

FYI

From: David Smith [mailto: [REDACTED]]
Sent: Thursday, September 06, 2012 3:02 PM
To: [REDACTED]
Subject: Do you know about hawala/ hundi?

Dear [REDACTED]:

If you don't, I just thought of a nifty use of "free global tech" that would play to [REDACTED] interest in disruptive tech being used for pro-poor activities, and might tie very much to Urban's goals (under the Integrated department) across multiple dimensions.

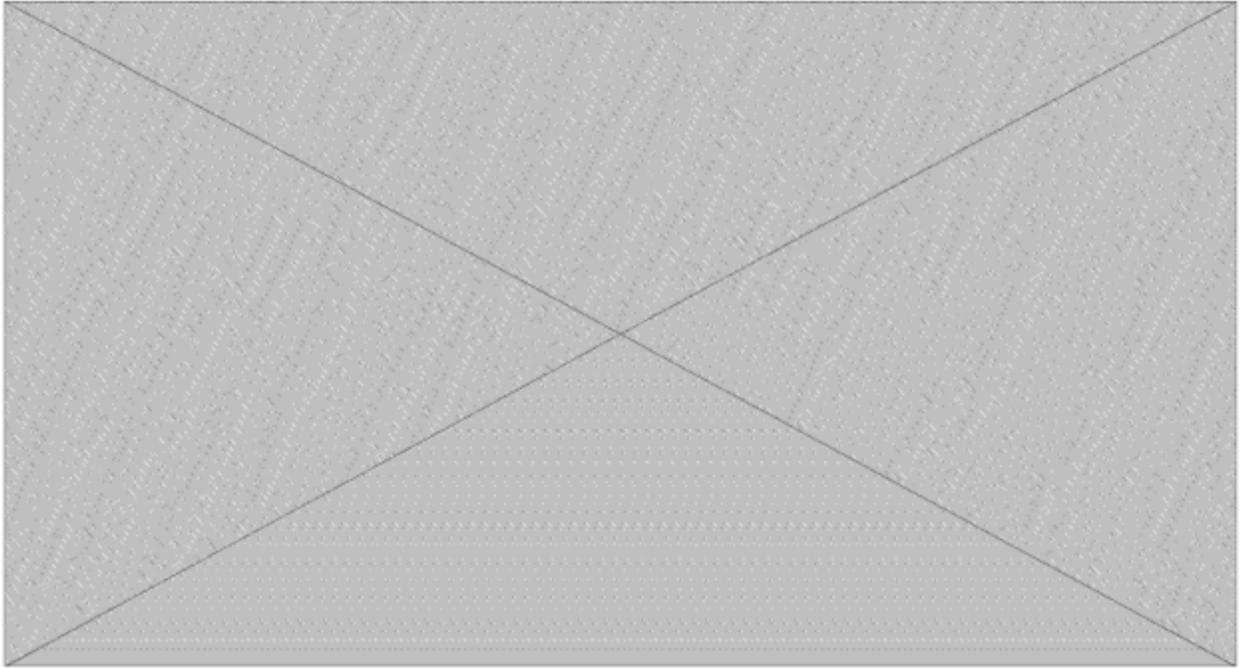
I could explain it in five minutes on the phone, and then if of interest could spend the 2 hours needed to write it up.

David 6 Sep 12

Here's the quickie intro:

<http://en.wikipedia.org/wiki/Hawala>

I have a feeling that if one could use a formal an audited password system, one could eliminate the fraud risk without losing the system's efficiencies.



The figure shows how Hawala works: (1) A customer (*A*, left-hand side) approaches a hawala broker (*X*) in one city and gives a sum of money (red arrow) that is to be transferred to a recipient (*B*, right-hand side) in another, usually foreign, city. Along with the money, he usually specifies something like a password that will lead to the money being paid out (blue arrows). (2b) The hawala broker *X* calls another hawala broker *M* in the recipient's city, and informs *M* about the agreed password, or gives other disposition instructions of the funds. Then, the intended recipient (*B*), who also has been informed by *A* about the password (2a), now approaches *M* and tells him the agreed password (3a). If the password is correct, then *M* releases the transferred sum to *B* (3b), usually minus a small commission. *X* now basically owes *M* the money that *M* had paid out to *B*; thus *M* has to trust *X*'s promise to settle the debt at a later date.

After the [September 11 terrorist attacks](#), the American government suspected that some hawala brokers may have helped terrorist organizations to transfer money to fund their activities. The [9/11 Commission Report](#) has since confirmed that the bulk of the funds used to finance the assault were not sent through the hawala system, but rather by an official inter-bank wire transfer to a [SunTrust Bank](#) in Florida, where two of the conspirators had opened a personal account. However as a result of intense pressure from the U.S. authorities, widespread efforts are currently being made to introduce systematic anti-money laundering initiatives on a global scale, to better curb the activities of the financiers of terrorism and those engaged in laundering the profits of drug smuggling.

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