



COUNTERING TERRORISM FINANCING



COE-DAT
Centre of Excellence Defence Against Terrorism



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Edited by Nicholas RYDER

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Preface

Terrorist organizations need a combination of legal and illegal resources to meet their logistics needs and ensure the continuity of terrorist activities. Conversion of illicit incomes constitute the common point of money laundering and the financing of terrorism in general. When we examine the academic literature, we can see that following the money trail is critical in determining and preventing money laundering activities and restricting the financial resources of terrorist organizations.

Modern research on the issue of financing terrorism, in relation with current developments and new risks, constitutes a significant and important body of work. In the wake of the September 11 terrorist attacks of 2001, financing of terrorism became one of the most important topics on the agenda of the international community and governments. In the last twenty-plus years, many regulations and implementations have been put into practice to eradicate sources of financial support for terrorism. Nevertheless, these measures have not, to date, been sufficient to completely halt terrorist organizations' financing activities.

Besides these challenges, emerging block-chain based cryptocurrencies open new opportunities for terrorist organizations to transfer money with the advantage of both anonymity and speed. These developments create advantages for terrorists that global financial regulations have yet to grapple with, much less address.

As the NATO Department Head for Counterterrorism, COE-DAT is proud to emerge from our COVID years with the completion of our newest publication effort. The aim of this project was to cooperate with academicians from different parts of the world, to reflect their perspectives on the issues that policymakers face in their regions, and to share good practices that contribute to mutual understanding and finding new opportunities on global war against terrorism. In this study, COE-DAT worked with ten precious scholars and benefitted from their expertise on terrorism financing. The following pages are the result of that work, addressing traditional financial sources of support for terrorist organizations, fund-transfer methods, and emerging risks and threats with respect to terrorist financing

In the long-run defense against terrorism, COE-DAT underlines the importance of a holistic, strategic-level view on this issue. We believe this book will be of inspiration and will lead up to more information exchange in terrorism financing, thus supporting the conceptual and operational aspects of counter terrorism in the coming years.

A little about COE-DAT

COE-DAT provides key decision-makers with a comprehensive understanding to terrorism and CT challenges, in order to transform NATO and Nations of interest to meet future security challenges. This transformation is embedded into NATO's three declared core tasks of Collective Defence, Crisis Management, and Cooperative Security.

As a strategic-level think tank dedicated to the development of NATO DAT activities and sitting outside the NATO Command Structure, COE-DAT supports NATO's Long-Term Military Transformation by anticipating and preparing for the ambiguous, complex, and rapidly changing future security environment. COE-DAT is able to interact with universities, other think tanks, researchers, international organizations, and global partners, with the academic freedom to provide critical thought on the inherently sensitive topic of CT. COE-DAT strives to increase information sharing within NATO and with NATO's partners to ensure the retention and application of acquired experience and knowledge.

Oğuzhan PEHLİVAN
Colonel (TÜR A)
Director COE-DAT

Acknowledgements

The Center of Excellence – Defence Against Terrorism (COE-DAT) is proud to complete our study, “Countering Terrorism Financing.” This project is a cooperative venture, conceived in 2021 to address current issues and debates regarding the myriad sources and methods that terrorists the world over use to fund their activities.

This publication would not have been possible without the efforts of the contributing authors and the staff of COE-DAT.

First and foremost, I would like to express our deep and sincere gratitude to the authors whose work graces the pages of this volume: Prof. Dr. Simplicite ASONGU, Dr. Sheelagh BRADY, Dr. Alejandra CERÓN RINCÓN, Asst. Prof. Filiz KATMAN, Dr. Nicholas RYDER, Assoc. Prof. Dr. Osman ŞEN, Ms. Liat SHETRET, Mr. Ivica SIMONOVSKI, Col. Norman Rey TORRES, and our own Col Oğuzhan PEHLİVAN. The valuable academic knowledge and practical insights of these men and women are what made this study something truly valuable to our community of interest.

The Centre owes a special thanks to the Project Director who stood bravely at the helm of this effort: Ms. Özge ERKAN, COE-DAT Doctrine Specialist. Her exceptional work trained an unwavering beam of bright light on this project’s path to publication success, and the result of her expertise shines on every page.

Last but not least, we are highly indebted to all the members of COE-DAT, especially Col. Marcel ARAMA, Col. Tamas KENDER, Col. Atakan SARAC, LTC. Uwe BERGER, Maj. Bert VENEMA, and Maj. Ali MAVUŞ. Their patient, critical reviews and passion for the Centre’s mission provided inspiration at every turn. As always, massive thanks goes to Ms. Selvi KAHRAMAN and her seemingly inexhaustible IT excellence without her here to virtually link all the members of this project in a web of interactive perspective sharing that stretched over the entire effort, this project would still just be someone’s good idea.

Shawn V. YOUNG
Colonel (USAF)
Deputy Director, COE-DAT

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INTRODUCTION

Nicholas Ryder

COUNTER TERRORISM FINANCING

Addressing the threat presented by terrorism financing demands a global, coordinated, and unified response. On September 11, 2001, 19 terrorists committed the largest terrorist attack in the United States of America (US). The response from the international community was swift. President George Bush declared what has commonly become referred to as the ‘War on Terror’ on September 20, 2001. An important part of this, was the ‘Financial War on Terrorism,’ which had been neglected by the international community. This would result in the implementation of a counter-terrorist financing (CTF) strategy that resulted in terrorism financing being plucked from political obscurity and being driven to the top of the US and international communities’ agenda. As a result, the United Nations (UN) implemented a series of Security Council Resolutions that specifically addressed the threat posed by the financing of terrorism after 2001. However, it is important to note that the UN introduced its first CTF measures prior to 9/11. For example, in December 1999, the General Assembly of the UN adopted the International Convention.¹ Only four nation states had implemented the Convention before September 2001, since when, over 185 countries have implemented the Convention. Supplementary, the UN issued Security Council Resolution 1267, which generated a sanctions regime that applied to people or entities that were associated with the Taliban, Osama bin Laden, and al-Qaida. This was followed by fulcrum of the ‘Financial War on Terror,’ UN Security Council Resolution 1373, which was unanimously adopted by UN on September 20, 2001. It contained four CTF related measures. First, it requires states to thwart and control the financing of terrorism. Secondly, it criminalises the collection of terrorist funds in states territory. Thirdly, it freezes funds, financial assets and economic resources of people who commit or try to commit acts of terrorism. Finally, it prevents any nationals from within their territories providing funds, financial assets and economic resources to people who seek to commit acts of terrorism. These legislative measures are supported by the expansion of the remit of the Financial Action Task Force (FATF) to include the financing of terrorism in October 2001. FATF broadened its remit and included, at the time, an additional ‘Eight Special Recommendations’ to tackle terrorist financing. This was extended to the ‘Nine Special Recommendations’ and was to become referred to as the ‘40+9 Recommendations’. The objectives of the ‘Special Recommendations’ were to “detect, prevent and suppress the financing of terrorism and terrorist acts.” These were amended in February 2012 and are now referred to as the International Standards on Combating Money Laundering and the Financial

¹ 54/109 of December 9 1999.

of Terrorism and Proliferation.² These measures are supported by the IMF, the World Bank, the Egmont Group, and the Asia Pacific Economic Cooperation Forum.

It is against this cooperation and joined up approach that NATO has continued to share its second volume of “Good Practices in Counter Terrorism,” the results of the efforts of a group of highly respected researchers and practitioners. To address the current issues and the burgeoning discussions in the field of counter terrorism (CT), in early 2020, the NATO Centre of Excellence for the Defence Against Terrorism (COE-DAT) initiated the “Good Practices in Counter Terrorism” project with the academic support of TOBB Economics and Technology University (TOBB ETU). This living project has been produced by members of the pool of visiting lecturers at the COE DAT, the accumulated human resources of the center through years of engagement with academics and practitioners. Within this framework, we, as COE DAT and TOBB Economics and Technology, organized a series of workshops in which current issues in CT were addressed by relevant experts. Upon the conclusion of the discussions and based on the latest research and experience of our experts, we published the first volume of “Good Practices in Counter Terrorism” in early 2021. Following the same structure, and initiated in early 2021, the second volume of the series is the outcome of a one-year endeavor which has built an interactive platform of expertise on the effective methods, strategies, national responses, and alternative models in CT. We hope that this timely contribution will offer a comprehensive and multi-sectoral approach to support efforts in the CT domain through inspiring various actors in their ongoing endeavors to develop, professionalize and synchronize CT policies at the national level.

Although the project was initiated after one year of preparatory work, it is built upon the accumulation of COE-DAT’s knowledge and project contributors’ competences and depth of understanding over a far longer period. Moreover, by the time the efforts for the first volume reached its final stages, we had already realized that a second iteration of the project should be conducted and that a second volume was a responsibility for the center, to reflect upon its continued accumulation of expertise. A second volume for the book was, therefore, inevitable. Thankfully, the expertise the research team developed during the first iteration made the job easier when it began work on the second volume. Admittedly, the Covid pandemic prevented the authors, the editor and his team and the COE DAT staff coming together not only for the first chapter but also for the second one. All but one of the component activities of the project were to be executed online in this period. However, in 2022, the COE DAT organized its annual Terrorism Experts Conference (TEC) in a hybrid form, where the speakers presented their papers in person and the participants joined the conference online. During the TEC 2022 event, the research team, and the authors as well as the COE-DAT staff, although sadly not

² Financial Action Task Force *Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations* (Financial Action Task Force: Paris, 2012).

all of them, had the opportunity to come together in person. The preliminary results of the research papers presented during the online TEC 2020, as well as at the hybrid TEC 2021 and in person in 2022. They provided an opportunity to share and receive feedback from other experts. As a result, the chapters included in volume two, just like volume one, are mature and robust thanks to being presented during the Terrorism Experts Conferences.

As a strategic level think tank working for the development of NATO-Defence Against Terrorism activities, COE-DAT supports NATO's Long-Term Military Transformation by anticipating and preparing for the ambiguous, complex, and rapidly changing future security environment. The Centre strives to increase information sharing within NATO and with NATO's partners to ensure the retention and application of acquired experience and knowledge. It supports NATO allies, Sponsoring Nations, NATO Partners, non-NATO entities, and other stakeholders in their CT efforts with emphasis on military effectiveness and interoperability amongst assets, forces, and capabilities. Sitting outside the NATO Command Structure, COE-DAT interacts with universities, think tanks, researchers, international organizations and global partners with the academic freedom to provide critical thought on the inherently sensitive topic of CT.

Against this background, COE-DAT provides a sophisticated intellectual platform enabling CT stakeholders (military officials, policy makers, academics, CT experts and so on) to draw lessons from CT field-tested practices and share profound information on policy alternatives and possible future threats driven by the national and case specific experiences in this dynamic and complex domain.

In line with this, the "Countering Terrorism Financing" project is an initiative that aims to fill the gaps in combatting the financing of terrorism literature and policy alternatives that offer innovative models by addressing the current trends and possible threats in financing, which is the most important element of defence against terrorism. This project will significantly contribute to the counter terrorism agenda by inspiring various actors in the synchronization of counter-terrorism financing requirements, pooling and sharing of expertise in the field, and the development of policies at the global level.

Structure of the Book

In this first chapter, Dr Sheelagh Brady explores a form of financial innovation, most noticeably that achieved by entrepreneurs/start-ups as a comparative mechanism to better understand how terrorists innovate in relation to their financing. This chapter seeks to provide potential insights into the opportunities and drivers that inform such innovation in a "post-covid" environment. Through a rational choice lens, the chapter is divided into four sections.

Firstly, it sets out the suitability of comparing terrorist groups and start-ups. Secondly, the chapter compares their financial sources before it moves on to examine how innovative these are. Finally, the chapter identifies further opportunities and drivers for innovation in terrorist financing in this post COVID environment.

In the second contribution, Norman Rey Torres and Cerón Rincón investigate the networks of terrorism financing in Latin America. Here, the authors describe how terrorism has been a phenomenon of expansive growth in the Latin American region. The chapter notes that the origins of terrorism in the region refer to the insurgent struggle against drug trafficking. Consequently, the authors argue that most of the actions undertaken by this criminal modality refers to acts aimed at protecting and consolidating the criminal enterprise. The authors argue that over four decades after the appearance of a criminal network dedicated to drug trafficking, terrorism in some countries of the region has acquired political connotations. Therefore, this chapter provides some hints of specificity according to the region in which they operate.

In the third contribution, Mr. Ivica Simonovski focuses on the importance of the implementation of financial restrictive measures against targeted individuals and entities to prevent the financing of further terrorist activities. The chapter also provides a general overview of the international and national instruments and mechanisms in place to impose targeted financial sanctions against individual terrorists and terrorist organizations. Specifically, the chapter focuses on the procedure for listing and delisting of individuals and entities on the national sanction lists introduced individually by the NATO members states that established a national legal mechanism.

In the fourth chapter, Simplice A. Asongu focuses on identifying the sources of financing the terrorist organizations acting in the Sahel region. The chapter identified five main categories, notably terrorism financing through trade and other lucrative activities; non-governmental organizations and charities; smuggling of arms, assets and currency, drug trafficking and cryptocurrencies. In the same vein, the mechanisms of countering terrorism are identified.

In chapter five, Liat Shetret discusses the association between cryptoassets and terrorist organizations for the same reasons they appeal to the most dogmatic members of the blockchain community. In this contribution Liat argued that these monetary technologies are devoid of a central issuing authority and borderless, settle at near-instant speeds, and if staged covertly enough, afford end-users complete anonymity. The chapter provides a commentary on how the conflict in Ukraine represents a threshold moment for the post-Cold War global security order that has transformed the modern terrorist financing risk landscape.

This chapter concedes that the risk of anonymous cryptoasset-enabled terrorism financing has grown meaningfully this decade.

In the sixth chapter, Dr Filiz Katman provides a detailed overview of the CTF policies adopted in Türkiye. Here the CTF financing policy of Türkiye is analyzed in a comprehensive way including challenges and strengths. The chapter discusses the geo-strategic position of Türkiye and its long history of countering terrorism experience.

On the other hand, apart from the conflict zones, Türkiye is one of the countries that suffered the most, in addition to security problems, in terms of economy, from the actions and activities of the DEASH terrorist organization. It is obvious that one of the most important pillars in the fight against the organization, which has access to personnel and financial resources on a global scale and takes action in various countries, is the struggle with financial resources. In the penultimate chapter, Oğuzhan Pehlivan and Osman Şen contribute to the national and international literature by supporting Türkiye's role in the fight against the financing resources of the DEASH terrorist organization both in the theoretical framework and field studies. This article, which presents a case study to researchers studying the financing resources of organizations that implement the terrorism strategy, discussed Türkiye's contribution to the fight against the organization's financing in the international arena and drew attention to the implications at the national and international levels.

In the final contribution, I present evidence that terrorism financiers have used fraud to obtain funding, often without detection, and it identifies a new terrorism financing fraud typology. Thus, the importance of a detailed comprehensive study of the association between terrorism financing and fraud cannot be emphasized enough due to the limited literature on the subject. This chapter addresses a shortfall by identifying an authoritative terrorism financing fraud typology on how terrorists are financed rather than those typologies that have focused on identifying the victims of fraud. The use of this new typology will assist in improving our understanding of how terrorists raise and use money and so enable shedding a new light on terrorism financing and its association with fraud.

CHAPTER I

ASSESSING OPPORTUNITY AND INNOVATION IN TERRORIST FINANCING, IN A POST COVID ENVIRONMENT

Dr. Sheelagh Brady¹

Abstract

This article explores a form of financial innovation, most noticeably that achieved by entrepreneurs/start-ups as a comparative mechanism to better understand how terrorists innovate in relation to their financing. This focus provides potential insights into the opportunities and drivers that inform such innovation in a “post-covid” environment. Through a rational choice lens, the article: (1) sets out the suitability of comparing terrorist groups and start-ups; (2) compares their financial sources; (3) examines how innovative these are; (4) identifies further opportunities and drivers for innovation in terrorist financing in this post COVID environment.

