

Hawalas²¹

Hawala is an ancient, international method of transferring money that is based upon the personal relationship between the operators, rather than the international transmission of actual currency. The word “hawala” means “transfer” in Arabic and a “hawaladar” is the broker who facilitates the funds transfers.

Investigations have shown that proceeds from narcotics trafficking, alien smuggling, credit card fraud, smuggling, counterfeit merchandise, and funds raised in support of terrorist groups have been remitted and laundered through the use of hawalas. The hawala system can be utilized by criminal organizations to transfer funds in or out of a country with little or no detection by law enforcement. Hawalas allow the transfer of millions, if not billions of dollars tracked only by a secret code and disposable scraps of paper. Transfers of money take place based on communications between members of a network of hawaladars. Hawala works by transferring money without actually moving it.

For example, Salim is a Pakistani living in Washington, D.C. Salim wants to send \$15,000 to his brother Abdul in Pakistan. Salim wants Abdul to get the money fast and he doesn’t want to pay high bank fees. Salim decides to go speak with his friend Mailik who is a part time hawaladar. Mailik’s fees are much less than a bank’s, and he can get the money to Abdul much faster than a bank. Salim decides to give Mailik his \$15,000. Mailik calls his friend Aasim who is a hawaladar in Pakistan. Aasim arranges to get the \$15,000 to Abdul within one day.

One may wonder why anyone would want to send money using a hawala. The primary reason one would use a hawala is to save money on the transaction fees. A hawaladar will generally have a much better transfer rate than that of a financial institution. A second reason would be efficiency. A hawaladar can have your money “transferred” usually within a day, where a financial institution may take up to a week to complete the transaction. Other reasons would be convenience, anonymity, and avoiding paper trails. . . .

Case Study—Mahmoud Banki

In May 2009, U.S. Immigration and Customs Enforcement, Homeland Security Investigations, New York Field Office (HSI/NY) initiated an investigation into Mahmoud Banki for operating an Unlicensed Money Service Business (MSB) and facilitating in the avoidance of Office of Foreign Asset Control (OFAC) sanctions on Iran. Initial findings identified a number of bank accounts and showed a pattern of suspicious financial transactions. Investigators discovered a large quantity of wire activity and deposits made throughout the country into Banki’s personal accounts