/anti-money laundering section has stepped up efforts to contain the menace. The bank has devised strategies and formulated guidelines asking all state owned and private commercial banks to strictly adhere to the provisions of the MLPA, 2012. The Financial Intelligence Unit of the Bangladesh Bank had already taken necessary steps to enforce a terror financing control regime in the country. It issued a circular to all the banks operating in Bangladesh regarding the procedure for handling money-laundering and terror financing issues³⁴.

In its bids to prevent money-laundering, the Bangladesh Bank has made submission of Cash Transaction Report to the Bangladesh Financial Intelligence Unit every month mandatory for all the banks. It issued a number of circulars directing all the banks to train their staffs on regular basis to get acquainted with the money-laundering acts, methods and also the way to control money-laundering and terror financing. Moreover, a bank has to report Suspicious Transaction to the central bank after verification³⁵.

Regional and International Cooperation

Bangladesh under Hasina has been playing a proactive role in various regional and international organisations to counter the jihadi threats posing the country. Dhaka signed different counterterrorism protocols under South Asian Association for Regional Cooperation (SAARC). Bangladesh is also trying to bring the country's fight against terrorism within the framework of the UN Global Counter-Terrorism Strategy. Moreover, Dhaka inked memorandum of understanding with some nations to share evidence related to financial crimes and terror financing. The ATA allows mutual legal cooperation on terrorism issues with other countries³⁶.

In 2012, the AL government brought the Mutual Legal Assistance Act that provides legal framework for inter-country cooperation to facilitate enquires, prosecutions and trial of criminal activities. Under this law, the Bangladesh government could freeze properties of criminals and terrorists and their equipments used in criminal activities responding to the request of a foreign country. It may be added that the AL government attached all financial assets of some United Liberation Front of Asom leaders, including its chief Paresh Baruah following their conviction by domestic courts for direct involvement in smuggling of weapons across the border and financial crimes. Furthermore, India and Bangladesh signed an extradition treaty on January 28, 2013 to combat cross-border terrorist connections and networks afflicting both the nations³⁷.

The US is one more crucial ally of Bangladesh in its fight against Islamic terrorism. On October 22, 2013, Bangladesh signed an agreement with the US to expand bilateral cooperation in the fields of capacity building and information sharing. The pact also seeks to enhance exchanges between the law enforcement agencies of the two nations³⁸.

In its endeavour to contain violent religious extremism and terrorism especially the jihadi forces affiliated to al Quida and Islamic State, the AL government recently decided to participate in multilateral alliance. Bangladesh joined Saudi-led counter-terrorism coalition consisting of 34 Muslim nations in the second week of December 2015. The Bangladesh government believes that the country's greater engagement with the key players of the West Asian region would help it to counter jihadi activities in a more coordinated and effective manner³⁹.

Global Appreciation

The AL government's "zero-tolerant policy" against violent religious extremism and terrorism and relentless crackdown on jihadi activities have been acknowledged by many nations, including India and US—Bangladesh's two most important counterterrorism allies. The country's persistent efforts to dismantle money-laundering and militant financing methods through legislation and policy measures earned the appreciation of the international community prompting the FATF to delete the country's name from the "grey list" in February 2014⁴⁰.

Lauding Bangladesh's endeavours towards combating terrorism, the US State Department's Country report on Terrorism in 2013 notes that Bangladesh has achieved remarkable success in several aspects of counter terrorism like legislation, law enforcement, terror financing and regional and international cooperation for controlling terrorism. In 2013, Bangladesh obtained the membership of Egmont Group, a world body of 131 member nations to tackle money- laundering, financing of terrorism and other financial crimes. Bangladesh also became member of Asia Pacific Group—an autonomous and collaborative international organisation comprising 41 member nations and some regional and international observers⁴¹.

The Challenges

Notwithstanding the AL government's significant strides in tackling Islamic militancy, some issues pertaining to terror financing and money-laundering are yet to be addressed. The ATA contains a comprehensive forfeiture provision for assets used in terrorist activities; but proper implementation of the MLPA has been missing⁴². Stopping IBBL, Bangladesh's largest Sharia-compliant bank managed by the fundamentalist Jamaat, from sponsoring jihadi activities is not easy as this bank has deeply entrenched into the country's banking sector. The Islamist groups have invested heavily in different sectors and they, in fact, run a parallel economy in Bangladesh. The government's bigger challenge lies in monitoring and regulating the financial activities of the Islamists to prevent them from financing terror activities.

Studies have identified some other problems, including continuous political interference in the judicial process, rampant corruption and coercion which are impeding

implementation of the country's anti-money laundering and terror financing measures. The Bangladesh government and bank officials lack proper knowledge and training to foil money-laundering and terror financing complicating the situation further. Facing resource and manpower crunch, Bangladesh's central bank is not in a position to fully operationalise the regulatory mechanism and investigate all foreign and domestic financial transactions that are taking place in the country. International observers maintain that the Bangladesh government's machinery has proved incapable at times to detect dubious transactions that might be used for financing terrorism⁴³.