Key words : *Terrorist groups, innovations, entrepreneurs/ start-ups, terrorist financing*

Introduction

Innovation within crime and terrorism activity is nothing new, albeit it is receiving increasing levels of academic and research interest. This trend has been less focused towards innovation as it relates to terrorist financing however, especially regarding the opportunities and drivers that influence such innovation. This gap is surprising, given that terrorist financing is often postulated as a requisite of terrorist activity. The clandestine nature of such activity may have shielded it from in-depth attention. In contrast, and in the context of entrepreneurialism, the comparative element of this piece, innovation is widely studied, as is its relationship with such financing. In this context, innovation is viewed as “the source of the capitalist dynamics of accumulation mainly initiated by entrepreneurial expectations”,² shifting both the economy towards development and fundamental change. This suggests that entrepreneurs are a source of innovation, responsible for processing society beyond what we know. Ülgen noted an important point in relation to innovation and entrepreneurship, that is

¹ Dr Sheelagh Brady, Dublin City University, sheelagh.brady66@mail.dcu.ie

² Frank Ülgen (2019). Innovation Dynamics and Financialisation: Is Another Regulation Possible to Re-Industrialise the Economy? *Journal of Innovation Economics & Management* 2019/2 (n29), p. 133.

its reliance on the money markets, an aspect shared with extremist groups³ – without money neither would survive.

It is this combination of innovation, change and finance that is of interest here given that it is at this intersection that the opportunity also presents for innovation in terrorist financing—the topic of interest for this piece.

Like traditional entrepreneurialism and innovation, terrorist financing does not occur in a vacuum from society; thus, understanding the wider environment can assist in better considering the broader arena in which terrorist financing operates, and not just within the often-clandestine environment in which part of it occurs. That said, this secret or restricted world in which terrorist financing (partly) functions makes the study of such activities difficult. Some aspects of extremists' innovation have been more widely studied, most concretely in the context of terrorist learning. For example, Moghadam⁴ and Weinberg⁵ explored the topic given the shared belief that innovative terrorists' groups tend to proliferate, thus be exceptionally dangerous. In this context, imitation is often viewed as an element of innovation⁶. Sharing the importance of imitation, Kettle & Mumford found terrorists learn from multiple sources “from history, their own experiences; the experiences of other hubs, cells, or networks within their organizations; from other terrorist organizations, experts; states; the private sector; media; and counterterrorist actors”⁷. Gill et al.⁸ and Dolnik⁹ in their examination of the tactical and technological innovation within terrorist groups also found the role of imitation across groups. That said, a gap still remains specifically in the context of financing, albeit some are trying to fill it.¹⁰ For example, Keating and Danner conducted a review of the literature addressing terrorist innovation to illustrate the aforementioned gap, seeking to draw out trends to determine the extent to which terrorist groups display genuine innovation in their financing as they seek to attain financial autonomy and sustainability, or whether in fact, they operate funding models that are opportunistic and reactive¹¹, finding that “that much of the development in terrorist financing methods is opportunistic with innovation born out of necessity and in reaction to external forces beyond a group's control, rather than being

³ Frank Ülgen (2019). Innovation Dynamics and Financialisation: Is Another Regulation Possible to Re-Industrialise the Economy? *Journal of Innovation Economics & Management* 2019/2 (n29), p. 133.

⁴ Assaf Moghadam, “How Al-Qaeda Innovates,” *Security Studies* 22, no. 3 (2013): 466.

⁵ Leonard Weinberg, “Two Neglected Areas of Terrorism Research: Careers after Terrorism and How Terrorists Innovate,” *Perspectives on Terrorism* 2, no. 9 (2008): 18.

⁶ Leonard Weinberg, “Two Neglected Areas of Terrorism Research: Careers after Terrorism and How Terrorists Innovate,” *Perspectives on Terrorism* 2, no. 9 (2008): 18.

⁷ Louise Kettle and Andrew Mumford (2017). *Terrorist learning: a new analytical framework*, *Studies in Conflict and Terrorism*, 40(7), p. 523.

⁸ Paul Gill, John Horgan, Samuel T. Hunter, and Lily D. Cushenbury, “Malevolent Creativity in Terrorist organizations,” *The Journal of Creative Behavior* 47, no. 2 (2013): 125.

⁹ Adam Dolnik, *Understanding Terrorist Innovation: Technology, Tactics and Global Trends* (Abingdon, Oxon: Routledge, 2007): 3.

¹⁰ Bethan Johnson (2020). *Financing Right-Wing Extremism and Terrorism*. <https://www.projectcraft.eu/s/Financing-RWEX-and-Terrorism.pdf>

¹¹ Tom Keating and Kerstin Danner (2021). *Assessing Innovation in Terrorist Financing*, *Studies in Conflict & Terrorism*, 44:6, 455-472.

planned, proactive, or strategic”¹². In contrast, Warreth’s work on comparing and contrasting how the right wing and religiously motivated groups utilise crowdfunding, cryptocurrencies, and blockchain technology sought to assess “the motivations, benefits, and disadvantages that crowdfunding, cryptocurrencies, and blockchain technology pose for the far right and jihadists”¹³, to better understand the financial techniques employed by terrorist groups.

Despite these examples, however, research pertaining more specifically to the innovation within terrorist financing is still limited. It is worth noting, that this is most likely further exacerbated by the limited publicly available data regarding the lifecycle of terrorist financing activities, which may have contributed in part to the knowledge gap that exists in relation to innovation in terrorist financing to date. Within this backdrop, many argue that terrorists are highly innovative regarding their financing, but as others have found, including Davis, “terrorist groups, cells and individuals have all exploited technology with variation in scope and scale, but with remarkable similarity to existing financing methods”¹⁴. This article aims to build further on this work by comparing terrorist groups and entrepreneurs/start-ups, illustrating how they use similar means of innovation to secure finance for their nascent ideas, in this way illustrating innovation in the context of Dolnik’s definition where novation is defined as “an act of introduction of a new method or technology or the improvement of an already existing capability”, where such innovation it is argued is out of the necessity to maximise or exploit existing financing methods, rather than by creating their own financial systems.

The rationale behind seeking to maximise or exploit existing financial methods lies at the kernel of rational choice theory¹⁵, given that the theory presupposes individuals are reasoned actors who decide about their role in certain actions primarily in the context of costs and benefits, i.e., a person’s own self-interest influence the choices they make, weighing up what they believe serves them the best¹⁶. In this context, this article views terrorists as rational actors, similar to entrepreneurs in respect of them being rational decision makers. This approach echoes growing research in this area, which moves beyond focusing on the “rational adoption of terrorism as a strategy or a tactic” to “the rational behaviors underpinning the actual commission of a terrorist offense”¹⁷. This latter context is influenced by works in

¹² Tom Keating and Kerstin Danner (2021). *Assessing Innovation in Terrorist Financing*, *Studies in Conflict & Terrorism*, 44:6, 455-472, p 466.

¹³ Shahed Warreth (2020). *Comparing Far Right and Jihadi Use of Crowdfunding, Cryptocurrencies and Blockchain Technology: Accessibility, Geography, Ideology* https://www.researchgate.net/publication/356148647_Comparing_Far_Right_and_Jihadi_Use_of_Crowdfunding_Cryptocurrencies_and_Blockchain_Technology_Accessibility_Geography_Ideology

¹⁴ Jessica Davis (2020). ‘New Technologies But Old Methods in Terrorism Financing’, Project CRAAFT, Research Briefing No. 2, 2020, CRAAFT+Jessica+Davis.pdf (squarespace.com), p 1.

¹⁵ Moreover, although largely applied in the field of criminology, can also be applied to area such as economics, psychology, and philosophy, thus has relevance across both examples used here.

¹⁶ Cornish, D. B. & Clarke, R. V. (2008). ‘The Rational Choice Perspective,’ in R. Wortley and L. Mazerolle, eds, *Environmental Criminology and Crime Analysis*. Cullompton, Devon: Willan Publishing.

¹⁷ Paul Gill, Zoe Marchment, Emily Corner & Noémie Bouhana (2020) *Terrorist Decision Making in the Context of Risk, Attack Planning, and Attack Commission*, *Studies in Conflict & Terrorism*, 43:2, 145-160, <https://www.tandfonline.com/doi/pdf/10.1080/1057610X.2018.1445501?needAccess=true>, p 146.

environmental criminology and situational crime prevention, which tend to focus on what terrorists do and how they do it¹⁸. As noted by Gill et al however, there is still a significant gap in research relating to rational calculations at the level of individual terrorist behaviour¹⁹. In the broader context of terrorist financing however, it is evident that many groups are opportunistic, taking advantage of changing contexts, such as political instability and weak economic structures, to ensure new sources of finance, rather than being, as often portrayed as uncivilized or ‘other’²⁰. This is like approaches in criminology, where criminals are viewed as rational actors, who exploit opportunity²¹. Opportunism in entrepreneurship is somewhat comparable. As entrepreneurs are often viewed as “motivated by the opportunity to adopt an innovative approach to pull together resources and networks to satisfy needs which the regular market or the state cannot, or fails to, provide”²².

Covid has provided such an opportunity for terrorist groups, but exactly how they will respond to it remains to be seen because it is still an evolving situation. Potential areas of impacts of covid on terrorist financing opportunity will be discussed further below. To build on this approach of terrorists as rational actors, this article looks at comparing them with entrepreneurs, and their approach to innovation, who like terrorist, while often displayed as hothead and risk loving, have been found to be rational decision makers. As Brown, Packard, and Bylund noted it is “unlikely that science will ever be able to demonstrate that entrepreneurship is caused by anything other than the subjective preferences of individuals for the benefits (as they see them) of such a course of action. They cannot, therefore, be properly understood to be anything but rational”²³.

It is argued here that there is clear justification to use entrepreneurs as a suitable comparative group, due to considerable similarities in how these groups seek to acquire funding and their shared need to acquire finances outside of the traditional banking system. Moreover, the author sees the value of applying interdisciplinary knowledge to different sectors to better inform, hence drawing from business and entrepreneurial scholarship. It is also within the backdrop of limited data that this article positions itself, whilst at the same time offering a new perspective from which to examine terrorist financing and the

¹⁸ Alex Braithwaite and Shane D. Johnson (2015). “The Battle for Baghdad: Testing Hypotheses about Insurgency from Risk Heterogeneity, Repeat Victimization, and Denial Policing Approaches,” *Terrorism and Political Violence* 27(1) (2015), pp. 112–132.

¹⁹ Paul Gill, John Horgan & Emily Corner (2019) *The Rational Foraging Terrorist: Analysing the Distances Travelled to Commit Terrorist Violence, Terrorism and Political Violence*, 31:5, 929-942 <https://www.tandfonline.com/doi/pdf/10.1080/09546553.2017.1297707?needAccess=true>.

²⁰ Donncha Marron (2008). Money Talks, Money Walks: The War on Terrorist Financing in the West, *Policing: A Journal of Policy and Practice*, Volume 2, Issue 4, 2008, Pages 441–451.

²¹ Garland (2001). *The Culture of Control: Crime and Social Order in Contemporary Society* Oxford: Oxford University Press.

²² Thompson, J., Alvy, G. and Lees, A. (2000), “Social entrepreneurship: a new look at the people and the potential”, *Management Decision*, Vol. 38 No. 5, pp. 328–338.

²³ Lincoln Brown, Mark Packard and Per Bylund (2018). Judgment, fast and slow: Toward a judgment view of entrepreneurs’ impulsivity, *Journal of Business Venturing Insights*, Volume 15, June 2021 Judgment, fast and slow_ Toward a judgment view of entrepreneurs’ impulsivity (sciencedirectassets.com), p 4.

opportunities that may arise for such groups and activities in a post covid environment. In short, this article proposes to look at a form of innovation, most noticeably that achieved by entrepreneurs as a mechanism to better understand how terrorists innovate in relation to their financing, and more importantly still, to help identify the drivers or opportunities that influence such change. In this way, adding a new dimension to knowledge that complements other important works in this area.

Why entrepreneurs?

Comparing entrepreneurs with terrorists may appear tangential at best but the environment in which they operate is very similar, especially in the context of innovation, financing, and as importantly, persuasion.²⁴ Both groups need to persuade potential supporters that their idea or cause is worth supporting, often under conditions of risk and extreme uncertainty²⁵. given that many start-ups, as well as terrorist groups, begin outside the realms of society as ideas, and are accepted based on non-verifiable claims made by the entrepreneur, rather than fact;²⁶ thus, both requiring a high degree of persuasion. Both also, often, need to win hearts and minds, before they deliver, helping them build an ecosystem or community of followers or shared attitudes. For example, entrepreneurs to secure funding for an idea sell a concept, a vision, and build a brand and following behind, because engagement and interaction with supporters, future investors etc is key to driving success. In many ways, terrorists are no different, they too often sell a dream, an idea or ideology, gaining support based on a vision rather than an actual product, or in the case of terrorism, an attack.²⁷ Support, however, only goes so far as both require finances to enable development and growth. It is also worth noting, that like terrorists, entrepreneurs are not made up of one specific type “there is no ideal entrepreneurial profile either: successful founders can be gregarious or taciturn, analytical, or intuitive, good, or terrible with details, risk averse or thrill seeking. They can be delegators or control freaks, pillars of the community or outsiders”²⁸. This is like terrorism literature which also notes the lack of a ‘terrorist personality’²⁹. The two groups have other very interesting comparisons, some of which are highlighted here.

²⁴ That is not to say that they do not have disparities, rather it is argued here that the similarities are such, that start-ups represent a valuable comparative case for terrorist financing, thus, we can also learn from their approaches to innovation.

²⁵ Laura Huang and Jone Pearce (2015). Managing the Unknowable: The Effectiveness of Early-stage Investor Gut Feel in Entrepreneurial Investment Decisions. *Administrative Science Quarterly*, 60(4), 634–670. Managing the Unknowable (sagepub.com)

²⁶ Annaleena Parhankangas and Michael Ehrlich (2014). How entrepreneurs seduce business angels: An impression management approach. *Journal of Business Venturing*, Volume 29, Issue 4, July 2014, Pages 543-564.

²⁷ See Lisa Merriam and Milton Kotler: *Weaponized Marketing: Defeating Islamic Jihad with Marketing That Built the World’s Top Brands*, Rowman & Littlefield, Lanham, MD, 2020.

²⁸ Amar Bhidé (1994). How Entrepreneurs Craft Strategies That Work. *Harvard Business Review*. How-Entrepreneurs-Craft-Strategic-That-Work.pdf (researchgate.net), March-April, p 152.

²⁹ Randy Borum (2004). *Psychology of terrorism*. Tampa: University of South Florida. Psychology of Terrorism (ojp.gov); Horgan, J. (2003). The search for the terrorist personality. In Silke, A., Ed. *Terrorist, victims, and society: Psychological perspectives on terrorism and its consequence* (pp. 3-27). London: John Wiley.

Successful entrepreneurial projects can be broken into a few classic blueprints, much like successful terrorist groups, which may indicate in-group learning and imitation, as found by Gill et al³⁰. But it's important to note that not all entrepreneurs or terrorist groups are successful. Moreover, our opinions of success are often skewed by unicorns (META, TWITTER, GOOGLE) or highly active terrorist groups (Al Qaeda, Basque Euskadi Ta Askatasuna (ETA), Irish Republican Army (IRA), etc). These, however, do not represent many groups in respect to start-ups or terrorist groups. CBInsights looked at 1,100 start-ups and found that the odd of becoming a unicorn is 1% (1.07%)³¹, while Republic say the chances are far lower³². It is also worth noting that while it is difficult to determine success for terrorist groups. Some argue success aligns with the deadliest, and in this context some religiously motivated groups come to the fore³³, but death toll is not a complete barometer of success. Thus, the over emphasis on unicorns or highly active terrorist groups has a significant impact on the quality of data we have in this area, which can cause us to assume practices and trends from a small number of examples are reflective of all groups more generally, when in fact these examples are outliers; thus, it is important not to generalise from cases which do not reflect the norm.

That said, equal to effective cases, those that fail, often do so in the same way. For example, the time in which both groups wind down is alike. Most venture capital-backed start-ups wind down their businesses within a decade³⁴. Similarly, Cronin estimates that the life span for individual terrorist groups is on average between five to ten years.³⁵ Those which are less successful, however, have a shorter lifespan. Philips suggests it may be as short as one year for at least 50% of terrorist groups.³⁶ This is somewhat lower than that found in the Global Terrorism Dataset data 1970 to 1997 – nearly 75% of the terrorist organizations identified during this period lasted less than a year. Correspondingly, LaFree noted in his work this was similar to most business start-ups, the majority of which are very likely to disappear during their first year of operation.³⁷ This is echoed in CBInsights brief who found that 70% of start-ups fail, usually 20 months after receiving their first round of financing.

