

Ancient Wisdom on Combating Money Laundering & Terrorism Financing: A Solution from a 1400-Year-Old BOOK

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Received: 06 / 09/ 2024

Accepted: 05 / 11/ 2024

Published: 15 / 01/ 2025

Abstract

The modern AML and CTF regulations reflect ancient moral and ethical guidance from Islamic scripture. In our modern world, combating money laundering and terrorism financing has become a pressing global concern. Governments, financial institutions, and law enforcement agencies around the world are constantly striving to develop new strategies and technologies to combat these illicit activities. However, what if the solution to this age-old problem lies in ancient wisdom? Surprisingly, a 1400-year-old book offers valuable insights and guidance on how to tackle money laundering and terrorism financing effectively. Islamic teachings in the Quran strongly emphasize honesty, trustworthiness, fairness, justice, charity, and social responsibility. In Quran Surah Al Ahzab Verse 70 “O you who believe! Have Taqwa of Allah and speak (always) the truth”. Meaning, to speak straightforwardly, with no crookedness or distortion. Surah Al-Baqarah, 2-Verse 42 “And do not mix up the truth with falsehood, nor conceal the truth deliberately.” In the modern age, financial crimes such as money laundering, and terrorist financing, pose significant threats to global economic stability and security. The Quran's teachings on financial ethics emphasize transparency and accountability, which are crucial in combating modern financial crimes. The core theme of this paper centers on direct quotes from the Quran, where Allah (God) clearly commands His followers to uphold global security and social justice as fundamental purposes of Islam. These teachings highlight the responsibility of Muslims to ensure fairness in their dealings and to support structures that promote peace and justice across the world. The Quran's teachings from 1,400 years ago are remarkably relevant to modern definitions of money laundering and terrorism financing. These timeless principles continue to provide valuable insights into creating ethical and secure financial systems that protect against corruption, fraud, and the funding of terrorism. This paper argues that modern anti-money laundering and counter-terrorist financing laws are not novel concepts but are rooted in teachings from the Holy Quran.

Keywords: Global peace, money laundering, Quran, terrorism financing, wisdom

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Introduction

This paper explores the Quranic stance on wealth acquisition and the implications for modern financial issues like money laundering and terrorist financing. Islam stands for peace, harmony, and understanding, emphasizing the purity of human life and the importance of justice. The core teachings of Islam, as derived from the Quran and the sayings of Prophet Muhammad (ﷺ), advocate for compassion, tolerance, and mutual respect among individuals. Islam explicitly condemns acts of violence and hatred. The Quran, the holy book of Islam, calls for peace and the protection of innocent lives, urging followers to engage in just and ethical behavior.

The first economic principle emphasized by the Qur'an with repeated stress is that all-natural means of production and resources which subscribe to man's living have been created by Allah. It is He who made them as they are and set them to follow the laws of nature that make them useful for man. It is He who allowed man to exploit them and placed them at his disposal.

Fourteen hundred years ago, in the city of Makkah, now part of modern-day Saudi Arabia. The Holy book Quran was revealed by Allah (God) through Prophet Muhammad (Peace be Upon Him). The believers of Prophet Muhammad (Peace be Upon Him) are known as Muslims. The Quran serves as a comprehensive guide for ethical and moral conduct. In Surah Al-Baqarah, 2-Verse 172 "O believers! Eat the good things that We have provided". It addresses various aspects of life, including the principles of earning and using wealth. The Quran cautions against acquiring wealth through deception, fraud, or any unethical means. In Surah Al-Maidah, - Verse 90 "O you who believe! Intoxicants, gambling, idolatry, and fortune-telling are abominations of Satan's doing, So avoid them, so you may succeed". This consecrated text not only forbids deceptive practices but also lays down guidelines and well-mannered acquisition for the ethical use of money, ensuring it is not employed in activities harmful to peaceful and non-violent individuals. In Surah Al-Baqarah (2-Verse 190)."Fight in the way of Allah those who fight you but do not transgress. Indeed. Allah does not like transgressors."

