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31 OCT 1991
CENT SEC

From:- DIRECTOR, ARU
28 October 1991

PS/PAYMASTER GENERAL (B&L) cc PS/Secretary of State (B&L)

PS/Minister of State (B&L)

PS/Mr Needham (B&L)

PS/Mr Hanley (B&L)

PS/PUS (B&L)

PS/Mr Fell

Mr Ledlie

Mr Thomas

Mr Elliott - DHSS

Mr Wilson

Mr Steele

Mr Chesterton

Mr Hamilton

Mr Woods

Mr Leach

Mr Petch

UNDER/ 972/10
SEC
30 OCT 1991
CENT SEC

MR Maxwell

To see

returns pl

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Mr Humphreys

TERRORIST CONTROLLED REGISTERED CLUBS

1. The purpose of this submission is to inform the Minister of results from the ongoing RUC/ARU initiative to curtail terrorist fundraising from those registered clubs which are either controlled by Republican or Loyalist terrorists or which contribute to terrorist finances. We are now nearing completion of the 1991 round of objections to renewals of registration, and it is an appropriate time to take stock.

Background

2. The Minister will recollect previous briefings and submissions on terrorist finance and the importance of registered clubs as

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a source of terrorist income. The terrorists exercise physical and/or administrative control over certain clubs, suppress and extract elements of club income (for example, bar sales and gaming machine takings) and so defraud both the members and the Government (understated and unpaid tax obligations). Each terrorist controlled club has a significant turnover (in some cases in excess of £0.5M a year), and the sums extracted by terrorists are substantial.

Outstanding Cases

3. Clubs are regulated by the Registration of Clubs (NI) Order 1987. Registration is a prerequisite for the lawful supply of intoxicating liquor and operation of gaming machines. The Order provides that the police may object to the renewal of registration. In late 1989 the ARU and the police devised a strategy of targetting terrorist clubs, obtaining and examining their accounts and financial records, and lodging objections in instances of financial malpractice and administration failures. The strategy relies on close professional co-operation between the ARU and the RUC. The ARU has committed considerable resources to examination of annual accounts, books, records and other documents belonging to the targetted clubs. For their part, the RUC have complied with all pre-hearing procedures, secured the attendance of witnesses and retained senior and junior Crown Counsel to represent them in each objection.

Progress

4. In 1989 and 1990, 13 terrorist controlled or terrorist contributing clubs were refused re-registration or abandoned their renewal application in the face of RUC objections.
5. In 1991 37 clubs were targetted for financial investigation. The outcome of hearings in the Magistrates Courts can be summarised as follows:-

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Notices of Objections to renewal qualification. Annex A lists
Objections withdrawn by RUC RUC/ARV - 4

No. of cases heard by Magistrates taken in writing to introduce
Court taking seizures designed by the - 33 and specified by the

RUC and have given the RUC total access in the interim period

Successful objections to renewal - 28 accounting

Unsuccessful objections to renewal - 4 effect of ensuring that

Outstanding Cases their financial affairs - 1 in order, and that

opportunities for terrorists to extract funds from them will be

In several of the 28 clubs refused renewal the Magistrate
concerned was so alarmed by the evidence presented on behalf of
the RUC that he declared that any appeal to the County Court
should be heard as quickly as possible. represent RUC action in

closing a club as an attack on the local community's social and

6. In the event, all 28 clubs refused renewal in the Magistrate's
Court appealed to the County Court. The outcome of hearings in
the County Court can be summarised as follows:-

policy is as effective as closure in stopping the exploitation

Appeals Heard source of terrorist funds - 23

Appeals refused - 13

9. Appeals allowed - NIL its of the 10 clubs - have adopted the RUC

Consented adjournments some amazing increases in income. For

Outstanding Appeals and September 199 that sales in one club

increased by £17,000 and gaming machine income by £3,000, that

7. 13 clubs have lost their registration and have closed. Further
closures are expected from the 6 cases outstanding in the
Magistrates and County Courts. Among the clubs closed are some
of the most notorious Republican and Loyalist centres of
terrorist influence in Belfast, including members of the
"Associated Clubs" an organisation which is a PIRA front.
Between them, the 13 clubs closed declared turnover approaching
£2.5M during the last year for which accounts were available;
the true turnover has been calculated at around £4M - the
shortfall of £1.5M is believed to have been diverted to
terrorist groups and individual gangsters. How much is

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pocketed by each is incapable of quantification. Annex A lists the clubs closed in the 1991 RUC/ARU exercise.

8. The remaining 10 clubs have undertaken in writing to introduce accounting measures designed by the ARU and specified by the RUC and have given the RUC total access in the interim period to all financial records. The stringent accounting requirements implemented will have the effect of ensuring that these clubs put their financial affairs in order, and that opportunities for terrorists to extract funds from them will be drastically curtailed. While, in many instances the degree of terrorist control prevents the RUC openly co-operating with club officials, this approach is preferred to outright closure. The terrorists are able to misrepresent RUC action in closing a club as an attack on the local community's social and recreational facilities. They find it harder to make propaganda out of the introduction of proper internal financial control systems. A vigorously enforced financial control policy is as effective as closure in stopping the exploitation of a club as a source of terrorist funds.
9. The trading results of the 10 clubs who have adopted the RUC accounting system show some amazing increases in income. For the two months August and September 1991 bar sales in one club increased by £17,000 and gaming machine income by £3,000, that is, an extrapolated increase of £120,000 per annum at a time of heavy recession and unemployment. In the case of a second club, bar sales increased by £12,000 and gaming machine income by £3,000 an extrapolated increase of £95,000 over a 12 month period. Recently one club Secretary wrote to the RUC Sub Divisional Commander recording the management committee's appreciation of the help and co-operation of the RUC in getting their finances into order!

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Way Forward

10. We have to take immediate action in two areas. First, there are outstanding cases to be progressed. Second, it is important that we take advantage of the success of the clubs initiative to develop public confidence in the Government's ability to defeat racketeering. Mr Woods has been approached by Mr Robert Porter of the "Sunday Telegraph" for a non-attributable briefing on racketeering and terrorist finances. The Director will attend the briefing to highlight recent RUC/ARU successes and the potential for effective investigation and curtailment of terrorist funds. Given the journalist and newspaper involved we are satisfied of a sympathetic hearing.
11. Ministers will be aware that as we displace the terrorists from the clubs they currently control, they will move their attentions to other vulnerable clubs. Accordingly, the ARU are working with the RUC in preparing a further tranche of objections for 1992. A provisional target list of 52 clubs across the Province has been identified. In the longer term, the ARU is preparing (in close collaboration with DHSS) proposals for an Order in Council to strengthen the 1987 Order, and so reduce the risk of terrorist exploitation of registered clubs in general. The new Order should be made in 1992 and be applicable to renewals from 1994.

[Signed]

DIRECTOR
ARU

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ANNEX A

CLUBS INITIATIVE 1991

CLUBS REFUSED RE-REGISTRATION

REPUBLICAN

Andersonstown Social Club
Andersonstown Tenants Community Centre
Ballymurphy Working Mens Club
Celtic Football Supporters Club (new Lodge)
Clonard GAC
Glen Road Social and Recreational Club
Glen Park Social Club
Highfield Sports and Social Club (8)

LOYALIST

Belfast Murray Club
Glenbryn Social Club
Lawnbrook Recreation and Social Club
Mayo Street Social and Darts Club
Shankill Social Sports and Recreation Club (5)

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