³⁰ Paul Gill, John Horgan, Samuel T. Hunter, and Lily D. Cushenbury, "Malevolent Creativity in Terrorist Organizations," *The Journal of Creative Behavior* 47, no. 2 (2013): 125.

³¹ CBInsights (2018). *Venture Capital Funnel Shows Odds Of Becoming A Unicorn Are About 1%*, 6 September 2018, [The Venture Capital Funnel \(cbinsights.com\)](https://www.cbinsights.com).

³² Republic (2022). *Unicorns are the rarest startups around*. 7 April 2022, *Unicorns are the rarest startups around* — Republic.

³³ Vision of Humanity (2022). *The four deadliest terrorist groups in 2021* [The four deadliest terrorist groups in 2021 \(visionofhumanity.org\)](https://www.visionofhumanity.org).

³⁴ Alicia DeSantola (2022). *Book Review. Tom Eisenmann. Why Startups Fail: A New Roadmap for Entrepreneurial Success*. New York: Currency, 2021. 368 pp. \$28.00, hardcover. In *Administrative Science Quarterly* 2022, Vol. 67(2).

³⁵ Audrey K. Cronin, *Ending Terrorism: Lessons for Policymakers from the Decline and Demise of Terrorist Groups* (New York: Taylor and Francis, 2009). Cronin used data compiled by the Memorial Institute for the Prevention of Terrorism.

³⁶ Brain Philips (2017). *Do 90 Percent of Terrorist Groups Last Less than a Year? Updating the Conventional Wisdom*. *Terrorism and Political Violence* Volume 31, 2019 - Issue 6, 1255-1265.

³⁷ Gary LaFree (2010). *The Global Terrorism Database (GTD): Accomplishments and Challenges*. *Perspectives on Terrorism*, March 2010, Vol. 4, No. 1 (March 2010), pp. 24-46.

This count does not include, however, those who do not get funding, which are likely to have a shorter lifespan. Similarly, many terrorist groups may be outside the GDT dataset, those who go unnoticed or undetected. Nesser, Stenersen, and Oftedal suggests that 26% of terrorist groups go undetected, while 57% of single actor terrorists do³⁸.

In the context of success and failure, a key argument often offered for why innovative start-ups or new businesses fail relates to running out of money. This has relevance regarding terrorist groups, surely, they too will fail, if they do not create a financial flow that facilitates their activities and goals, especially given the common rhetoric that terrorist financing is a requisite of terrorist activity. Shapiro, also notes this, claiming that “financial constraints can contribute to terrorist failure”³⁹. Money alone is not a predeterminant of success, however. As noted by Jone and Libicki “terrorist groups typically end due to a combination of factors”⁴⁰. Thus, context matters in our understanding of how such groups create and capitalise opportunity to acquire the necessary funds, and what can and does impact success, growth, and innovation.

Financing innovations

Another similarity, specially pertaining to finance is that despite the innovation that start-ups often bring to their respective areas of development, the financial channels open to them are relatively limited. Banks are often reluctant to lend money to such organisations, given the lack of tangible assets as collateral and the high-risk nature of their activities⁴¹. This is similar for terrorist groups. Few if any legitimate financial institution would knowingly lend to a terrorist group, but indirectly it has been known to happen, such as in the 2015 London 7/7 anniversary bombing plot. This was reportedly funded by loans and salary⁴², albeit not knowingly on the part of the banks. Thus, like start-ups, terrorists must be innovative in creating opportunities to secure funding. Successful terrorist groups have demonstrated their abilities in this area for years. Roth noted how Al Qaeda demonstrated the ability to raise money from different sources using a group of financial facilitators, moving money through its organizations by a variety of channels, couriers, and financial institutions, prior to and after 9/11.⁴³

³⁸ Petter Nesser, Anne Stenersen, and Emilie Oftedal (2016). *Jihadi Terrorism in Europe: The IS-Effect, Perspectives on Terrorism*, December 2016, Vol. 10, No. 6 (December 2016), pp. 3-24 *Jihadi Terrorism in Europe* (jstor.org).

³⁹ Jacob N. Shapiro, *The Terrorist's Dilemma* (Princeton, NJ: Princeton University Press, 2013), 107.

⁴⁰ Seth G. Jones and Martin C. Libicki (2008). *How Terrorist Groups End, Lessons for Countering al Qa'ida*, Rand Corporation, *How Terrorist Groups End* (jstor.org), p 10.

⁴¹ Per-Olof Bjuggeren and Michel Elmoznino Laufer (2018). Chapter 10: Startups, financing and geography – findings from a survey Chapter 10: Startups, financing, and geography – findings from a survey in: *Geography, Open Innovation and Entrepreneurship* (elgaronline.com)

⁴² Petter Nesser, Anne Stenersen, and Emilie Oftedal (2016). *Jihadi Terrorism in Europe: The IS-Effect, Perspectives on Terrorism*, December 2016, Vol. 10, No. 6 (December 2016), pp. 3-24 *Jihadi Terrorism in Europe* (jstor.org).

⁴³ J. Roth (2004). *Monograph on terrorist financing staff report to the commission*. Washington, DC: National Commission on Terrorist Attacks upon the United States.

When considering how terrorist financing works, comparison with the measures used by start-ups may not appear feasible in the context of terrorists, given the often-illegal activities terrorist groups participate in to acquire funding; but such illegal activities are not beyond start-ups too. Some very famous start-ups have engaged in fraud and other illegal activities to acquire funding and/or support. For example, the founder of Theranos, a consumer healthcare technology start-up, was found guilty of four fraud charges relating to the company⁴⁴; the founder of Mozido, a fintech start-up, was indicted on charges of fraud, relating to allegations he had defrauded 200 investors from which he raised \$55M., and Hampton Creek, a vegan food manufacturer, was accused of falsifying sales data⁴⁵. There are many other comparisons between how start-ups and terrorist groups access funding that will be discussed below. Before doing so, however, it is important to acknowledge the potential perceived difference in the motivation to financially support a start-up in comparison with a terrorist group, i.e., the former a financial reward, the latter, to support a cause. But given the failure rate of start-ups- surely there are other motivations beyond getting rich. In a recent study on why investors invest in cleantech start-ups, the authors found that motivations to invest include exploitative learning, building legitimacy, exploring a green opportunity, or copying an activity undertaken by a competitor.⁴⁶ This illustrates diverse reasons for investing other than financial reward, chief amongst these of interest in this piece, are learning and opportunity, which will be discussed shortly, similar to how terrorists learn from others⁴⁷.

Outside of the traditional banking systems, available options for start-ups often include, equity finance, crowdfunding, own resources, those from family or friends, or government grants and incentives⁴⁸. Terrorist groups often use legal activities for the illegal transfer or acquisition of funds that resonate with those used by start-ups, most noticeable with a small change in language/syntax. For example, if we change the label of equity investors to donors, significant similarities emerge. Many terrorist groups use donor funding to secure financial support⁴⁹. The Provisional Irish Republican Army (PIRA) were known to have received external donations Irish diaspora associations in the United States, such as the Irish American organization Irish Northern Aid (NORAID).⁵⁰ More recently, Financial

⁴⁴ ZAW THIIHA TUN (2022). Theranos: A Fallen Unicorn. 4 January 2022, Theranos: A Fallen Unicorn (investopedia.com)

⁴⁵ CBInsights (2019). Research Briefs. 16 Of The Biggest Alleged Startup Frauds Of All Time. Retrieved from <https://www.cbinsights.com/research/biggest-startup-frauds/>

⁴⁶ Puck Hegeman and Roger Sorheim (2021). Why do they do it? Corporate venture capital investments in cleantech start-ups. *Journal of Cleaner Production*. Volume 294, 20 April 2021.

⁴⁷ Paul Gill, Zoe Marchment, Emily Corner & Noémie Bouhana (2020) Terrorist Decision Making in the Context of Risk, Attack Planning, and Attack Commission, *Studies in Conflict & Terrorism*, 43:2, 145-160, <https://www.tandfonline.com/doi/pdf/10.1080/1057610X.2018.1445501?needAccess=true>, p 146.

⁴⁸ G. Elia and F. Quarta (2020). Financing the Development of Technology Startups Financing the Development of Technology Startups | SpringerLink

⁴⁹ FATF (2021a). FATF Report. Ethnically or Racially Motivated Terrorism Financing. Retrieved from <https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-rationally-motivated-terrorism-financing.pdf>

⁵⁰ Tom Keating and Kerstin Danner (2021). Assessing Innovation in Terrorist Financing, *Studies in Conflict & Terrorism*, 44:6, 455-472.

Action Task Force's (FATF)⁵¹ found that extreme right wing (ERW) also uses donations and private contributions as a source of funding⁵². External shock can impact donations for both groups, both in terms of possible reduced funding, and opportunities for growth⁵³. For example, COVID 19 severely curtailed entrepreneurship, while at the same time created new opportunities for some⁵⁴. Such shocks can also impact terrorist groups, for example, a decline in the willingness or ability of donors to donate. Keating and Danner noted that this has led to efforts on the part of some groups to de-emphasise and minimise their reliance on donations.⁵⁵ Another common funding stream for start-ups is from government grants and incentives. While this source might seem counter intuitive for terrorist groups (that states would also sponsor terrorist groups), the truth is that some do. This was a common form of financial assistant for groups like Al-Qaeda, IRA, for example.⁵⁶

According to Fundera⁵⁷, only .05% of start-ups raise venture capital funding, thus self-funding is commonly required. In fact, 77% of small businesses rely on personal savings for their initial funds, start-ups are unlikely to be any different. The self-funding of terrorist groups is also common, which was noted specifically in the context of US based terrorist groups by the Committee on Financial Services US House of Representatives.⁵⁸ This is especially prevalent in right wing groups, of late. The US House of Representatives report noted that some individuals are taking advantage of what was referred to as 'small dollar terrorism', acquiring such funds through activities like "petty theft, robbery, minor drug trafficking, sales of counterfeit items, and defaulting on loans" etc. Possibly indicating the use of a low budget model strategy. This approach is also evident in start-ups, something often referred to as bootstrapping, a term used by entrepreneurs to a situation in which an entrepreneur starts a company with little capital, relying on money other than outside investments. According to a survey conducted by Kabbage, 33% of all small businesses start with less in €5,000, yet, according to a poll by Wells Fargo Small Business Index, the average small business needs at least \$10,000 of start-up capital. Examples of low or small budget (legally acquired)

⁵¹ FATF (2021a). FATF Report. Ethnically or Racially Motivated Terrorism Financing. Retrieved from <https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-rationally-motivated-terrorism-financing.pdf>

⁵² They also noted their use of membership fees, commercial activities (including organisation of concerts, sales of merchandise and real estate ventures), and criminal activities

⁵³ Zahra SA (2020) International Entrepreneurship in the Post Covid World. J World Bus.

⁵⁴ Thomas Gries and Wim Naudé (2021). Extreme Events, Entrepreneurial Start-Ups, and Innovation: Theoretical Conjectures. *EconDisCliCha* 5, 329–353 [Extreme Events](#), Entrepreneurial Start-Ups, and Innovation: Theoretical Conjectures | SpringerLink.

⁵⁵ Tom Keating and Kerstin Danner (2021). Assessing Innovation in Terrorist Financing, *Studies in Conflict & Terrorism*, 44:6, 455-472.

⁵⁶ Tom Keating and Kerstin Danner (2021). Assessing Innovation in Terrorist Financing, *Studies in Conflict & Terrorism*, 44:6, 455-472.

⁵⁷ Meredith Wood (2020). Raising Capital for Startups: 8 Statistics That Will Surprise You, 2 February 2020, Raising Capital for Startups: 8 Statistics That Will Surprise You - Fundera Ledger

⁵⁸ US House of Representatives (2018). Survey of Terrorist Groups and their means of financing. Hearing before the subcommittee on terrorism and illicit finance of the committee on financial services, US House of Representatives. Retrieved from <https://www.govinfo.gov/content/pkg/CHRG-115hhrg31576/html/CHRG-115hhrg31576.htm>

incidents are also evident in terrorism. For example, an attack occurred on the home of a French policeman in 2016, involving three knives, a computer, and a cell phone. It is believed that this was funded by the perpetrator's income. Other examples of incidents of this nature include a bike race plot by militants with alleged links to religiously motivated groups in Germany in 2015, the 2015 Lyon gas factory attack where the alleged perpetrator worked as a truck driver⁵⁹.

Crowd sourcing is another resource used by both parties as a method and a means. It provides an avenue to reach many with a cause and need, but it also, given its close alignment with technology, facilitates the quick and easy transfer of finances; thus, is a means by which you can receive alternative funds.⁶⁰ Crowdfunding has been seen as a low-risk way of raising funds by many start-ups, because a company does not usually have to part with equity or reduce autonomy, as will be discussed later. Failure rates are high, however⁶¹. Terrorists are also using crowd sourcing. For example, the Australia FIU, in investigative work on Bitchute (a video content platform, which reportedly hosts ideologically motivated violent extremism, material on QAnon and conspiracy theories), found amongst other things, Bitchute channels have hosted links to crowdsourcing and subscription-based funding channels including Patreon and Subscribestar⁶². More recently, terrorist groups have enhanced this method through the use of cryptocurrencies and blockchain.⁶³ Recent research, however, indicates that its use is still low at present, but it is foreseen “that with the development of cryptocurrency technology, especially the improvement of anonymity, it [cryptocurrency technology] will make it very convenient for terrorist organizations to raise funds”⁶⁴. This echoes the use of such technologies by start-ups.⁶⁵ Moreover recently some in the start-up field have recognised the potential use of cryptocurrencies as engine to create a start-up. Although they note, that creating a cryptocurrency is not easy, they suggest it may not be beyond the realms of possibility that in a few years we may have the ability to “create your own digital currency as if it were a SaaS using cloud-based or internet platforms”⁶⁶. Should this become a reality, it is likely some terrorist groups will become early adopters. Despite this potential technology and

⁵⁹ Petter Nesser, Anne Stenersen, and Emilie Oftedal (2016). Jihadi Terrorism in Europe: The IS-Effect, Perspectives on Terrorism, December 2016, Vol. 10, No. 6 (December 2016), pp. 3-24 Jihadi Terrorism in Europe (jstor.org).

⁶⁰ Shahed Warreth (2020). Comparing Far Right and Jihadi Use of Crowdfunding, Cryptocurrencies, and Blockchain Technology: Accessibility, Geography, Ideology.

⁶¹ Think Business (2022). Crowdfunding in Ireland – a guide, (Crowdfunding in Ireland - a short guide (thinkbusiness.ie)

⁶² FATF (2021a). FATF Report. Ethnically or Racially Motivated Terrorism Financing. Retrieved from <https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-rationally-motivated-terrorism-financing.pdf>

⁶³ Shahed Warreth (2020). Comparing Far Right and Jihadi Use of Crowdfunding, Cryptocurrencies, and Blockchain Technology: Accessibility, Geography, Ideology.

⁶⁴ Shacheng Wang (2021). Evaluation of Potential Cryptocurrency Development Ability in Terrorist Financing. Policing: A Journal of Policy and Practice, Volume 15, Issue 4, December 2021, Pages 2337.

⁶⁵ Shahed Warreth (2020). Comparing Far Right and Jihadi Use of Crowdfunding, Cryptocurrencies, and Blockchain Technology: Accessibility, Geography, Ideology.

⁶⁶ Startup Info (2022). Entrepreneurship in cryptocurrencies?, 9 August 2022, Entrepreneurship in cryptocurrencies? (startup.info)

opportunity for both groups to capitalise on in the area of financing, the research on the current low use of cryptocurrency technology is interesting. It also raises an important question about, how innovative terrorist financing is? Before examining this, it is pertinent to note that these forms of financing for either group are not mutually exclusive, groups often use a combination of methods to acquire funding. The ability to be flexible, to diversify sources, and to be able to move and transfer money is also important for both groups, given that funding enables such groups achieve their tactical, operational, and strategic objectives (at least in part).