Surah Al-Maidah, 5 Verse 91. "Satan seeks only to breed enmity and spite amongst you by means of wine and gambling, and hinder you from remembering Allah and observing Prayer. Will you abstain (from these evil-generating temptations)?".

Surah Al-Nisa 4 Verse 29 "O believers! Do not devour one another's wealth unlawfully amongst yourselves unless it is a trade by your mutual agreement and do not kill yourselves. Surely, Allah is Kind to you."

It clearly prohibits deceiving practices and emphasizes the responsible and compassionate use of resources. The principles outlined in the Quran have significant implications for modern financial issues such as money laundering. By adhering to these teachings, Muslims can contribute to a just and ethical financial system that upholds the values of honesty, integrity, and social responsibility.

Literature Review

Quran and Money Laundering

Money laundering, the process of making illegally-gained proceeds appear legal, is strictly prohibited in Islam. The Quran emphasizes the importance of transparency and honesty in financial dealings. In Surah Al-Baqarah 2- Verse 188), the Quran explicitly forbids the consumption of property through false means:

"And do not consume one another's wealth unjustly or send it [in bribery] to the rulers so that [they might aid] you [to] consume a portion of the wealth of the people in sin, while you know [it is unlawful]."

In Surah Al-Maidah 5, Verse 90 "O you who believe! Intoxicants, gambling, idolatry, and fortune-telling are abominations of Satan's doing, So avoid them, so you may succeed".

In Surah Araf Verse-157 ".....He will enjoin on them that which is right and forbid them that which is wrong. He will make lawful for them all good things and prohibit for them only the foul, and he will relieve them of their burden and the fetters that they used to wear. Then those who believe in him, and honor him, and help him, and follow the light which is sent down with him: they are successful".

This directive prohibits the unlawful consumption of wealth, which includes any form of fraud or theft. The Quran also prescribes severe punishments for theft to deter such behavior. In Surah Al-Ma'idah (5:38), it is stated:

"As for the thief, the male and the female, amputate their hands in recompense for what they committed as a deterrent [punishment] from Allah. And Allah is Exalted in Might and Wise." The severity of this punishment highlights its importance. Islam places on maintaining justice and preventing harm within the community.

These verses highlight the prohibition of deceitful practices in accumulating wealth. Money laundering, by its very nature, involves deception and dishonesty, making it a clear violation of Islamic principles.

Quran and Terrorism Financing

Terrorist financing involves the provision of funds to support terrorist activities, which result in the unjust killing of innocent people. Islam, as a religion of peace, strictly condemns any act of violence and terrorism. The Quran advocates for the protection of innocent lives and the maintenance of peace and security. In Surah Al-Ma'idah (5:32), the Quran states:

"..... whoever kills a soul unless for a soul or corruption [done] in the land - it is as if he had slain mankind entirely. And whoever saves one - it is as if he had saved mankind entirely."

Regarding the concept of 'fighting against the disbelievers and non-Muslim innocents, it's essential to understand the context of the related Quranic verse. The Quran advises self-defence and justice, not unprovoked aggression.

In Surah Al-Baqarah (2-Verse 190)." "And fight in God's cause against those who wage war against you, but do not commit aggression, verily, God does not love aggressors."

In Surah Al-Maidah No.5 Verse 2) And help one another in goodness and piety, and do not help one another in sin and aggression; and be careful of (your duty to) Allah; surely Allah is severe in punishment.

This verse underscores the sanctity of human life and the severe prohibition against causing harm to innocent individuals. Financing terrorism, which inevitably leads to the loss of innocent lives, is therefore fundamentally opposed to the teachings of the Quran. Understanding these verses in their true context helps to dispel misconceptions and highlights Islam's core principles of compassion, justice, and peace.

Quran and Proof of Money Trail

The highlighting of written agreements in the Quran also implies the need for a clear money trail. This means that individuals should have documented evidence of how they acquired their wealth, whether through their earnings or inheritance. Such documentation is crucial in maintaining the integrity of financial systems and ensuring that wealth is acquired and transferred through lawful means. In Surah Al-Baqarah (2-Verse 282), the Quran advises: "O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write [it] between you in justice..."

