

'Financial terrorists' pose grave risk to US

Attacks may have caused 2008 crisis, report says

Alexandra Frean New York

The US financial system remains vulnerable to a co-ordinated act of "financial terrorism" that risks taking down the US economy and collapsing the dollar, according to a confidential report commissioned by the Department of Defence in Washington.

The document warns that forces hostile to the US could mount a "focused effort to collapse the dollar by dumping Treasury bonds" and urges the security services to conduct a further risk assessment "outside of traditional Washington and Wall Street circles".

It also suggests that the financial meltdown of 2008, which wiped out an estimated \$50 trillion of global wealth, may not have been the spontaneous result of poor regulation and bad risk assessment among financial institutions, but a co-ordinated series of attacks by "financial terrorists intent on destroying the American financial system".

The disclosure of the report's contents to *The Times* came as the FBI confirmed that it had warned major Wall Street institutions of a potential threat to their businesses and executives after an al Qaeda-linked magazine, *Inspire*, suggested that financial markets could be a target of attack.

A spokesman for the FBI in New York confirmed yesterday that security briefings for Wall Street firms took place last month, but said that the information that was discussed was "not imminent, not specific". The briefings reflect concerns in some quarters of the Pentagon about the vulnerability of America's financial and economic system to terrorist attack.

The FBI move follows revelations in *The Times* this week that stock exchanges in Britain and the United States have turned to the security services for help after discovering that they were the victims of terrorist plots and attempted cyber attacks that aimed to spread panic in leading global financial markets last year.

The 110-page document commissioned by the Irregular Warfare Support Program (IWS) of the US Department of Defence is entitled *Economic Warfare: Risks and Responses*. It has been circulated among defence chiefs in Washington but has never been made public. It was delivered to the IWS in June, 2009, eight months after the collapse of Lehman Brothers triggered the financial crisis, but has remained under wraps since then as the attention in Washington focused in-



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stead on introducing financial reforms. It resurfaced two months ago when it was submitted by the Department of Defence to the Financial Crisis Inquiry Commission (FCIC), the official US Government-appointed body investigating the causes of the 2008 crisis.

The report examines the possibility that gaps in the US financial regulatory

system "were subject to exploitation not only by greedy capitalists seeking profit, but also by financial terrorists intent on destroying the American financial system". It adds that high levels of debt, especially housing debt, taken on by American households added to the country's vulnerability.

Drawing heavily on academic and

other texts, the report outlines a scenario in which US economic security could be undermined in a three-phase attack. The first could have been the surge in oil prices fuelled by speculators in 2007. The second phase would have begun in 2008 with a series of bear raids targeting US financial services firms, most particularly Bear

Stearns and Lehman Brothers, in which investors bet that the stock of those companies would fall in value.

The third phase could take the form of a direct economic attack on the US Treasury and US dollar, the report says.

"A focused effort to collapse the dollar by dumping Treasury bonds has grave implications including the possibility of a downgrading of US debt and... removing [the dollar] from reserve currency status," it says.

"Such an event has already been discussed by finance ministers in major emerging market nations, such as China and Russia, as well as Iran and the Arab states," it adds.

The report suggests that any number of foreign-based individuals or organisations, ranging from sovereign wealth funds to Russian mobsters and al-Qaeda and even one or more of Brazil, Russia, India and China could have the means and motive to perpetrate or commission acts of financial and economic

British and US stock exchanges fend off cyber raids

How The Times revealed the plots on Monday

terror on the US. While it does not accuse any of these parties of wrongdoing, it outlines the potential threat they pose and concludes that the fact that there is reasonable credibility to this threat "justifies very serious consideration".

"Ignoring the likelihood of this very real threat ensures a catastrophic event," it warns. The report recommends the creation of a special unit to "implement appropriate counter-measures to emerging threats in co-ordination with key defence, intelligence, and financial agencies."

The document's author, Kevin D Freeman, is founder and chief executive of Freeman Global Investment Counsel, a boutique investment advisory firm, who was commissioned by the Department of Defence in 2009.

Although the views contained in the report represent Mr Freeman's views and not those of the Department, e-mails seen by *The Times* confirm that the department commissioned the report, circulated it among defence chiefs and passed it to the FCIC in November or December last year.

The US Department of Defence declined to comment on the report.

7/7 bombers had ID 'to make sure their names would be known'

Fiona Hamilton London Correspondent

The July 7 terrorists made a "concerted effort" to ensure that they would be traced after the attacks, deliberately carrying identification and leaving their bomb factory untouched.

The four suicide bombers left cocktails of explosive mix in the flat where they prepared the devices, it emerged yesterday. Images released at the inquests of the 52 victims of the 2005 attacks show how their messy production line was left on display at the council flat in Leeds.

Police found two kinds of explosives, along with chemical formulas, an improvised detonator and respirators. The floor was littered with household items used to make the bombs, such as silver foil, bulbs and batteries.

The hearing, at the Royal Courts of Justice, was told that the fumes from

the process had been so noxious that they blistered paint on walls and killed foliage outside the property. The curtains were taped shut, but Mohammad Sidique Khan and his co-conspirators made no other attempts to hide their activities. Gareth Patterson, acting for some of the bereaved families, said that the group had bought vast amounts of hydrogen peroxide without acting covertly "to any degree".

Each carried a number of items of identification on the day of the attacks, and Khan's was found at three of the four bomb scenes. Clifford Todd, a forensic explosives expert, said it appeared that the group wanted to be traced, given that their personal items were not destroyed.

He suggested that they may have placed ID in separate carrier bags, away from their explosive rucksacks, to ensure it was not destroyed. Mr Todd



Bomb-making substances from the flat in Leeds where the devices were made

Online today

Explore the full story of the 7/7 bombings

thetimes.co.uk/londonbombs

said that the construction of the bombs was "unique" in Britain at the time. They weighed about 10kg (22lb) each, and were composed of hydrogen peroxide and pepper, using a detonator made from simple items, including lightbulbs, foil and a smaller explosive.

Mr Todd said that as the bombers had no chemistry skills, they must have had guidance from elsewhere "at some point". Earlier, Detective Constable Richard Reynolds, of the Metropolitan Police's Counter Terrorism Command,

said that the attacks resulted in an unprecedented investigation in which almost 39,000 exhibits were gathered.

As well as the four blast sites and the bomb factory, detailed examination was undertaken of the Nissan Micra used by Khan, 30, Shehzad Tanweer, 22, and Hasib Hussain, 18. It contained three smaller bombs that the trio probably intended to throw at police if they were intercepted. The fourth bomber, Jermaine Lindsay, 19, travelled in a Fiat Brava. Investigators found a handgun, ammunition and a telescopic sight.

Mr Patterson said that the bombers bought large amounts of liquid oxygen, without the sellers alerting police.

Lady Justice Hallett noted: "So you get cross-examined by the chemist if you want to buy too much aspirin, but you can buy as much hydrogen peroxide on the market [as you like]."

The hearing continues.