Another challenge for both groups related to finances worth highlighting (before exploring the question about how innovative terrorist financing is), is the question of autonomy over how such funds are spent. Investment into start-ups usually requires a trade-off to some oversight into management decisions. As noted by Jotform, some even result in a change of leadership.⁶⁷ According to a report by Crunchbase from 2018, of 105 technologies companies surveyed, “the median and average level of VC ownership at exit was 53% and 50% respectively”.⁶⁸ This is also important in relation to terrorists given “groups that can achieve financial independence such that they need not rely on third parties—be they state-sponsors, diaspora, or sympathetic donors—can dedicate their resources and operations fully to their mission without external influence interfering with their objectives”.⁶⁹ A lack of financial autonomy, therefore, creates tactical, operational, and strategic vulnerabilities. That said, different groups often take a different approach to this. For example,

Hezbollah has clearly determined that securing reliable financing to support its military, political, and social objectives—resulting in a dependency on state-sponsored external funding—is more valuable than maintaining complete financial and political autonomy. In contrast, the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia; FARC) chose to bide its time to accomplish a “state of complete self finance” which facilitated independence, political autonomy, and flexibility.⁷⁰

This has relevance with start-ups too, because the different sources of finance often come with different restrictions, limitations and or pressures, often influencing the options available to them.

⁶⁷ Jotform (2022). Bootstrapping vs VC funding, Bootstrapping vs VC funding (jotform.com)

⁶⁸ Crunchbase (2022). What Percentage Do Venture Capitalists Take? Average VC Ownership of 105 Tech Companies, What Percentage Do Venture Capitalists Take? Average VC Ownership of 105 Tech Companies - Crunchbase

⁶⁹ Tom Keating and Kerstin Danner (2021). Assessing Innovation in Terrorist Financing, Studies in Conflict & Terrorism, 44:6, 455-472.

⁷⁰ Tom Keating and Kerstin Danner (2021). Assessing Innovation in Terrorist Financing, Studies in Conflict & Terrorism, 44:6, 455-472.

What is innovation in terrorist financing?

Despite the range of activities terrorists use, it is still difficult to assess how innovative such terrorist groups are, in their acquisition of finances, given the lack of data. Comparing them with start-ups has provided some insight, therefore, through the demonstration of comparative approaches. This further illustrates that terrorist financing does not occur within a vacuum. The question remains though, is their innovation different? According to Dolnik⁷¹ and Crenshaw⁷², innovation in terrorism is the use of new or creative ideas by such groups to their activities and operations. Within this definition it is clear to see many of the examples discussed above would constitute innovation, if one accepts the application of existing mechanisms used in one area applied to the area of terrorist financing. This might be called innovation by appropriation, which differs slightly from innovation in the technical sense of developing something that is truly unique. To demonstrate terrorists use of new innovative mechanism to secure finances in this latter context, might be difficult, and would require more data.⁷³ In fact, and despite a host of writings on terrorist innovation in terrorist financing, the question of exactly how innovative or creative these approaches are, is still underexplored. Thus, over bestowing innovation on behalf of terrorists may be to exceptionalise them and their financial sources, which does not appear to be the case (at least based on the data that is available). This echoes the work of Marron who notes that

*terrorists are almost feted by authorities and observers for their entrepreneurial skill, expertise, and endeavour.... yet as Shapiro and Siegel (2007) have argued, such rhetoric can be exposed when, ironically, an actual economic analysis is applied to how terrorists raise, disseminate, and expend funds. Treating terrorists as any other enterprising agent reveals that, with their particular covert structure, they may suffer from 'information asymmetries' and 'transaction costs' leading to an outcome whereby greedy middle-men skim resources at the expense of effective operational attacks"*⁷⁴.

Thus, it appears that terrorist groups have not attempted to be uniquely creative in the financial sources they seek, or the methods used to acquire funds, rather have adopted or appropriated mechanisms from other sectors and applied them to use in the area of terrorist financing. This, however, is likely to be the result of the limitations of the grey or black financial systems, and the need to engage for large value finances with the licit financial sector. Moreover, the level of innovation demonstrated in this guise is not solely seen

⁷¹ Adam Dolnik (2007) *Understanding Terrorist Innovation: Technology, Tactics and Global Trends*, Abingdon, Oxon: Routledge.

⁷² Martha Crenshaw (2010) "Innovation: Decision Points in the Trajectory of Terrorism," in *Terrorist Innovations in Weapons of Mass Effect: Preconditions, Causes, and Predictive Indicators*, ed. Maria Rasmussen and Mohammed Hafez, Defense Threat Reduction Agency Advanced Systems and Concepts Office.

⁷³ Given the current knowledge gap in relation to innovation in terrorist financing to date, this is somewhat not practicable at present.

⁷⁴ Donncha Marron (2008). *Money Talks, Money Walks: The War on Terrorist Financing in the West*, *Policing: A Journal of Policy and Practice*, Volume 2, Issue 4, 2008, Pages 441–451.

regarding the mechanisms used to acquire funding, it is also seen through the innovative approaches used to avoid or evade interventions by governments or police. Seeing innovation through the lens of appropriation provides two important insights. The first relates to terrorist groups as learning organisations, and the second that they create or respond to opportunities to maximise or adapt to the current context, both of which will be discussed below.

Innovation through learning & opportunity

The material discussed above provides insights into terrorist groups as learning organisations, learning from practices used in other non-terrorist organisations and applying them to their needs. This is evident regarding crowdfunding for example. The use of this by terrorists and start-ups may indicate cross learning and appropriation from each other or from another similar source. Patterns of learning within such groups can also be seen, largely evident in displays of imitation. Start-ups often follow a model or route other entrepreneurs have gone before. Terrorist groups are no different. Gill et al. observed that “organizations espousing vastly different ideologies and goals frequently replicate a perceived successful tactical or technological innovation established by another organization.”⁷⁵ Terrorists’ groups have also shown that they learn from the need i.e., to circumvent restrictive policies. Such organisations have also used innovation to “avoid detection by the law enforcement and private sector systems and capabilities arrayed against them”.⁷⁶ For example, Al-Shabaab changed from external donations to lucrative domestic fund-raising, taking advantage of the weak Somali state bureaucracy, while Daesh shifted to control large swaths of territory which provided another financial source.

Such learning and resulting innovation displayed by many terrorist groups, and start-ups for that matter, appear to have largely been driven by opportunity. Carroll and Windle for example, noted the role of opportunity as an influence on group’s choice of funding streams, further highlighting the role of ideology, politics, geography, group size, competition, members’ skills, start-up costs, and law enforcement priorities⁷⁷. This opportunistic nature of terrorists is like start-ups, especially if one considers that entrepreneurs are often viewed as having good ideas and are equally good at seeing opportunities to capitalise on.⁷⁸ As a result, it is important to draw on theories that seek to examine how opportunity influence responses, for example, rational choice theory.

⁷⁵ Tom Keating and Kerstin Danner (2021). *Assessing Innovation in Terrorist Financing*, *Studies in Conflict & Terrorism*, 44:6, 455-472.

⁷⁶ Tom Keating and Kerstin Danner (2021). *Assessing Innovation in Terrorist Financing*, *Studies in Conflict & Terrorism*, 44:6, 455-472.

⁷⁷ Carroll, P. and Windle, J. (2018) ‘Cyber as an enabler of terrorism financing, now and in the future’, *Journal of Policing, Intelligence and Counter Terrorism*, 13(3), pp. 285-300.

⁷⁸ Faradilla Fadlia and Ismar Ramadani (2019). *Proceedings of the Tarumanagara International Conference on the Applications of Social Sciences and Humanities (TICASH 2019)*. *Are You Entrepreneur or Just an Opportunist? an Analysis on Neo Liberal Theory* | Atlantis Press (atlantispress.com)

COVID Opportunity

COVID has and will continue to create opportunity for terrorist financing⁷⁹, further exacerbated by a convergence of multiple factors, such as the war in Ukraine, possible global recession and increased technological change. The impact of the pandemic on wider society has provided an environment suitable for exploitation; responses such as restricted movement, social distancing measures, supply chain issues, reduced travel, etc. For example, a case in Ethiopia illustrates the dangers faced by many people working from home, when a bank employee illegally withdrew ETB 3 million (EUR 68 300) from an inactive customer account and lent it to his friend without any collateral. Given the low number of employees in the office, the alleged perpetrator was able to exploit the system and commit the crime⁸⁰. Furthermore, and specifically in the context of financing, COVID has “caused a decline in physical cash use and a convergence to risk-prone digital payments mediums (Sheluchin 2020). Online crime, in particular Covid-19-related fraud, has subsequently increased (FATF 2020; Nolte et al. 2021; EUROPOL 2021)”⁸¹. This has contributed to a new landscape, which provides both opportunity and threats for all, including terrorist groups. The United Nations Office of Drugs and Crime (UNODC) Executive Director Waly noted such opportunities in the context of terrorists, asserting that “during the pandemic, terrorists worked to circumvent travel restrictions by using virtual currencies and digital services to raise and move funds in the digital space”. The impetus for this, was also influenced by restrictions on movement and face to face interaction, which in turn impacted how traditional banking has largely been conducted to date, resulting in significant changes in financial behaviours to virtual services. The shift in greater numbers online has turbo charged such transactions. As the number of online transactions increased, identifying anomalies or suspicious behaviour is not humanly possible. This has been further exacerbated by some companies changing revenue models, which makes anomalies harder to identify⁸². Therefore, there is an increasing need for technology, such as data analytics and machine learning, to reduce false positives. These systems, however, are not fool proof, and should not be viewed as the panacea.

Opportunities that COVID has created are also evident in the legal world, which criminals and terrorist groups have noted and are capitalising on. Europol highlights a number of these, such as, bogus websites, fake apps, fake investment opportunity, and money muling⁸³. The environment created by the pandemic has also left many businesses in financial need, leaving

⁷⁹ Juan Carlos Cristano and Jermy Prenio (2020). Financial Crime in Times of Covid 19 – AML and Cyber Resilience Measures, Bank of International Settlements, <https://pesquisa.bvsalud.org/global-literature-on-novel-coronavirus-2019-ncov/resource/pt/grc-740074>.

⁸⁰ FATF (2020). Update: COVID-19-related Money Laundering and Terrorist Financing, Retrieved from Update-COVID-19-Related-Money-Laundering-and-Terrorist-Financing-Risks.pdf (fatf-gafi.org)

⁸¹ Eray Arda Akartuna, Shane D. Johnson, and Amy E. Thornton (2022). The money laundering and terrorist financing risks of new and disruptive technologies: a futures-oriented scoping review, Security Journal, The money laundering and terrorist financing risks of new and disruptive technologies: a futures-oriented scoping review (springer.com), p 9.

⁸² Adam McLaughlin (2020). Compliance Operations During COVID-19, Risk Management, 67(10), 14-15. <https://www.proquest.com/openview/e58abc999bfe709705b911deab93aea7/1?pq-origsite=gscholar&cbl=47271>

⁸³ Europol (2022). COVID-19: Fraud, COVID-19: Fraud | Europol (europa.eu)

them vulnerable to being targets for terrorist (and other criminals) through exploitation, especially in respect to money-laundering⁸⁴. As Europol notes, “sectors such as construction, hospitality, travel and tourism are at higher risk of being infiltrated or taken over by criminals during the economic crisis as companies try to survive the downturn”⁸⁵. Other vulnerabilities regarding money laundering the pandemic have influenced relate to an increase in unregulated financial services and insider trading due to the large shifts in value some businesses have encountered⁸⁶. Others report abuse of covid grants and payments. For example

the owners of over a dozen New York-area pharmacies were charged in an indictment unsealed today for their roles in a \$30 million health care fraud and money laundering scheme, in which they exploited emergency codes and edits in the Medicare system that went into effect due to the COVID-19 pandemic in order to submit fraudulent claims for expensive cancer drugs that were never provided, ordered, or authorized by medical professionals”⁸⁷.

Secondly, nefarious actors have also identified vulnerable individuals to target, who are susceptible for exploitation as money mules. The goal being, to use them to help in the movement and transfer of monies. Between September and December 2021, Europol identified 18,351 money mules, arresting 1,803 of them. Their press released noted that “It also revealed that money mules were being used to launder money for a wide array of online scams such as sim-swapping, man in the middle attacks, e-commerce fraud and phishing.” In fact, the opportunity COVID has created was deemed to be so stark that a new unit centre was created within Europol to “tackle an expected surge in financial crime in the economic downturn triggered by the Covid-19 pandemic and crack down on defrauding of state subsidies”⁸⁸. FATF in a recent report, highlight several cases studies exemplifying such scams. For example, in March 2020, German health authorities seeking to procure EUR 15 million worth of face masks, were scammed, largely through a fake site and compromised email addresses.

As the impacts of the pandemic continue to evolve, the opportunities presented with develop with them, which some terrorist groups will try to capitalise on. Societal impacts, such as rising unemployment, rising inflation, the risk of recession, financial distress, the bankruptcy of companies, the increased circulation of cash in economies, and the potential

⁸⁴ FATF (2020). Update: COVID-19-related Money Laundering and Terrorist Financing, Retrieved from Update-COVID-19-Related-Money-Laundering-and-Terrorist-Financing-Risks.pdf (fatf-gafi.org)

⁸⁵ Europol said sectors such as construction, hospitality, travel, and tourism are at higher risk of being infiltrated or taken over by criminals during the economic crisis as companies try to survive the downturn.

⁸⁶ FATF (2021b). Covid-19 and the Changing Money Laundering and Terrorist Financing Risk Landscape. Retrieved from <https://www.fatf-gafi.org/publications/fatfgeneral/documents/mena-reg-tech-2021.html>

⁸⁷ Department of Justice (2020). Two Owners of New York Pharmacies Charged in a \$30 Million COVID-19 Health Care Fraud and Money Laundering Case, Justice News, 21 December, 2020, Two Owners of New York Pharmacies Charged in a \$30 Million COVID-19 Health Care Fraud and Money Laundering Case | OPA | Department of Justice

⁸⁸ Reuters (2020). EU sets up new Covid-19 company fraud unit at Europol. 5 June 2020. EU sets up new Covid-19 company fraud unit at Europol (irishexaminer.com) EU sets up new Covid-19 company fraud unit at Europol (irishexaminer.com).

for increased need of stimulus programs may individually, and collectively, represent vulnerabilities that terrorist groups may try to capitalise on and exploit. This might result in diversification by some groups to exploit new and emerging opportunities. Opportunities are likely to present differently in different geographical areas, which may result in different circumvention techniques displayed, or for the real opportunistic innovators, they may use the collective advantage of multiple different areas to capitalise on the evolving situation. Responses on behalf of such groups may range from high tech to low tech activities, depending on context. Despite opportunism and capitalisation on the changing landscape that the pandemic created, it is unclear whether COVID, albeit influencing a change in practices, has resulted in a change in the terrorist financing risk. This is something that will take time to assess and should be closely monitored going forward.

It is evident from above, therefore, that terrorist financing does not happen in a vacuum, and despite the lack of data making it difficult to assess exactly how innovative terrorist financing works, exceptionalising terrorists and their acquisition of finance as something unique may not be helpful. In fact, examining the wider landscape in which non-terrorist or non-criminal groups identify sources and acquire funding may in fact provide important insights for NATO nations and related partners. This may help also in anticipating changes in the landscape that terrorist groups could capitalise on might also be beneficial in identifying potential emergent opportunities that these groups may take advantage of and mitigate these where possible. Countries are not powerless in this regard but should be mindful that their responses are likely to take time, unlike terrorist groups, who have the potential to have first mover advantage and/or be early adopters of technology. This is exacerbated by the fact that new technological developments often arise without the knowledge of lawmakers, existing in an unregulated zone where ‘anything goes’. This in turn offers opportunity for those seeking to exploit it, such as terrorist groups. That said, as noted by Wang, if the greater environment is not conducive to such technologies, the advantage for terrorists’ groups may not be present, so automatic assumption of early appropriation may also be unhelpful.⁸⁹

Conclusion

This chapter sought to assess opportunity and innovation in terrorist financing, in a post covid environment, finding that the lack of data makes any assessment of innovation difficult. Nonetheless, using a comparative group, namely, start-ups, the article demonstrated that terrorist groups, like start-ups are innovative in the sense of appropriating approaches used in one area and applying it to another. Moreover, it found that terrorist groups are learning organisations, and opportunists, ready to create opportunity as well as capitalising on emerging and ongoing ones, in both the licit and illicit world. In this way, illustrating how the post-COVID environment has the potential to provide an equally attractive opportunity to capitalise on. The article did this by examining a form of innovation, most noticeably

⁸⁹ Shacheng Wang (2021). Evaluation of Potential Cryptocurrency Development Ability in Terrorist Financing. Policing: A Journal of Policy and Practice, Volume 15, Issue 4, December 2021, Pages 2337.

that achieved by entrepreneurs as a mechanism to better understand how terrorists innovate in relation to their financing, and more importantly still, to help identify the drivers or opportunities that influence such change. It did this by setting out how start-ups make a good comparison group, which was evident in the similar financial sources available to them, but also in the lifespan of both groups. It then briefly looked at how innovative terrorist financing is, before identifying possible further opportunities and drivers for innovation in terrorist financing in this post COVID environment. In doing so, the article finds that the innovation in terrorist financing is better explained by how terrorists create or capitalise on opportunities presented to them, rather than through unique innovation in its truest sense. In so doing, argues against exceptionalising terrorists as uniquely innovative financiers. The findings provide useful insights, chief amongst, that in the absence of data we must look to other areas to find useful comparisons, for example, start-ups. Operationally, the article has relevance too, in highlighting possible areas for NATO members and partner nations to consider, so they can be better informed to anticipate terrorist opportunity, and as a result, enhance the capacity to mitigate and reduce opportunities, through targeted approaches.

