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**From:** [REDACTED]  
**Sent:** Monday, September 10, 2012 8:53 PM  
**To:** jeevacation@gmail.com  
**Subject:** FW: Do you know about hawala/ hundi?

FYI<=p>

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

Dea [REDACTED] <=p>

If you don't, I just thought of a nifty use of "free global tech" that would play into Bill's 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 &=bsp; 6 Sep 12

Here's the quickie intro:

[REDACTED]

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

[REDACTED]

The figure shows how Hawala works: (1) A =customer (A, left-hand side) approaches a hawala broker (X) =n 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, ci=y. Along with the money, he usually specifies something like a password th=t will lead to the money being paid out (blue arrows). (2b) The hawal= broker X calls another hawala broker M in the recipient's city, and =nforms M about the agreed password, or gives other disposition instructions=of the funds. Then, the intended recipient (B), who also has been i=formed by A about the password (2a), now approaches M and tells hi= the agreed password (3a). If the password is correct, then M releases the transferred sum to B (3b), usually minus a sma=l commission. X now basically owes M the money that M had paid out t= B; thus M has to trust X's promise to settle the debt at a later date=

After the September 11 terrorist attacks <[http://en.wikipedia.org/wiki/September\\_11,\\_2001\\_attacks](http://en.wikipedia.org/wiki/September_11,_2001_attacks)> , the American government suspected that =ome hawala brokers may have helped terrorist organizations to transfer mon=y to fund their activities. The 9/11 Commission <[http://en.wikipedia.org/wiki/9/11\\_Commission](http://en.wikipedia.org/wiki/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 <[http://en.wikipedia.org/wiki/SunTrust\\_Bank](http://en.wikipedia.org/wiki/SunTrust_Bank)> in Florida, where two of the conspirators had opened a pe=sonal account. However as a result of intense pressure from the U.S. autho=ities, widespread efforts are currently being made to introduce systematic anti-mone= laundering initiatives on a global scale, to better curb the activities o= the financiers of terrorism and those engaged in laundering the profits o= drug smuggling.

David Smith

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