

## MARKETS

# Cautious Banks Hinder Charity Financing

Account shutdowns and holdups of money transfers hinder ability to deliver aid to refugees



The Bayaslan School in Antakya, Turkey, financed by a Texas-based charity, educates children of Syrian refugees. *PHOTO: YUSUF SAYMAN FOR THE WALL STREET JOURNAL*

By **ROB BARRY** and **RACHEL LOUISE ENSIGN**

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The founder of a small, Texas-based charity opened a letter from J.P. Morgan Chase & Co. last July and was stunned by what she read.

“After a recent review of your account, we have decided to end our relationship with you,” the letter informed Watan USA, which funded a school in Turkey for about 400 Syrian refugees. The letter gave no reason for the decision.

Believing it had no other way to move money overseas, Watan prepared to shut down the school. “Once they know there’s no money, those teachers are going to be looking for another job,” said the founder, Mouna Hashem.

After The Wall Street Journal contacted J.P. Morgan about the matter, the bank informed Ms. Hashem it had reversed its decision, she said. J.P. Morgan said it sent the letter in error and hadn't closed the account, but neglected to inform Ms. Hashem.

“Given the seriousness of closing an account, we'll often revisit our decision to make sure it was the right one,” said a spokeswoman.

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## ACCOUNTING FOR TERROR

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### An investigation into terrorism finance and the battle to shut it down

- U.S. Terror Rules Drive Money Underground (<http://www.wsj.com/articles/SB11268871023369294900704581577442580827896>)
- How Islamic State's Secret Banking Network Prospers (Feb. 24, 2016) (<http://www.wsj.com/articles/how-islamic-states-secret-banking-network-prospers-1456332138>)

Banks are under pressure from regulators to prevent money laundering, terrorism financing and sanctions violations. The crackdown has been a challenge for humanitarian agencies trying to deliver aid in conflict areas even though they are often exempt from sanctions.

U.S. and European banks have shut the accounts of a number of U.S. charities and have held up money transfers by others, hindering their ability to deliver aid to refugees and others in Syria, Turkey and Lebanon. Because both charities and banks are reluctant to discuss the issue, it isn't possible to know precisely how widespread the problem has become.

Eight charities told the Journal they have had accounts closed since 2014. The Charity & Security Network, an advocacy group focusing on the funding issue, said an informal survey of humanitarian organizations in late 2013 found more than half the 51 respondents faced delays or denials in moving money abroad and 15% had their accounts closed.

“There's no explanation...no opportunity given to appeal, no willingness to discuss,” said James Warren, a lawyer representing four charities whose accounts have been shut. “It's adding to the problem in Syria and in the Middle East.”

U.S. government officials say shutting customer accounts is a business decision made by financial firms. A spokesman for the Office of the Comptroller of the Currency said recent penalties against banks “should not deter other banks that operate in a safe and

sound manner from conducting business in a legal way.”

In the U.S. fight against terrorism, the attention to charities stems in part from allegations that al Qaeda and Osama bin Laden used a global charitable network in their fundraising efforts. At least eight charities with U.S. offices have been accused since 2001 of financing terrorists.

In some cases, extremist groups demand payments for access to vulnerable populations. Several charitable organizations said they refuse to pay armed groups. Yet incidental costs are sometimes hard to avoid, charities said.

In Somalia, for instance, checkpoints manned by local militias dot the countryside, often charging passage fees, according to aid workers. The payments can wind up with al-Shabaab, the al Qaeda-linked terrorist group that controls parts of the nation’s south.

Bank-account problems and funding delays have affected even large and well-known American aid groups.

Mercy Corps, based in Portland, Ore., has had trouble getting money into Turkey and surrounding areas. “We have to anticipate that any transfer that mentions Syria will be delayed or blocked,” said Mercy Corps Deputy General Counsel Jeremiah Centrella.



The existence of the Bayaslan School for Syrian refugees was jeopardized last year when a bank threatened to end its relationship with the Texas-based charity that funds the school. *PHOTO: YUSUF SAYMAN FOR THE WALL STREET JOURNAL*

Chicago-based Zakat Foundation of America had accounts at three banks closed. In each case, the banks, which it declined to identify, didn’t provide a reason for the closures, the charity said.

In one instance, Zakat was for months unable to fund a program supporting orphans in northern Lebanon. “When our financial transfers were delayed, we lost our local representatives,” said General Counsel Beverly Perez. “That translates into actual people not getting the assistance they need.”

For some charities trying to deliver aid to Syrian refugees, banking issues have emerged as a primary concern.

“There is a fear that if our accounts keep getting shut down...we will not be able to function,” said Jomana Qaddour, co-founder of the U.S.-based Syria Relief & Development, which funds a hospital in Aleppo.

Bank of America Corp. said it was closing the group’s account in the spring of 2015, according to Jihad Qaddour, the charity’s president. “You have to panic,” he said. “What are you going to do?”

The group moved its money to Wells Fargo & Co. After several weeks, Mr. Qaddour said, he told the bank he needed to transfer money to his employees in Syria. Wells Fargo told him the account was closed, he said. It didn’t provide a reason.

A Wells Fargo spokeswoman said the bank couldn’t discuss customer details but it continuously evaluates its banking relationships “to ensure we meet strict regulatory guidelines.” A spokesman for Bank of America said the bank couldn’t comment on specific accounts. He said charity-account closures were “rare” and that the bank measures risk “largely based upon account activity.”

Abdolsalam Daif, who manages the hospital in Aleppo, said staffers didn’t get paid for four months in 2015 because of the banking problems. The hospital’s 70 employees continued to work, he said, but the lack of a paycheck forced many to “take money from their neighbors and friends.”

Dr. Daif said the hospital is focused on helping those injured in the war and has no ties to any designated terror group.

“We are humanitarian people,” he said. “We don’t have any relationship between our work and terrorism.”

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