Bangladesh needs both technical and financial assistance to build an efficient workforce which could promptly detect and report money-laundering and terror financing cases. The AL government has been making consistent efforts to uproot Islamic militancy from Bangladesh's territory by adopting a tough stance on domestic, regional and global terrorism and deserves support of the international community. Being a close friend and immediate neighbour, India should broaden bilateral cooperation with Bangladesh focusing on its capacity building in countering money-laundering and terror financing.

End Note

¹ See the report "Bangladesh, Banking and Terrorism Financing", November 28, 2012, www.shariahfinancewatch.org/.../bangladesh-banking-and-terrorism-financing.

² Cochrane, Paul, "The Funding Methods of Bangladeshi Terrorist Groups", May 15, 2009, www.ctc.usma.edu/.../the..funding-methods-of-bangladeshi-terrorist-groups.

³ Choudhury, Dipanjan Roy, "Islamic banking and terror financing in Bangladesh", September 18, 2012, www.sify.com/.../islamic-banking-and-terror-financing-news-terrorism-mjshiHddjhgi.html

⁴ See n. 1.

⁵ See Choudhury, n.3.

⁶ See n. 1.

⁷ Ibid.

⁸ See Choudhury, n. 3.

⁹ See the report "Sharia banker unseated for militant financing" in "Money Jihad: Combating Terrorist Financing", www.moneyjihad.wordpress.com/tag/islami-bank-bangladesh, retrieved on January 31, 2016.

¹⁰ See the report "Islami Bank DMD removed for having Jamaat ties", January 25, 2016 in "Money Jihad: Combating Terrorist Financing", www.moneyjihad.wordpress.com/tag/islami-bank-bangladesh, retrieved on January 31, 2016.

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www.moneyjihad.wordpress.com/tag/islami-bank-bangladesh, retrieved on January 31, 2016.

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¹³ See the report “Bangladesh probes terror-linked Shariah bank”, in August 26, 2014, in “Money Jihad: Combating Terrorist Financing”, www.moneyjihad.wordpress.com/tag/islami-bank-bangladesh, retrieved on January 31, 2016.

¹⁴ See the report “Government is investigating Islami Bank’s spending” in “Money Jihad: Combating Terrorist Financing”, www.moneyjihad.wordpress.com/tag/islami-bank-bangladesh, retrieved on January 31, 2016.

¹⁵ See n. 1.

¹⁶ See Choudhury, n. 3.

¹⁷ See Cochrane, n. 2.

¹⁸ See Choudhury, n. 3.

¹⁹ Ibid.

²⁰ See Cochrane, n. 2.

²¹ Ibid.

²² Ibid.

²³ See note nos. 2 and 14.

²⁴ See n. 1.

²⁵ See Cochrane, n. 2.

²⁶ See the report “Pakistan Diplomat Recalled from Bangladesh over Terror”, December 26, 2015, *The Indian Express*, www.newindianexpress.com/.../Bangladesh-Terror-Financing/...../article3194664.

²⁷ See the report “External forces blamed for Bangladesh terror financing”, December 2, 2015, www.newsnextbd.com/external-forces-blamed-for-terror-financing.

²⁸ See the report “Terror Financing: Pak diplomat withdrawn from Bangladesh”, December 23, 2015, *The Daily Star*, www.thedailystar.net/.../terrorfinancing-pak-diplomat-withdrawn-from-bangladesh-191473.

²⁹ See n. 26.

³⁰ See the report “Bangladesh: Success in counter terrorism”, Centre for Research and Information, May 29, 2014, www.cri.org.bd/2014/05129/bangladesh-success-in-counter-terrorism.

³¹ See “Country Reports on Terrorism 2014: South and Central Asia Overview”, www.state.gov/j/ctu/s/crt/2014/239408.htm.

³² See n. 30.

³³ See Choudhury, n.2; and n.30.

³⁴ See the report “Anti-Money Laundering and Combating Terrorist Financing: Effectiveness in EXIM Bank”, www.eximbankbd.com/governance/aml_com/ , retrieved on January 31, 2016. And also see n. 30.

³⁵ See EXIM Bank report, n. 34.

³⁶ See n. 31.

³⁷ See n. 30.

³⁸ Ibid.

³⁹ Bhattacharjee, Rupak, “Bangladesh joins Saudi-led anti-terror coalition to fight radicalisation”, *South Asia Monitor*, Spotlight, December 30, 2015, www.southasiamonitor.org .

⁴⁰ See n.30.

⁴¹ Ibid.

⁴² See n. 31.

⁴³ See Cochrane, n. 2.



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