Significant for NATO and related partners

Given the likelihood that COVID impacts will display differently geographically, a one size fits all approach is unlikely to be successful. Thus, nations need to take a domestic and international view to mitigating the opportunities COVID has presented in relation to terrorist financing. To do this, many financial intelligence units would benefit from increased resources to allow them conduct greater examination of suspicious activities, to analyse this information, and where necessary to pass on these reports to law enforcement for investigation. This is also likely to involve the acceleration of digital transformation for many units, to ensure they can maintain pace with partners and adversaries. Financial Action Task Force's (FATF) recommendation is also noteworthy in this regard for NATO nations, as well as their partners. They should realign their focus on outputs over outcomes, by building "an effective regulatory system, ensure that the financial sector is aware of the money laundering and terrorist financing risks they face and are reporting suspicious transactions"⁹⁰.

Given that terrorist groups choose to move moneys through licit avenues, where it can be hard to distinguish between legitimate and illegitimate funds, there is a need to look at involving increased stakeholders in the process of prevention, identification, and response to terrorist financing. Traditionally, much of this activity has largely been conducted by the state but given that such groups are now active within the licit economy, it is prudent of NATO nations and partner nations to engage beyond state actors, with the private sector, for example, to enhance these areas. Shared knowledge and understanding about known practices and trends could help better inform how financial institutions, for instance, develop

⁹⁰ FATF (2021a). FATF Report. Ethnically or Racially Motivated Terrorism Financing. Retrieved from <https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-racially-motivated-terrorism-financing.pdf>

and automate their models to identify suspicious activity. Equally, financial institutions may identify suspicious activities or practices, that they want to understand better, which law enforcement may be able to help inform.

Complimentary to this, there is a need for NATO nations and partner nations, to look broader at changes both domestically and internationally and imagine how these changes may provide opportunity for terrorist groups to capitalise on, from a financial point of view. This requires people trained and experienced in Horizon Scanning analytical skills, to look not only at the short and medium term, but also the long term so they can better anticipate emerging trends, and with that, opportunities. It is important that this analysis looks beyond the criminal or illicit world, and include advance awareness of emerging technologies, for example. This is likely to require greater engagement with technical innovators about what is coming down the line, especially in the field of FinTech developments.

Given the potential technologies have for misuse, some governments have tried to restrict their use. This, however, can be short-sighted, because they can push nefarious actors further into the dark with their activities, exposing societies to greater risk. This area, therefore, needs increased vigilance by policy makers and law enforcement, alongside the private sector to help early risk identification and subsequent mitigation.⁹¹ This may result in the need for greater data pooling, analysis and sharing of real and perceived threats and barriers, which in turn would warrant greater discussion about the data sharing, and possible technologies that might facilitate this more effectively. Overpromising the role and potential of artificial intelligence, machine learning and privacy enhancing technologies have, to transform the way we fight terrorist financing is likely to undermine developments in this area, however. That said, they can and are likely to have a greater beneficial role into the future, if the data and understanding is applied within the models used. Hence the need for better sharing arrangements.

Another area, NATO members may seek to explore further, relates to targets, both from the perspective of method and means. It is important to stay ahead of likely methods used by terrorist groups regarding financing, but also how they do so. In this regard it is important to identify possible vulnerability channels, that may be capitalised on. For example, businesses which are suffering, recipients of new subsidies or grants, people who have lost their jobs, etc. All of which are susceptible to abuse by terrorists.

Some key areas to be aware of into the future as highlighted by Akartuna, Johnson, and Thornton include, “the possible use of a decentralised autonomous organisation (DAO), which utilises smart contract technology to democratically sustain a crypto investment pool, was mentioned as a highly advanced variant of typical charity-based fundraising”⁹². More specifically

⁹¹ Andrew Zerzan (2010). *New Technologies, New Risks? Innovation and Countering the Financing of Terrorism*. World Bank Working Paper; No. 174. World Bank.

⁹² Eray Arda Akartuna, Shane D. Johnson, and Amy E. Thornton (2022). *The money laundering and terrorist financing risks of new and disruptive technologies: a futures-oriented scoping review*, Security Journal, *The money laundering and terrorist financing risks of new and disruptive technologies: a futures-oriented scoping review* (springer.com), p 9.

said, that in theory “terrorist financing pools could use this technology to transfer, by consensus, collective funds to terrorist entities”⁹³. In terms of the movement of cash, Akartuna, Johnson, and Thornton highlighted that it may be more lucrative to move pre-paid cards rather than traditional cash, when moving across. They further noted risk with some new payment methods (NPMs), given their security and low-cost nature, and their susceptibility to predicate offences (such as chargeback fraud). They further noted the role concealment enhancers could have, with DAOs specifically highlighted as an anonymity-enhanced way of pooling and donating funds. Once again, these areas highlight that the majority, if not all, the mechanisms used by terrorist groups to acquire or move funds are not unique to terrorist financing, NATO nations and their partners should be mindful of the possibility to learn from other sectors. This may help to anticipate likely responses if certain policies are applied in this area⁹⁴.

Terrorist financing should also be seen as a process, one in which money is created, comes in, and is used. Knowledge at every phase of this process is of key importance. This should also be complemented with knowledge about sources, both licit and illicit, which also require greater knowledge and understanding. In many ways, the number of possible sources is infinite, for example, state sponsorship, donations, extortions, antiquities, physical assets, such as oil, drugs, taxes, robbery, etc. There is also a need to better understand how such assets are transferred and travel through the process, whether that be in physical, digital, or virtual form. It is only with a thorough understanding of the complete picture that we can truly assess how innovative terrorist groups are. That said, the current and evolving landscape created by COVID and the war in Ukraine provides continued opportunity for terrorist financing. It is all our responsibilities to actively try and identify new opportunities this may cause, and which terrorists may seek to capitalist.

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⁹³ Eray Arda Akartuna, Shane D. Johnson, and Amy E. Thornton (2022). The money laundering and terrorist financing risks of new and disruptive technologies: a futures-oriented scoping review, *Security Journal*, The money laundering and terrorist financing risks of new and disruptive technologies: a futures-oriented scoping review (springer.com), p 9.

⁹⁴ Andrew Zerzan (2010). *New Technologies, New Risks? Innovation and Countering the Financing of Terrorism*. World Bank Working Paper; No. 174. World Bank.

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CHAPTER II

NETWORKS AND FINANCES OF TERRORISM IN LATIN AMERICA

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Abstract

Terrorism has been a phenomenon of expansive growth in the Latin American region. Although its origins refer to the insurgent struggle against the states, currently its links are related to drug trafficking, resulting in most of its actions in conflict against the State and between groups to control the drug trafficking market.

Consequently, most of the actions undertaken by this criminal modality refers to acts aimed at protecting and consolidating the criminal enterprise. However, almost more than four decades after the appearance of a criminal network dedicated to drug trafficking, terrorism in some countries of the region (as is the case of Colombia, Mexico and Peru) has acquired political connotations, the result of this combination is an interconnected interests between groups with criminal actions of various kinds and motivations.

To understand some of the characteristics of this form of violence that is increasingly recurrent worldwide, it is necessary to understand the behavior of the networks of criminal actors that today participate in the dynamics of transnational crime, giving some hints of specificity according to the region in which they operate.

In L.A., the extensive way in which drug trafficking businesses and activities are diversified is one of the keys to understanding how terrorist violence is financed and applied.

Key words: *Terrorism, networks, finances, Latin America*

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Introduction

Terrorism in Latin America has been historically associated with the existence of insurgent groups against the State that in contemporary times have been associated with organized crime to obtain means of financing, nevertheless with the emergence of globalization at the end of the 1990s, criminal chains became entrenched in global markets and in the participation of regional powers capable of controlling territories where the state presence is weak, resulting in the combination of the new forms of organized crime and the activities of terrorism.

This change around the fundamental objectives of the terrorist actions in the region, which mutated from the intention of weakening state power to achieve a change in the status quo towards the construction of supra-state powers that, from their sphere of influence, copy the institutional order to facilitate their financing activities, they have undoubtedly alerted the authorities and analysts to make a profound change in relation to the understanding of the phenomenon.

The dynamics implicit in the changes experienced in the expressions of terrorism, according to Rojas Aravena (2002), require an understanding of the phenomenon from a new conception of security, which is more in line with a comprehensive and holistic perspective: “both in the basic dimensions of security related to the use of force, as well as the new aspects derived from global interconnection, where the consequences of the economic phenomena of globalization affect the lives of millions of human beings, all this drives us to change the approaches and interpretive maps of international relations and security” (Rojas Aravena, 2002, p.22).

In the above context, the countries of Latin America caught the attention of transnational criminal organizations, especially with the presence of the Russian mafia, since the weakness of the state and the deficiencies in the control systems, especially financial ones, allowed considerable advantages in relation to its ability to exercise control over the territory and influence in relation to public issues.

In a general sense, in Latin America, terrorism has been defined by government policies as a serious threat to the life, well-being and freedoms of the people. Terrorism not only threatens the balance of the international system, and in broader terms the defense of world peace, but also influences stability within States, the credibility of institutions and, in general, can weaken democratic systems.

In response to the scourges associated with the phenomena of terrorism in the region, the Organization of American States OEA signed in 2002 the inter-American convention against terrorism whose main objective is to prevent, punish and eliminate terrorism, maintaining the commitment of support through the figure of the cooperation of member states. The OEA response in 2002 was an attempt to revive frustrated efforts in Latin America to generate an integrated system for maintaining peace and security on the continent. This is the case of TIAR (Tratado Interamericano de Asistencia Reciproca), also known as Rio de Janeiro Treaty of 1947, which sought to prevent and repress any act of aggression against the American nations.

Despite the intentions of the signatory nations to establish a system of security and peace for the Americas, the TIAR was considered an obsolete security tool that was only adaptable to the political conditions of the world during the cold war, and therefore could not be an effective tool to deal with the new and complex challenges of contemporary security, among which is the problem of terrorism.

In general terms, when the scope of activities associated with terrorism has grown to such a magnitude that they can be considered as national security and defense problems, the tendency has been to rely on military operations as a shock plan and control. However, this resource has been the subject of criticism that warns the participation of the Armed Forces can increase the risks of human rights violations, as well as a weakening of the institutions of democracy.

Other arguments that are raised in this direction have to do with a superficial look at the problem of terrorism, considering as a minor or peripheral issue to the security and defense challenges of the continent. This argument is widely used, especially in countries where military dictatorships took place (Poczynok, I. 2019).

This article explores how, given the complexity of the actions to control of terrorism, it is necessary to take a comprehensive approach at the problem that involves the construction of security policies from a new vision capable of adapting to the remnants and challenges that the region is currently experiencing, especially due to the influence and scope of the networks of the terrorism. In this context, it is necessary to redefine the participation of the military forces of each of the states, as well as the way in which an inter-American system for the security and defense of the region is built.

Methodology

This article supports the methodological development of the research with the case study on terrorism in Colombia, Mexico and Peru. The countries were selected because they have had to confront the phenomenon of drug trafficking as a driving factor for terrorist activities; just as they share the origins of the phenomenon with the insurgent struggle against the State.

The intention of applying an approach at the cases of the countries mentioned is related to the fact of being able to understand the interrelationships and contexts in which the phenomenon of terrorism develops, as well as the political intervention of the state to control it, as well as the participation of the Military Forces.

For the observation of the conditions related to a historical reconstruction of the main factors that have intervened in the narrative around terrorism, its harmful effects on society, as well as the participation that the Military Forces have had in its containment was carried out.

Theoretical framework

Rojas Aravena (2002) explains how terrorism is defined based on its link to politics, a situation that differentiates it from other forms of violence, such as the mafia and organized crime. Given the political nature of terrorist actions, it is necessary to address a state policy to respond to this challenge. In this context, given the conditions imposed by the social structures of contemporary globalization, the need to build a coordinated response to the issues of terrorism in the region also becomes evident.

In this perspective, it is necessary to refer the theoretical discussion from approaches that allow an approximation to the complexity of the security situations for the region.

Based on the constructivism of Alexander Wendt and the ideas of Security Complexes by B. Buzan, it will be possible to characterize the main interests and groups that revolve around drug trafficking and terrorism networks.

Barry Buzan's theory of security complexes, a tool for understand terrorism forces

For the application of Buzan's security approach, it is necessary to start from the recognition of intersubjectivity as a means for the construction of relationships between people, associations and States, and with them the consolidation of what is understood as security. In the critical approach "security is considered as a relative condition of protection in which it is capable of neutralizing identifiable threats against the existence of something" (Buzan, 1981, p. 130).

Buzan considers in this sense that public opinion is the key to understanding the meaning of security. Therefore, the constructivist approach suggests that the security analysis should consider aspects such as economic, social, and environmental; In this sense, there is a reinterpretation in relation to what have been considered as matters of low politics, and which have actually become key spaces of interpretation of the security dilemma.

Security complexes and TOC

Within the analysis of the security complexes, an attempt has been made to address the most contemporary phenomena of crime; At this point, the structures of transnational organized crime (TOC) emerge as a complex situation whose understanding must be outlined and detailed. In this direction, the proposal of security complexes has raised five levels of analysis to understand the related phenomena. The first level corresponds to the international system, from its classical meaning in the theory of International Relations, on a second level are the regional subsystems that refer to the treaties, agreements or pacts that are built between neighbors; the third level corresponds to the units of analysis that are equivalent to states or nations. The fourth level is the subunits or groups within the unit that influence

the direction of decisions. The fifth and final level is made up of individuals. According to Buzan's analysis, applying the theory of security complexes in Latin America is not easily applicable because there are spaces of homogeneity in relation to the security needs of each of the state's present in the territory. (Marcano & Chacon, 2004).

However, Buzan (1981) highlights the fact that the theory of security complexes, due to its effort to describe security scenarios as an object of study, facilitates the construction of structures and predictions regarding the possibilities of change. A security complex is built by a group of states that cannot solve their security problems independently, but necessarily must seek a solution in a general way.

In this sense, the framework of interpretation of security complexes provides a level of understanding and clarity on TOC issues, while allowing the introduction of the issue of economic sustainability and environmental protection.

Interdependence of connection between states

For the approach of the security complexes, the dimension of interdependence is also essential for the analysis, this can be appreciated either from the dynamics of permanent conflict, through the mutual perception of threat, with a non-aggression pact, to the complexes where there is no expectation of the use of force between them: "When friendly relations are so close that the subsystem has ceased to be an anarchic group, to act as a coordinated whole, the security complex has ceased to exist to give way to regional unity". (Buzan, 1981, p. 181).

In this sense, for Buzan it is not possible to recognize the existence of a security complex when the State is so weak or so strong in its influence on the subsystem that it does not allow a "balance" towards interaction. In the second case, the domain is wide. The key identification components of a complex:

1. The arrangement of the units and the difference between them
2. The patterns of friendship and enmity
3. The distribution of power among the main units (Marcano & Chacón, 2004).