This principle is particularly relevant in the context of contemporary financial crimes such as money laundering and terrorist financing. By maintaining a clear and documented money trail, individuals and institutions can demonstrate the legitimacy of their financial activities. This transparency helps prevent the illicit movement of funds and ensures that financial resources are not used for harmful or illegal purposes.

The Quran not only prohibits financial crimes but also provides guidelines for ethical conduct in financial transactions. Muslims are encouraged to engage in honest trade, maintain transparency, and uphold justice in all dealings. This emphasis on written agreements ensures that there is a clear record of transactions, promoting accountability and preventing fraudulent activities. These principles include justice, fairness, and the avoidance of harm. By ensuring that business transactions are documented and transparent, the Quran promotes ethical conduct in all economic activities.

In addition to promoting transparency and accountability, written agreements also serve to protect the rights of all parties involved. They provide a clear reference point in the event of disputes and help ensure that everyone fulfills their contractual obligations.

Quran and Global Peace

Islam is the religion of peace. It teaches its followers to uphold peace, respect, and self-respect for all of creation, encompassing both humans and animals. At the core of Islamic teachings is the principle of compassion and kindness towards others. The Quran emphasizes the importance of treating every human being with respect, regardless of their faith, race, or status. This universal respect extends to animals as well, highlighting the duty of Muslims to treat all creatures humanely and with care. Islam's ethical framework encourages the protection of human rights and the promotion of social justice. It calls for peaceful coexistence and mutual understanding among diverse communities. By adhering to these teachings, Muslims are guided to foster an environment of harmony and respect, reflecting the true spirit of Islam. Thus, the real meaning of Islam is not only about individual spirituality but also

about contributing to the broader social good, ensuring that peace and dignity are upheld in all aspects of life, including animals.

In Surah Al Mumtahan Verse-8 “Allah does not forbid you from those who do not fight you because of religion and do not expel you from your homes - from being righteous toward them and acting justly toward them. Indeed, Allah loves those who act justly.”

Surat Al-Tawbah Verse -6 “And if any one of the polytheists seeks your protection, then grant him protection so that he may hear the words of Allah. Then deliver him to his place of safety. That is because they are a people who do not know.”

Surah Al Anfal Verse-61 “And if they incline towards peace, then incline you also and put trust in Allah. Undoubtedly, He is the One Hearing, Knowing.”

The life and daily routines of the last Prophet Muhammad (Peace be Upon Him) serve as a profound model of mercy and respect for all creatures, extending beyond just human beings. His teachings and actions consistently demonstrated a deep compassion for all forms of life. For instance, he emphasized kindness to animals,

advising his followers to treat them with gentleness and care. He forbade unnecessary harm and cruelty towards animals, reflecting a broader ethical concern for the well-being of all living beings. Moreover, the Prophet's interactions with people, regardless of their faith or status, were marked by respect and dignity. He advocated for the fair and just treatment of everyone, emphasizing the importance of compassion, empathy, and understanding. His life is replete with instances where he showed unparalleled mercy, be it towards children, the elderly, or even those who wronged him. This ethos of universal respect and mercy is a cornerstone of his legacy, offering timeless guidance on how to live harmoniously with all of creation. The Prophet Muhammad (Peace be Upon Him) thus stands as a model for compassionate living, illustrating through his own life how one can embody the principles of mercy and respect towards every creature.

Narrated Abu Huraira: Allah's Messenger (Peace be Upon Him) kissed Al-Hasan bin `Ali while Al-Aqra' bin H`Abis at- Tamim was sitting beside him. Al-Aqra said, "I have ten children and I have never kissed anyone of them," Allah's Messenger (Peace be Upon Him) cast a look at him and said; "Whoever is not merciful to others will not be treated mercifully." Sahih al-Bukhari 5997- Book 78, Hadith 28.