Any significant change between these components will modify the dynamics of the complex; the point is to understand the impact of these modifications on the structure. In the new framework of analysis, one way of looking at sectors is by identifying specific types of interaction.

From this perspective, the military sector is based on strong relations of coercion; the political sector on authority relations, governmental status, and recognition; the economic sector on relations of trade, production and finance. The social sector is about relationships of collective identity, and the environmental sector is concretized in the relationships between human activity and the planetary biosphere.

Wæver (2000) argues that not including the three new sectors on the agenda and confining security to the military sector would create a paradox, since there will be situations in which the non-securitized issues (social, environmental and economic) will be more urgent than the same political-military security issues.

Now security refers to survival when an issue presents itself as an existential threat to a referent object, which needs emergency measures. Under this expanded scheme, in addition to the state or sovereignty, other reference objects can be the national economy, the banking system, language, customs, biodiversity, endangered species, among others.

The Transnational Organized Crime TOC and its dynamics in territories of local conflicts.

Transnational Organized Crime TOC is one of the most important challenges facing Latin America, which is “one of the most peaceful areas in the world from the point of view of armed conflicts, but also one of the most violent from the point of view of view of criminality and Transnational Organized Crime” (Salinas, 2017, p. 142). Likewise, TOC has managed to spread throughout the region, in the 1970s the presence of this phenomenon was clear in Colombia, Peru and Bolivia due to the cultivation, production and sale of narcotics, especially cocaine and marijuana (Cañas & Rivera, 2017).

Latin America faces many challenges in reference to security, however, it can be affirmed that the focus of attention in the region has been drug trafficking. Although the importance of this phenomenon cannot be denied, for a long time other equally harmful criminal behaviors that have undermined the continent and that have only received attention from the States in recent years were left aside (Cañas & Rivera, 2017). For example, even though the multidimensional security approach was enacted in 2002 by the Organization of American States, it was only until 2012 that Brazil included the environment as a priority in its defense policy (Libro Blanco de Defensa). Or in the case of Colombia, only until 2020, the Ministry of Defense creates a structure, within the armed forces, to combat the TOC called the Command Against Drug Trafficking and Transnational Threats that belongs to the National Army.

The issue of border security and the concept of sovereignty, which has traditionally been related to the agreement on the limits of the autonomous capacity of security in favor of collective security:

The configuration of permanent military alliances, in the style of the Warsaw Pact and NATO itself, has led since the mid-20th century to commitments between states that ceded sovereignty by agreeing limitations on autonomous decision-making capacity in a sector as high-ranking as the safety. At the same time, the construction of international security agreements and consensuses, which have moved from the conception of collective security to those of cooperative, human and democratic security, has also meant a rethinking of security, not to preserve the sovereignty of the state, but -increasingly- that of the citizens. (Cardozo, 2007, p. 182).

Main challenges of the Latin American States for the control of TOC

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The issue of border security and the concept of sovereignty, which has traditionally been related to the agreement on the limits of the autonomous capacity of security in favor of collective security begins a time of transition that gives preponderance to the person, to the citizen:

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This new interpretation of the orientation of security opens a space for discussion and construction of political and social challenges to the issue of transnational organized crime in South American territories.

Policy agreements

According to the dynamics and events associated with terrorism, in the Latin American region some basic agreements have been accepted in the fight against terrorism:

1. Configuration of a National Security Doctrine for Latin America, despite the fact that it is evident that the globalized structures of terrorism make it urgent for Latin America to have a unified vision of the problem, from the doctrinal interpretation; achieving this commitment is a highly criticized option in the region, especially from countries that had military dictatorships and whose historical experiences emphasize the difficulty of managing the political discourse of the existence of an “internal enemy” of the State.

2. The impact of 9/11 on anti-terrorism policies worldwide. The difficulties in building a joint response to terrorism in America do not revolve around the interpretation of the phenomenon, in this sense there is rather a political homogeneity on the part of the different governments, as was demonstrated in the declarations of the Latin American leaders after the attacks of September 11, 2001, which occurred in the United States: Faced with the attacks, the events were condemned, but it was reaffirmed that it was not a “blank check”. The president of Brazil, F. H. Cardoso, stated: «Our position it is clear If we repudiate terrorism in all its forms, and whatever its origins, we are also on the side of rationality and good sense». the president of Chile, Lagos, indicated that «We have indicated the support, the need to condemn the terrorism and we have also pointed out the need for a severe and merciful response». The president of Peru, A. Toledo, expressed that the clear and firm support, without. However, “it is not unconditional and unlimited support. It is not an endorsement for a war against countries». President Chavez on the subject expressed, “We strongly support the fight against terrorism, but we cannot give a patent to take any action that may be damaging the fundamental principles of human rights. Human beings, of international law». Then in reference to the bombings on Afghanistan pointed out, «you cannot fight terror with terror». (Rojas Aravena, 2002).

3. Terrorism and its configuration as a new threat in the world order. Surely, there is a new international order in gestation. After the fall of the Berlin Wall and the Soviet Union, Bush Sr. had announced a world order that would mean peace, democracy and a free market in the strongest economies, while the south was abandoned to the law of jungle. However, an enemy was missing of course it would allow to draw a line dividing line between “good” and “bad” and organize a world system of friends and enemies. After the events of September 11, Bush Jr. traced the border between “those who are with us” and “those who are with terrorism” (Vengoa, et. al, 2001).

4. The participation of the Armed Forces of Latin America in the fight against terrorism. In Latin America, countries have sought to establish effective agreements to fight terrorism. The most important measure in the Americas, in the period post September 11, was the Inter-American Convention Against Terrorism, adopted at the first plenary session held on June 3, 2002. (Garzón, 2004, p. 9).

The participation of the Armed Forces in the control of terrorism

States have resorted to the capabilities of the Armed Forces to contain the phenomena of terrorism to the extent that the seriousness of the actions and effects on society become a matter of national security. In Latin America, these actions have focused basically on the counterinsurgency fight, drug trafficking control operations and regional military cooperation.

1. Counterinsurgency experiences

In Latin American countries this intervention has been called a counterinsurgency strategy, focused mainly on controlling the armed struggle against the State and its institutions. The results of these struggles by the States have not had the best reviews; Initially, the fight against the insurgency in Latin America was interpreted in an international context where the ideas of the communist movements were considered dangerous, which meant a “stagnation of the counter-insurgency fight” with a low level of acceptance and support of the populations for the military forces, as well as various complaints for violation of the international framework for the protection of human rights (Rangel, 2001).

2. TOC and drug trafficking in military operations

The drug trafficking business has promoted the strengthening of the criminal actors present in Latin America. In this sense, the countries of the continent have developed public policies, strategies, and programs to counteract the growth of territories with the presence of crops for illicit use in the country and thereby stop the growth of drug trafficking, despite this, Colombia has been called one of the countries with the largest coca leaf, marijuana and poppy crops, mainly. However, the current legal framework of the countries, especially the Colombian case, is ineffective when it comes to confronting terrorism and drug trafficking as converging phenomena, the criminal policy of the Colombian State has not been able to provide a solution to the problem, which generates legal insecurity and affects strategic alliances with other countries to formulate a joint strategy and thereby neutralize transnational organized crime. To develop the guidelines of a statute as a proposal that establishes drug trafficking and terrorism as targets of military intelligence, but also proposes a regulation that effectively neutralizes the convergence of these two phenomena, they will be taken as study bases. The Colombian legal framework against drug trafficking and terrorism, the criminal policy of the Colombian State and the statistics and studies that demonstrate the growth of these threats in the national territory.

3. International cooperation and military operations

The United Nations Office on Drugs and Crime (2008) stipulated that it be convenient to work in a universal legal framework against terrorism, with the intention of strengthening international legal instruments to contain this contemporary scourge. Within these actions, military exchanges have focused on addressing activities for the control of chemical, biological and nuclear terrorism.

The Armed Forces of Latin America have been concerned with implementing strategies within the framework of effective defense diplomacy at the global, regional and local levels, seeking regional alliances, giving continuity to cooperation agreements on security and defense, particularly with those countries with which borders are shared, as well as with countries on other continents, developing and strengthening international cooperation mechanisms that contribute to safeguarding the strategic interests of the State in various multilateral scenarios, allowing the Military Forces to become relevant actors in the international system, with a significant contribution to the foreign policy of their countries, in pursuit of the strategic interests of each nation.

Policies for the control of terrorism in Latin America

The main agreements and cooperation mechanisms used by Latin America to contain terrorism, according to the approval of the OEA, are the following:

- Convention for the suppression of the unlawful seizure of aircraft, signed in The Hague on December 16, 1970.
- Convention for the suppression of unlawful acts against the security of civil aviation, signed in Montreal on 23 September 1971.
- Convention on the prevention and punishment of crimes against internationally protected persons, including diplomatic agents, approved by the General Assembly of the United Nations on December 14, 1973
- International Convention against the taking of hostages, approved by the General Assembly of the United Nations on December 17, 1979
- Convention on the physical protection of nuclear materials, signed in Vienna on March 3, 1980.
- Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving Aviation international civil society, supplementary to the Convention for the Suppression of Unlawful Acts against the Security of the civil aviation, signed in Montreal on February 24, 1988.
- Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, done at Rome on March 10, 1988.
- Protocol for the repression of illicit acts against the security of fixed platforms located in the continental shelf, done in Rome on March 10, 1988.
- International Convention for the Suppression of Terrorist Bombings, approved by the United Nations General Assembly on December 15, 1997.
- International Convention for the Suppression of the Financing of Terrorism, approved by the General Assembly of the United Nations on December 9, 1999.

The main objective of the policies for the control of terrorism in Latin America are related to containing situations such as drug trafficking, contraband, human trafficking and the illicit trafficking of migrants and weapons (OAS) because the financial flow that results of these activities has devastating effects on the investor confidence of foreign capital as well as devastating effects on the global financial system.

The Colombian experience

Historically, terrorism in Colombia has been linked to forms of revolution of a political nature; this is that terrorist acts have sought to achieve profound changes in the structure of the State, as well as changes in the forms of government and, in general, have expressed their rejection of the implementation of public policies (Borrero, 2010). In this sense, during the 1990s, the guerrillas FARC (Fuerzas Armadas Revolucionarias de Colombia), now extinct after the signing of the 2016 peace agreements, the M-19 group (Movimiento 19 de abril) and the ELN (Ejercito de Liberación Nacional) were considered terrorist organizations in Colombia.

However, over time, the expansion of some of the groups led to innovation in their sources of financing, which initially used the kidnapping and extortion of industrialists or businessmen residing in their areas of influence, but which gradually evolved. towards drug trafficking activities as their main source of financing.

Criminal violence as a phenomenon multidimensional requires comprehensive strategies. Understanding and transforming violence enunciating the merely symptomatic and the simple reaction, to recognize it as a psychosocial, political, and cultural fact, compared to which isolated measures only have effects marginal (Arriagada y Godoy, 2001, p. 28)

The growing participation of the FARC in the drug trafficking business fosters a channel of relations with the outside world that facilitates its contact with transnational criminal mafias, in charge of drug distribution in the American and European markets, which in turn provides it with a means to acquire military skills, economic resources, technological innovation and the possibility of spreading their political message with the purpose of gaining supporters for the cause and thus gaining recognition as a belligerent group. (Vargas, 2008)

According to Sanchez; et. al (2019) The Havana agreements pose serious challenges to the country's security, among which the following can be mentioned:

1. An explosion of FARC dissident groups, which will continue to operate in the national territory, profiting from drug trafficking.
2. The illicit income provided by drug trafficking in the country, which is currently disputed by groups of former paramilitaries and former members of the FARC.
3. The decrease in FARC terrorism has been overshadowed by the increase in the actions of ELN terrorism and other groups outside the law that operate under the leadership of their criminal activity linked to drug trafficking.

4. The power vacuum left by the FARC in different areas of the country is in dispute with other groups that want to control the cocaine export routes to the United States and Europe. And therein lies one of the country's greatest challenges in terms of security.

5. And of course, the threat to the civilian population persists. This has meant a great challenge for the national government and for all the military forces to try to capture and prosecute all those structures that commit crimes and threaten the civilian population. There, the post-agreement with the FARC did not prepare the institutions to face these threats that emerge and that metastasize in different areas of the national territory.

6. The international community has given its unrestricted support to the Havana agreements and has maintained its interest so that the points stipulated in the text are fulfilled, but it has even had to overcome the lack of credibility of the citizen with respect to what was agreed upon, and in front of the figure of the current president who does not enjoy a high favorability. (Sanchez; et. al., 2019).

Currently, the illicit economies present in Colombian territories are carried out by the residual illegal armed groups, that is, those who did not accept the peace process; which have strengthened their actions by relying mainly on the criminal structures of drug trafficking but diversifying into other activities that have negatively impacted the environment and the dynamics of local economies.

The Mexican case

Mexico was creating a National Strategy against High Impact Incidents, whose objective is to implement strategically and operationally national actions in the areas of prevention, care, response and management of consequences in the face of acts that put national security at risk – among them, acts of terrorism.

According to CBRNE, between 2018 and 2019, the CANDESTI membership carried out three full-scale exercises, in order to put into practice, the guidelines established within the National Strategy against Incidents of High Impact, in particular national capacities against incidents involving materials chemical, biological, radiological and explosives (CBRNE).

Likewise, the Government of Mexico has developed security protocols to provide the transfer of chemical, biological, radioactive, and nuclear materials made in national territory, in order to prevent unauthorized removal by non-state actors, as well as acts of sabotage and their illicit use among others.

Committed to strengthening and improving national capacities to prevent, respond and mitigate acts of terrorism, the Government of Mexico has promoted the participation of public officials at all levels in courses, programs, workshops, and other national events, regional and international focused on enriching the knowledge and skills of analysis, care and response to events that may be targets of terrorist attacks, including with CBRNE materials.

Regarding border security, Mexico implements actions in airports, ports, and immigration stations to prevent and combat illicit actions, including acts of terrorism. Among these actions, the observance of the national legal framework to prohibit take-off, landing or overflight of aircraft suspected of carrying weapons or terrorists in any of the following cases:

- From the national territory to a country designated by the Security Council.
- From the country designated by the Security Council, to the national territory.

The case of Mexico has shown a general commitment in political terms to pacify the territories where criminal organizations had taken control in previous decades, however these government efforts have led to the weakening of the traditional drug cartels that operated in territories such as Sinaloa. or New Mexico, due to the consolidation of new criminal structures with military capabilities superior to those of their predecessors and the increase in violence and murder in the territories where they exercise dominance.

The case of Peru

As in the case of Colombia, the insurgency and the guerrilla movements have a narrow origin with the phenomenon of terrorism. Thus, the “Sendero Luminoso” armed group, which had great influence between the 1970s and 1992 in the country, is directly related to acts of terrorism, drug trafficking, and damage to the environment.

According to Cubas (2004), the Peruvian State has taken the legal political responsibility that competent, to restore order and internal security and its duty to repress, judge and sanction within the legal channels the terrorist groups that with their act’s criminals, in the countryside and in the city, have systematically and permanently violated the Elementary Human Rights of the Peruvian population. The violation of Human Rights perverts the entire system and makes the trust of the population in its authorities and institutions, inciting a greater confrontation. In Peru has been in a situation of internal conflict. That is why we speak of “struggle” and not of “war” against the terrorist phenomenon. It is then necessary to study the Peruvian reality carefully to later be able to elaborate international norms related to Human Rights. (Cubas, 2004, p. 3)

Drug trafficking is a problem that acquires greater proportions every day and compromises almost to all the areas and activities of the national life, our country, like very few in the world must deal with all phases of illicit drug trafficking: production, processing, marketing and consumption. In the production process affects the environment endangering the ecological balance of natural regions of great importance for the future of our country and the world.

The Peruvian Government, using its Armed Forces and National Police of the Peru, develops multiple efforts to strengthen the fight against drug trafficking and supports the rehabilitation of drug addicts and the substitution of coca leaf cultivation. Peru has approached this problem within a comprehensive policy of prevention, substitution, repression, and rehabilitation, being one of these strategies that can be considered the most important, (the action of the Armed Forces and the National Police of Peru in the fight against drug trafficking.

Conclusions

Drug trafficking is the main source of income for these criminal organizations, which is why it has become one of the main and most acute threats to security, to the principles of the State and to relations between nations. It is important to emphasize that the effects of the criminal activities of these criminal groups not only translate into acts of violence, but also affect the environment, the corruption of both private and state institutions, also generate a deterioration of society, also forging problems of public health (Rojas 2008).

According to Andrés Dávila, in Colombia, just as it happened in Peru during the Fujimori government (1990-1995), the need arises to "... adequately reconsider the conflicts that are faced. It is fundamental, insofar as the institutional responses that can be put in place depend on significantly on how the conflicts they face are interpreted. from this one on definition, basic considerations are derived about the type of armies or armed institutions that they can play a leading role in the immediate future" (Dávila 1999, p. 324). The above refers us back to the urgency of understanding the nature of the conflict, not underestimating the enemy, and recognizing its ability to fragment the State, through attacks on the road infrastructure and the morale of the armies and of civil society.

Economic globalization has allowed the integration of local and regional markets, including criminal markets, consequently the terrorism present in Latin America is characterized in recent times by a diversification of its activities, whose impacts are no longer only appreciable on the security of the populations but also on natural ecosystems, consequently the control policies for these activities must be adjusted to a more holistic interpretation of the security problem.

In this new ambit of interpretation and political action, the role of the military forces is decisive, through the search to strengthen their capacities, as well as the construction of new roles that respond to the challenges and threats derived from the new threats to the security.

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CHAPTER III

PREVENTION OF TERRORISM FINANCING BY IMPLEMENTATION OF RESTRICTIVE FINANCIAL MEASURES

Ivica Simonovski Ph.D.¹

Abstract

The main focus of this paper is the importance of the implementation of financial restrictive measures against targeted individuals and entities in order to prevent the financing of further terrorist activities. It will also provide a general overview of the international and national instruments and mechanisms in place to impose targeted financial sanctions against individual terrorists and terrorist organizations. Also, special focus will be placed on the procedure for listing and delisting of individuals and entities on the national sanction lists introduced individually by the NATO members states that established a national legal mechanism. The research process is conducted through a desk analysis of primary and secondary literature, a comparative analysis of the legal framework of the NATO member states that have a legal mechanism for the introduction of autonomous sanctions, and special interviews with experts in the field.

Key words: *restrictive measures, financial measures, targeted individuals, terrorism, financing of terrorism*

Introduction

The introduction of economic and financial sanctions regimes by international organizations or national authorities has different goals and interests. Through these measures an effort is made to promptly prevent activities related to terrorism, the proliferation of weapons of mass destruction, or coercion in response to serious violations of human rights or acts that threaten peace and security.

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According to Kovacevic, international restrictive measures (hereinafter: IRM) in the broadest sense represent “*a set of designed, planned and agreed measures to limit a certain right, applied by one or more states, aimed at one or more states, state or non-state entities, legal entities, international organizations, groups or individuals*”.² The implementation of the IRM should lead to a change in the behaviour of the sanctioned entity (natural person, legal entity, terrorist organization or state) and the ultimate goal is to achieve some foreign political priority, protection of international law, protection of international peace and security and preservation of some generally accepted norms and values.

There are different measures that can be taken as part of these programs, with asset freezing being just one category of these measures. Freezing measures represent a temporary limitation to the right to property, but they are not the same as its expropriation. According to United Nations Security Council Resolution 1267, the term freeze means “*the prohibition of the transfer, conversion, disposal or movement of funds or other assets*”.³ The persons subject to such measures are determined by the national authorities or by an international organization. Therefore, these measures are different from confiscation or confiscation measures imposed by the judicial authorities. Here the author makes a distinction between asset freezing and confiscation. Confiscation implies a penalty imposed by a court, while freezing assets is a preventive measure.

In order not to excessively violate the fundamental rights of persons and entities, there may be concessions (for example, for buying food, paying rent or medical expenses), but only if the competent court makes such a decision. In addition, the decision to freeze the property of a person or entity or the refusal to allow a concession can be appealed to the competent judicial authorities.

Once the financial restrictive measures come into force, all financial and non-financial institutions, as well as the concerned state institutions, such as the Real Estate Cadastre Agency and the Central Securities Depository, are obliged to act on them. Failure to comply with the measure shall be considered an offense and subject to punishment by the state, otherwise, the state itself will be assessed as dysfunctional in the process of implementing restrictive financial measures, and international organizations may take concrete steps to sanction it.

Conceptualization of the term financing terrorism in terms of introducing restrictive measures?

The connection between finances and terrorism is often compared to the blood flow and functionality of the human body. Without blood our bodies will not survive; without finances terrorists will not be able to perform their planned activities and reach the desired goal. In order to understand the measure of introducing international restrictive financial measures against targeted persons and entities as a preventive measure, it is of particular importance to articulate and explain what exactly is meant by the term terrorism financing and what activities are undertaken by terrorists and their supporters in order to facilitate it.

² Kovacevic D. Osnovni elementi Zakona o Medjunarodni restriktivnim merama, Vojno Delo, 3/2015, Beograd, 2015, p.156;

³ S/RES/1267(1999) UN Security Council Resolution.

The main benefits of disrupting terrorist financing networks are:

- Decreasing the capability of terrorist groups over time;
- Limiting their ability to launch attacks;
- Increasing their operational costs and
- Adding risk and uncertainty to their operations, which can have tactical benefits, such as:
 - Damaging morale, leadership and legitimacy within a network;
 - Forcing terrorist groups to shift activity into areas where they are more vulnerable; and
 - When funds available to terrorists are constrained, their overall capabilities decline, limiting their reach and effects.

The concept of the term terrorist financing generally includes different ways of raising funds, their transmission and using them for the purpose of terrorist activities. Terrorist activities refer to all activities that terrorists or terrorist organizations carry out, including propaganda, recruitment, preparation and execution actual terrorist acts.

However, just as the international community and states are strengthening their capacities and efforts in the fight against terrorism and its financing by adopting appropriate legal solutions, enhancing personnel capacities and technical equipment, effectively implementing preventive measures, etc., terrorists and terrorist organizations are following the latest technological advances, and implementing their activities, managing not to draw the attention of the competent institutions. In this way, they are trying to find covert or legitimate sources of funds, transfer them safely if a member of the terrorist organization needs them, and use them in a way that leaves no traces. If they fail to do so, they will be discovered by the investigative authorities and other institutions involved in the fight against terrorism.

Furthermore, during the introduction of restrictive financial measures, it is of paramount importance to know the various actors involved in the financing of terrorism. Following the evolution of terrorist organizations in all their forms and shapes, except for terrorist organizations with a strict hierarchical structure, new terrorist organizations have been formed and their internal structure consists of smaller decentralized cells composed of several members. However, over the last two decades, there has been an increase in the number of lone actors who, independently or under the influence of certain terrorist organizations or persons close to them, have carried out terrorist attacks. Different types of terrorist actors also have different financing needs. The bigger the organization, the bigger the costs for its maintenance, logistics and implementation of the activities. Less money is needed for smaller organizations such as cells or independent actors. These actors typically operate in urban areas, where access to finance is easier.

According to Simonovski & Unsal, the sources of funds that terrorist actors provide for the realization of their activities are divided into two groups: 1) legal sources of funds and 2) Illegal sources of funds.⁴ Legal sources of funds can be provided by:

⁴ Simonovski I. & Unsal E.Z., *Countering Financing of Terrorism in the International Community*, Peter Lang GmbH, 2018, p.41

- **Their own assets** (salaries, allowances, savings, deposits, winnings from games of chance, trading of virtual assets, trading of securities, investments, sale of goods, etc.);
- **Funds provided by financial institutions** (loans, credit cards);
- **Donations**(which can be in cash or transferred by natural or legal entities).⁵

Such sources of funds are easily accessible to terrorists, and they do not attract the attention of financial systems and investigative authorities; therefore they cannot be timely detected and prevented. One such example of financing terrorist activities is the preparation of an attack by a small cell in Great Britain.⁶This cell was composed of three members, all of whom had university education, good reputation in society, stable economic power and did not have any criminal record. They were all doctors in various hospitals in the UK. Their salaries and savings were the main source of funding of the preparatory activities for the attacks. According to the investigation, there was no information on any foreign financial aid and international transfers. The chief financier was Bilal Abdulla, one of the members of the cell. The salaries of the cell members were transferred to their bank accounts through the formal banking system. The financial reconstruction of the case indicated difficulty in identifying suspicious transactions, that is to say, the performed transactions did not give any indicator of their plans and ultimate goal.⁷

Their unusual transactions began two to three months before the attacks. There was sufficient time for the bank's AML/CFT sector to notice these unusual transactions and monitor their flow in the subsequent period. However, the investigation showed there were no reports of any suspicious transactions submitted by banks to the UK FIU. Their largest expenses included renting a house that was also a "bomb factory" and buying several vehicles that were used for purchasing the bomb-making materials, for executing the attacks, and for transportation from one location to another. According to the report, the remaining funds were largely withdrawn in cash through an Automated Teller Machine (hereinafter ATM), and the necessary materials were purchased in cash.⁸

In addition to legal sources of funds, terrorist actors can provide financial funds from illegal sources, but it should be noted that the introduction of targeted financial restrictive measures will not have an impact, because these funds are provided in cash, by performing illegal activities such as:

⁵ Wealthy donors have provided funds to Abu Sayyaf, Al-Shabaab, the Liberation Tigers of Tamil Eelam (LTTE), and many others. Oakley, Richard T., 'The Abu Sayyaf Group: A Destructive Duality'; in: Thachuk, Kimberley L. and Rollie Lal (eds.), *Terrorist Criminal Enterprises*, Santa Barbara: Praeger, 2018, p. 173; United Nations Security Council (UNSC), "Adb Al-Rahman bin 'Umayr al-Nu'aymi,' UNSC. Available at: https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list/summaries/individual/%27abd-al-rahman-bin-%27umayr-al-nu%27aymi.

⁶ Local, S. (2012, June 29). Glasgow Airport attack: Timeline of a terrorist act. View in (2022) from stv.tv/news/west-central/107856-glasgow-airport-terror-attack-timeline-the-planning-of-a-massacre/;

⁷ Oftedal, E. (2015). *The Financing of jihadi terrorist cells in Europe*. Oslo: Norwegian Defence Research Establishment (FFI);

⁸ Ibid.

- **Funds provided directly by states sponsoring terrorist activities** (benefiting such diverse groups as Lashkar e-Tayyiba, Hizb-ul-Mujahideen, the Algerian National Liberation Front, and Jaish-e-Mohammed);⁹
- **Funds acquired from committing crimes** (theft (Jemaah Islamiyah is one example of a group that used robberies to generate funds),¹⁰ extortion, racketeering (one such example is the Al-Shabab terrorist organization),¹¹ kidnapping (Boko Haram tactics),¹² financial crime,¹³ smuggling of migrants and goods, fraud, drug trafficking, trafficking in people and human organs, etc.);¹⁴
- **Funds from other terrorist groups or cells** (“terrorist patrons,” examples of which include support from Al-Qaeda to its affiliates¹⁵ and support from ISIS to its provinces),¹⁶ from support networks).¹⁷

Therefore, when introducing restrictive measures, it should be considered whether they will have an impact on limiting the sources of funds, so that one can act pre-emptively and prevent terrorists from acquiring funds for performing terrorist acts.

Timely detection of terrorists and the way of their financing is essential when taking appropriate preventive actions, including the introduction of financial restrictive measures in order to prevent their further transfer and use for the purposes of financing terrorist activities.

Funds can be transferred from point A to point B in the following ways:

- **Physical transport** of money or high value goods (One of the easiest ways to avoid barriers placed by systems for preventing money laundering and terrorism financing within financial systems is to physically transfer funds from the source to the end users using a courier or also known as a “money mule”);¹⁸

⁹ Kamere, Geoffrey, Play Hock Goh, Pranav Kumar, and Fulgence Msafiri, ‘Lashkar-e-Taiba (LeT)’; in: *Terrorism Financing: Case Studies*. Oxon: Routledge, 2016, p. 76; Vittori, Jodi, *Terrorist Financing and Resourcing*. New York: Palgrave Macmillan, 2011, p. 54;

¹⁰ Hwang, Chernov Julie, ‘Dakwah before Jihad: Understanding the Behaviour of Jemaah Islamiyah,’ *Contemporary Southeast Asia*, 41(1), 2019, pp. 26-28;

¹¹ Keatinge, Tom, ‘The Role of Finance in Defeating Al-Shabaab,’ London: RUSI, December 2014, p. 17; p. 19. Available at: https://rusi.org/sites/default/files/201412_whr_2-14_keatinge_web_0.pdf;

¹² For example, Boko Haram has been extensively involved in kidnappings for ransom. Shortland, Anja, *Kidnap: Inside the Ransom Business*. Oxford: Oxford University Press, 2019, p. 112;

¹³ Cuen, Leigh, ‘New York Woman Charged with Laundering Bitcoin for ISIS,’ *International Business Times*, 15 December 2017. Available at: <http://www.ibtimes.com/new-york-woman-charged-laundering-bitcoin-isis-2629112> ;

¹⁴ Self-financing is primarily the purview of terrorist cells and individuals. AUSTRAC, ‘Terrorism Financing in Australia 2014,’ AUSTRAC, 2014. Available at: <http://www.austrac.gov.au/publications/corporate-publications-and-reports/terrorism-financing-australia-2014>;

¹⁵ Croissant, Aurel and Daniel Barlow, ‘Following the Money Trail: Terrorist Financing and Government Responses in Southeast Asia,’ *Studies in Conflict & Terrorism*, 30, 2007, p. 136; Humud, Carl E., Robert Pirogand Liana Rosen, ‘Islamic State Financing and U.S. Policy Approaches,’ *Congressional Research Service*, 10 April 2015, p. 3. Available at: <https://fas.org/sgp/crs/terror/R43980.pdf>.

¹⁶ United Nations Security Council (UNSC), ‘Monitoring Team’s Eighteenth Report,’ UNSC, S/2016/629, 19 July 2016, p. 12;

¹⁷ For instance, Hayat Tahrir al-Sham may have earned some money from support network donations. Cf. United Nations Security Council (UNSC), ‘Twenty-second report of the Analytic support and Sanctions Monitoring Team,’ UNSC, S/218/705, 27 July 2018. Available at: <http://undocs.org/S/2018/705>.

¹⁸ Simonovski I. & Unsul E.Z., *Countering Financing of Terrorism in the International Community*, Peter Lang GmbH, 2018, p.82;

- **Using a financial system** through a wire (electronic) transfer (bank transfer or fast money transfer);
- **Through the informal money transfer system** “Hawala” system;¹⁹
- **Through the transfer of crypto assets.**

With the introduction of financial restrictive measures international organizations and national authorities may enable a ban on the transmission of funds from point A to point B. For example, if the person for whom financial measures have been introduced would like to transfer funds through a bank, the bank should not establish a business relationship with that client, i.e., not open a bank account through which the funds will later be transferred to the final destination. The same is the case with “quick money transfer” service providers, i.e., responsible persons in these financial companies may not transfer funds to the person for whom financial restrictive measures have been introduced, nor may they transfer funds sent by a person who has been included in a sanction list (international or national (but only in cases if the country joined those sanctions from a third country)). The same procedure applies to transferring funds across the border. Namely, the border and customs officials should identify the person and if financial restrictive measures are introduced for him, they should confiscate the funds from that person, provided he/she owns them. The situation is more complex with the Hawala system, as there is no actual transfer of funds, which makes the effect of the introduction of restrictive measures insignificant. Finally, the same applies to crypto assets and crypto transactions. Since these types of payments are still unregulated in all countries, it remains a challenge for financial institutions and service providers of crypto currencies as well as for state authorities how to solve the issue of how the introduced financial restrictive measures against targeted persons will enable the freezing of certain virtual wallets that contain virtual funds and how the implementation of crypto transactions will be stopped.

Introduction of international restrictive measures (sanctions) by international organizations

Introduction of sanctions by the United Nations Security Council

With the very adoption and entry into force of the Charter, the United Nations Organization (hereinafter UN) as an international organization has become the main accelerator and pillar of maintaining international peace and security in the world, as well as the development of good neighbourly relations, economic cooperation, tolerance, while promoting and respecting human rights and basic human freedoms.