Background and Definition of Money Laundering and Terrorism Financing

Money laundering is the processing of criminal proceeds to mask their illicit source. As per FCA posted AML June 28, 2023. The origins and evolution of money laundering can be traced back over 2000 years to Chinese merchants. The term "money laundering" itself, however, did not come into common use until much later. Contrary to popular belief, the term did not originate from the practice of organized crime groups in the United States during the Prohibition era of the 1930s using Laundromats to 'clean' their illicit profits. Instead, the term "money laundering" came into vogue during the Watergate Scandal of the 1970s. In the 1980s, governments around the world began to take the issue of money laundering more seriously.

As per UN Vienna 1988 Convention Article 3.1 describing Money Laundering:

“the conversion or transfer of property, knowing that such property is derived from any offense(s), to conceal or disguise the illicit origin of the property or of assisting any person who is involved in such offense(s) to evade the legal consequences of his actions.”

Terrorism financing, as defined by the IMF, involves individuals or organizations gathering funds with the intent to carry out terrorist activities. This delineation aligns with the International Convention for the Suppression of Terrorism Financing, along with its attached annexes (IMF, 2003). It echoes the World Bank's (2009) definition, characterizing terrorism financing as providing financial support to terrorism or those involved in plotting, participating, or endorsing terrorist acts. Both definitions underscore the significance of financial resources in sustaining terrorism and emphasize the need for global cooperation in suppressing these illicit financial activities, as outlined in international conventions and frameworks.

“Money laundering occurs when criminals disguise their wealth and assets’ illegal origins to avoid suspicion from law enforcement agencies and prevent incriminating evidence. Terrorist financing funds terrorist activity. While terrorists are not greatly concerned with disguising their money’s origin, they take steps to conceal its destination and purpose. Therefore, the money may come from legitimate sources, but terrorists and terrorist groups can also finance illegal activities.”(The Egmont Group-FIU).

“Money laundering is the processing of assets from criminal activity to obscure their illegal origins. Terrorism financing raises money to support terrorist activities. While these two activities differ in many ways, they often exploit the same vulnerabilities in financial systems that allow for anonymity and capacity in transactions.” (IMF)

Article 2 of the 1999 UN International Convention for the Suppression of the Financing of Terrorism provides the following definition for terrorism financing: ‘Any person commits an offence within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and willfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, to carry out any act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed 24 conflicts, when the purpose of such act, by its nature or context, is to intimidate a population or to compel a government or an international organization to do or to abstain from doing any act.’ (UN, 1999). The Palermo Convention, Article 6. To fight international organized crime, the UN adopted The International Convention against Transnational Organized Crime (2000) (Palermo Convention). On September 28, 2001, UN Security Council Resolution 1373 the UN member country to have the effect of law within that country, a Security Council Resolution passed in response to a threat to international peace and security.

Money laundering is a process by which individuals, organizations, or entities attempt to conceal the origins of illegally obtained money, making it appear as if it comes from legitimate sources. The term "money laundering" is used because it involves "cleaning" or "laundering" dirty money to make it appear legal. Money laundering is the process of concealing the origins of money obtained illegally by passing it through a complex sequence of banking transfers or commercial transactions. The overall scheme of this process returns

the "clean" money to the launderer in an obscure and indirect way. The money laundering process is a crucial part of the operation of many illicit activities such as drug trafficking, corruption, embezzlement, or gambling.

The process of money laundering normally involves three steps: placement, layering, and integration. Placement refers to the process of introducing illicit money into the financial system. This might be done by breaking up large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account. Layering is the second phase of the process. The goal is to obscure the source of the money by creating a complex web of transactions. It involves sending the money through various financial transactions to change its form and make it difficult to follow. Layering may consist of several bank-to-bank transfers, wire transfers between different accounts in different names in different countries, making deposits and withdrawals to continually vary the amount of money in the accounts, changing the money's currency, and purchasing high-value items (such as houses and cars) to change the form of the money. The final step is integration, in which the money is returned to the launderer from what appears to be a legitimate source. This might involve investing the funds in legal businesses, buying real estate, luxury assets, or business ventures.

The estimated amount of money laundered globally in one year is 2 - 5% of global GDP, which equates to approximately \$800 billion - \$2 trillion in current US dollars (UNODC-IMF).

Terrorism financing, as defined by the IMF, involves individuals or organizations gathering funds with the intent to carry out terrorist activities. This delineation aligns with the International Convention for the Suppression of Terrorism Financing, along with its attached annexes (IMF, 2003). It echoes the World Bank's (2009) definition, characterizing terrorism financing as providing financial support to terrorism or those involved in plotting, participating, or endorsing terrorist acts. Both definitions underscore the significance of financial resources in sustaining terrorism and emphasize the need for global cooperation in suppressing these illicit financial activities, as outlined in international conventions and frameworks.

United Nations Definition

The Gold Standard definition for Money Laundering and Terrorism Financing. The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988), also known as the Vienna Convention, provides the most comprehensive and logical definitions of Money Laundering (ML) and Terrorism Financing (TF). These definitions serve as the foundation for international efforts to combat these crimes.

Money Laundering

The Vienna Convention defines ML as "the concealment or disguise of the source of proceeds derived from the commission of any serious crime, or the conversion or transfer of property knowing that such property is derived from the commission of any serious crime, to conceal or disguise the illicit origin of the property or of assisting any person who is involved in the commission of such an offence to evade the legal consequences of his actions."

Terrorism Financing

The Convention defines TF as "the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, to carry out any of the offences" listed in the Convention.

These definitions, adopted by the United Nations, are widely recognized as the most comprehensive and logical definitions of ML and TF, providing a solid foundation for international cooperation and efforts to combat these crimes.

Conclusion

Throughout history, the Quran has stood as a moral compass for humanity, guiding individuals away from harmful behaviors and attitudes. Written 1400 years ago, its teachings still ring true today, urging people to steer clear of actions that can poison minds and societies. Let's explore how the Quran addresses the dangers that threaten human well-being.

The Quran explicitly prohibits lying and fraud, promoting honesty as a foundational value. Why? Because deceit not only harms the deceived; it grinds down the very structure of society.

The Quran also speaks against the consumption of intoxicants. Alcohol, drugs, and other substances can cloud judgment and lead to detrimental choices. In a society where decisions are impaired, the potential for harm increases. Picture a ship navigating through a storm; without a clear mind, the chances of capsizing become very real. Maintaining clarity is essential for personal and collective well-being.

Violence in any form is a direct contradiction to the Quran's message of peace. The teachings urge individuals to seek peaceful resolutions rather than escalate conflicts. The Quran emphasizes ethical financial practices, urging fairness and equity in trade. It warns against hoarding wealth and encourages helping those in need. The Quran's teachings, crafted over 1400 years ago, continue to resound in today's world. By shedding light on behaviors that can harm humanity, it offers a roadmap for healthier societies.

The teachings of the Quran align closely with current definitions and guidelines set by the UN, IMF, and other regulatory bodies. This alignment illustrates that the Quran does not promote or endorse terrorism or money laundering; rather, it serves as a safeguard, advocating for a peaceful society and the financial system. The Quran's guidance emphasizes justice, ethical conduct, and transparency, mirroring the objectives of modern regulations designed to prevent financial crimes and promote global stability.

About the Author

Dr. Q Khan is a financial intelligence and forensic researcher and consultant specializing in combating organized crime, including money laundering and terrorism financing. Dr Q holds a PhD in Forensic Accounting from the US. His work emphasizes promoting peace and contributing to global efforts against financial crime. Dr. Khan has been nominated as a Peace Ambassador for Canada (2024-25) by the Global Peace Chain. ORICD- 0009-0003-8529-3569.

Funding: This research is not funded.

Acknowledgments: Not applicable

Conflicts of Interest: The authors declare no conflicts of interest.

Originality: This manuscript is an original work.

Declaration on Artificial Intelligence: AI and AI-assisted technologies were not used.

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Cite as:

Qadeem, K. (2025). Ancient Wisdom on Combating Money Laundering & Terrorism Financing: A Solution from a 1400-Year-Old BOOK. *ATRAS Journal*, 6(1), 209-218