In Article 11 of the Charter, the General Assembly (hereinafter referred to as the GA) at the proposal of a member state or the Security Council (hereinafter SC) may discuss all issues relating to international peace and security. When the SC assesses that international peace and security may be endangered, it shall inform the Security Council, which, according to Article 24

¹⁹ Jost M. Patrick and Sandhu Singh Harjit. (2005). *The Hawala Alternative Remittance System and its Role in Money Laundering*. Washington : Financial Crimes Enforcement Network (FinCEN).

of the Charter, has the greatest responsibility for maintaining international peace and security.

According to the UN Charter (Chapter VII, Article 41), the Security Council is responsible for determining any threat to peace and security or a specific act of aggression. Based on Article 39 of the Charter, the Security Council shall determine the existence of any threats to the peace, breach of the peace, or acts of aggression and shall make recommendations for overcoming such a situation. Should the recommendations fail to achieve the desired goal, the SC shall decide on the necessary measures to be taken in order to maintain or establish international peace and security.

Article 41 of the Charter defines the measures that shall be taken by member states, including all member states of the North Atlantic Threat Organization (NATO). Those measures may include:

- Complete or limited interruption of economic relations;
- Interruption of railway, air, telegraphic and other means of communication with the state or with the entity against which sanctions have been imposed;
- Termination of diplomatic relations;²⁰

The UN Security Council may call on member states (Pursuant to Article 41 of the Charter) to terminate economic relations by suspending trade, export and import with the specific state, entities and/or individuals that threaten international peace and security. In practice this is known as a voluntary embargo ("*Calls upon all States*"). The SC can also adopt resolutions that are binding for all UN member states ("*decides that all States shall prohibit the sale or supply...*").²¹

In cases where the introduced sanctions do not achieve the desired effect and prove to be inadequate, in accordance with Article 42 of the Charter, the Security Council may also decide to act involving armed forces in the air space, at sea and on land. This may include:

- Demonstrations;
- Blockade of the state or entity, and
- Armed intervention

Sanctions defined in this way are limited to applying only to the state as a subject in international law or to parts of the state, that is, to non-state entities. However, during the application, from a practical point of view, the sanctions may indirectly affect other categories of population in the specific country, whose behaviour was not the reason for the introduction of the sanctions. Realizing these shortcomings, and in order to punish the

²⁰ Anthony, I., „Sanctions applied by the European Union and United Nation“, u: *SIPRI Yearbook*, 2002., p. 200-210.

²¹ Article 41: The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations. UN Charter. <http://www.un.org/en/documents/charter/chapter7.shtml>.

real “Policy makers” and those who are directly held responsible for disturbing international peace and security, the World Bank has developed a special system of introducing the so-called “targeted” and “smart” sanctions, which actually expands the range of entities against which sanctions are introduced. On the other hand, we are also witnessing the emergence of non-traditional and non-state actors such as terrorists and terrorist organizations that are not a legal entity or a state. In that respect, the decisions of the SC regarding the introduction of sanctions can be applied to various entities including the following:

- States;
- State or non-state entities;
- Legal entities;
- Natural persons;
- International organizations, and
- Groups (terrorist groups, organized criminal groups, etc.)

In addition to the legal basis and entity, the decision of the SC on the introduction of sanctions also determines the type of the restrictive measure. The most common restrictive measures introduced by the SC in its resolutions include the following:

- Economic or trade embargoes;
- Financial sanctions (ban on disposal of property and funds);
- Arms embargoes;
- Travel bans, i.e. entry into countries under sanctions or transit through them;
- Other types of restrictive measures (suspension in various areas).

The introduction of financial sanctions and freezing of assets are one of the most important types of sanctions in prevention policies in the fight against terrorism and its financing. However, practice has shown that certain exceptions need to be made when introducing this type of sanctions for a simple, humanlike reason. For example, exceptions to the application of restrictive measures such as the freezing of financial assets and property of a person from the consolidated list of sanctions can be foreseen in cases where the person needs part of the funds for treatment and a surgical intervention, settlement of costs towards the state, as well as meeting basic life needs. Such exceptions are usually explained in the resolutions that introduce the sanctions. They are to be implemented at a national level by the states, which means that the laws themselves should provide procedures that regulate this right of the persons against whom sanctions have been introduced.

It is often the case that upon the adoption of a resolution for the introduction of restrictive measures, and due to participation in the procedure for implementation and supervision of their application, a special temporary committee has to be established, and it is responsible for the implementation and supervision of the application of the sanctions. An example of this can be found in item 6 of the Resolution 1373, according to which the SC “*Decides to establish, in accordance with Article 28 of the Interim Rules of Procedure of the SC,*

*composed of all SC members, in order to supervise the implementation of this resolution by giving responsible expert assistance, and calls on all states to inform the Committee, no later than 90 days from the day of adoption of this resolution,".*²² The committee usually consists of representatives of all members of the SC and is obliged to:

- Establish a list of persons and entities on which sanctions have been imposed;
- Add persons and entities on the sanction list according to the criteria defined in the resolution itself;
- Delist, i.e. remove persons from the sanction list in cases when the necessary conditions have been met;
- Supervise the implementation of restrictive measures by the member states, and
- Prepare reports on the method of implementation of the sanctions.

Another important matter in the process of introducing and implementing sanctions is the establishment of an auxiliary body, which acts as a contact point within the Secretariat. It assists the Committee by actively implementing its powers and is also responsible for receiving all requests for delisting from the sanctions list of the persons on whom sanctions have been imposed, except for the persons who are marked on the sanctions list as persons associated with terrorist activities of organizations such as Al-Qaeda and Taliban organizations, Daesh and their supporting organizations. According to the UN regulations, persons or entities against whom/which sanctions have previously been introduced and are marked on the sanctions list can submit a request for delisting them from the marked list directly to the contact point or through an intermediary, i.e., through the country of which they are citizens. This means that, in addition to the procedure for including persons on the list, the states should also have a procedure in their legislation which will enable the delisting of the citizens who have been included in the sanction list.

In accordance with the Resolution of the SC 1904 of 2009, a special Office of the Ombudsman is established for the persons included on the sanctions list due to their connection with the terrorist organizations of Al-Qaeda and the Taliban, Daesh and their supporting organizations. The office has the power to act upon a request for delisting received from a person who has been included on the sanction list.²³ In addition, the Ombudsman has the authority to help the special Committees responsible for the implementation of the restrictive measures introduced against these terrorist organizations.

Although it was originally established to maintain international peace and security in the world, the Security Council seems unable to adapt to the demands of the new world.

Conflicts have appeared on the international scene in which, in addition to states, non-state actors, such as organized criminal groups and terrorist organizations, are involved.

²² Resolution SB UN 1373 (2001), retrieved from: [http://www.un.org/en/sc/ctc/specialmeetings/2012/docs/United%20Nations%20Security%20Council%20Resolution%201373%20\(2001\).pdf](http://www.un.org/en/sc/ctc/specialmeetings/2012/docs/United%20Nations%20Security%20Council%20Resolution%201373%20(2001).pdf);

²³ Resolution SB UN 1904 (2009), retrieved from: http://www.un.org/ga/search/view_doc.asp?symbol= S/RES/1904%20%282009%29

Although these conflicts arise from local circumstances, they often have a regional and even a global impact and consequences. The Council has passed several resolutions against these non-state actors, but they have had no significant effect. Despite the adopted Resolutions on the introduction of financial restrictive measures, we are witnessing a growing number of terrorist attacks carried out by various actors of terrorism around the world on a daily basis.

Introduction of restrictive measures (sanctions) by the European Union

On the other hand, sanctions are one of the instruments of the European Union (hereinafter EU) which promote the objectives of the Common Foreign and Security Policy (hereinafter CFSP): peace, democracy, and respect for the rule of law, human rights and international law. The introduction of sanctions is regulated in Article 215 of the Treaty on the Functioning of the European Union. In accordance with the objectives of the CFSP, the Council of the CFSP can, with a qualified majority, on the basis of the joint proposal of the High Representative of the CFSP and the Commission, adopt restrictive measures (sanctions) that refer to states, natural and legal persons and groups, i.e., non-state actors.²⁴

Procedure for making decisions on the introduction of sanctions by the Council of the CFSP

The restrictive measures are determined by a decision of the Council of the CFSP upon a previously submitted proposal by the High Representative of the Union for CFSP.

The proposed measures are then examined and considered by several special working groups in the Council, namely:

- **A working group of the Council** for a certain geographical region where the country for which the sanctions are being prepared is located (For example, the Working Group on East and Central Asia (COEST), which is responsible for introducing sanctions against Ukraine and Belarus, or the Working Group for the MAGREB region, which is in charge of imposing sanctions on Syria;
- Working Party of Foreign Relations Councillors (**RELEX**);
- If necessary, **the Political and Security Committee (PSC)**;
- **Permanent Representatives Committee (COREPER II)**.

Once the proposals are reviewed, the Council makes a unanimous decision. If the decision of the Council envisages the freezing of assets and/or other types of economic and/or financial sanctions, those measures must be included in the decree of the Council.

Based on the decision of the CFSP Council, the High Representative and the Commission submit a joint proposal on the adoption of the Council decree. The joint proposal is reviewed by RELEX and then forwarded to COREPER and the Council for their final decision. The Council then informs the European Parliament about the adoption of the decree. The decree

²⁴ Anthony, I., "Sanctions applied by the European Union and United Nation", in: *SIPRI Yearbook*, 2002., p. 200-210.

precisely prescribes the area of application and the details of its use. This legal act is binding on all persons and entities (legal entities, state administration bodies, etc.) on the territory of the EU, including NATO member states that are part of the EU.

The decision of the Council enters into force upon its publication in the Official Journal of the EU. The decision of the CFSP Council and the decree of the Council are adopted together in order for the two legal acts to have a greater effect. This applies especially in the case when assets need to be frozen. The member states shall implement only the measures determined by the decision of the CFSP, such as arms embargoes or travel restrictions, while the Commission shall check whether the member states have implemented the decree in a proper and timely manner.

Persons and entities subject to measures such as asset freezing, or travel restrictions (persons placed on the sanctions list) will be notified of the measures taken against them via an official letter sent to their available address of residence or through a notice published by the Council publishes in section “C” of the Official Journal of the EU.

According to the adopted Decisions, the introduced measures may have a limited duration, while some of the measures may have an unlimited duration. For the period of time while they are in force, the restriction measures are constantly reviewed, in order to ensure their further contribution to the achievement of the established goals since their introduction.

The EU applies in principle all the sanctions adopted by the United Nations, including the UN Security Council Resolutions that introduce financial measures against terrorism and terrorist financing. At the same time, if necessary, the EU may revise the sanctions adopted by the UN Security Council by applying much stricter and additional measures. Finally, the EU can introduce autonomous sanctions. The Council’s decision to introduce autonomous restrictive measures is typically applied for 12 months, and the Council’s decrees are unlimited in time. Before the expiration of the deadline for their extension, the Council re-examines the restriction measures, considering the effects obtained. There may be certain exceptions, however, depending on how the situation develops, and the Council may at any time decide on modification, extension, or temporary suspension of the measures.

Another way to terminate the restriction measures is through the submission of a request by the entities that are marked on the sanctions list. They can submit a request to the Council and include additional documentation requesting from the Council to reconsider the decision to mark them on the list.

Unlike the UN, the EU is a regional organization, and the introduction of sanctions against entities and states that threaten international peace and security is mandatory only for EU member states, but not for all states on the European continent. As previously mentioned, the EU often joins the sanctions introduced by the UN Security Council. In addition, the EU can introduce autonomous sanctions.

Europe is part of the world, and it is not immune to the new challenges generated by non-state actors, such as organized crime groups and terrorist organizations. It has been directly affected by the destructive power of global terrorist organizations and their supporters. Although the EU introduced sanctions against terrorist organizations such as Daesh and Al-Qaeda several times,

their implementation has had no effect on the numerous terrorist attacks that have took place in Europe. As a result, a new approach in the fight against these non-state actors has to be found.

In general, there are two different procedures in the area of asset freezing in the European Union, The first one, the “administrative - managing” procedure, was introduced politically and mainly consists of issuing a sanctions list. It was first established by the UN Security Council and was later implemented at a regional and national level. The second, “judicial” procedure, was designed by the judicial authorities and is country-specific and coordinated by the European Union. It does not specifically target terrorism, but several other offenses including terrorism. These two procedures coexist at the European level, raising different issues.

Both of these procedures are preventive measures taken before any decision is made by a court or tribunal, and as such, they call into question one of the key concepts in criminal law - the presumption of innocence. Furthermore, as it can be inferred from the definition of asset freeze, these measures tend to violate property rights.

Introduction of Autonomous Sanctions by NATO Member States

In addition to the previously described mechanisms of international organizations, states, according to their legal framework, can introduce sanctions against entities (natural and legal persons, organizations and states) they consider to be a threat to their national security. One such example is the United States of America (the USA), where the US Department of Treasury has adopted a list of entities (OFAC list) that pose a threat to the national security of the USA, including terrorists and terrorist organizations.

According to this list, all natural and legal persons in the United States may not cooperate or establish a business relationship with the specified persons from the list. These individuals are also barred from entering the United States.²⁵ In the French Law, asset freezing measures can be taken by national administrative authorities. The French financial and monetary statute, in articles L562-1 and L562-2, allows the French Minister of Economy and the French Minister of Interior to jointly decide on the implementation of an asset freezing measure for a renewable length of six months. These measures apply either to persons who tried to commit or aid and abet terrorist acts, or to persons who, due to their positions, had the possibility to commit those acts without the need to prove that they actually did.

We can mention here Bulgaria,²⁶ Great Britain²⁷ and Israel,²⁸ which, according to their legal regulations, can introduce sanctions against entities for which there are grounds for

²⁵ US Department of the Treasury, <https://www.treasury.gov/ofac/downloads/t11sdn.pdf>, last accessed 31.01.2016;

²⁶ Article 5, Paragraph (2), Measures Against the Financing of Terrorism Act, Promulgated, State Gazette No. 16/18.02.2003, amended, SG No. 31/4.04.2003, amended and supplemented, SG No. 19/1.03.2005, amended, SG No. 59/21.07.2006, effective as from the date of entry into force of the Treaty of Accession of the Republic of Bulgaria to the European Union - 1.01.2007, amended and supplemented, SG No. 92/13.11.2007, SG No. 109/20.12.2007, effective 1.01.2008.

²⁷ Chapter One, Terrorist Asset - Freezing etc. Act 2010, See more on <http://www.legislation.gov.uk/ukpga/2010/38/2010-12-17>;

²⁸ Chapter Two: Declaration That a Foreign Person is a Terrorist Activist or That a Foreign Organization is a Terrorist Organization in accordance with a Determination Outside of Israel, Prohibition on Terrorist Financing Law, 5765-2004;

suspicion or criminal proceedings are being conducted for acts of terrorism. For example, in the UK HM Treasury designs, implements and enforces financial sanctions. The Office of Financial Sanctions Implementation oversees the implementation of financial sanctions to ensure they are properly understood, implemented, and enforced in the UK. OFSI also helps trading companies, including financial and non-financial institutions, understand their financial sanctions obligations, monitors compliance and assesses suspected breaches. OFSI can also issue licenses to allow otherwise prohibited financial transactions to take place under certain circumstances. OFSI also maintains a Consolidated List of Asset Freezing Targets, which details the designations where asset freezing measures apply.²⁹

Due to today's globalization and developed modern ICT technology, as well as the waves of migration caused by the tectonic shifts in the Middle East and Northern Africa and the development of international terrorism, NATO member states are facing the challenge of preserving their national security, while being in a position to contribute to the stability and security of the region. All NATO member countries are members of the UN and accordingly, they have the obligation to implement the responsibilities deriving from their membership. This refers to the implementation of international sanctions in their national legislations, that is, at the national level. But not all NATO member countries are also EU members. Seven European countries, including Iceland, Norway, Great Britain, the Republic of Türkiye the Republic of North Macedonia, the Republic of Montenegro, and the Republic of Albania are member countries of NATO, as well as of the UN, but they are not member countries of the EU. This means that these member states have a legal obligation to implement without delay the financial restrictive measures introduced by the Resolution of the UN Security Council, but are not obliged to implement the Decisions of the Council of the EU, that is, in principle they can but they do not have to.³⁰ For example, according to Article 8 paragraph 1 of the Law on Restrictive Measures of the Republic of North Macedonia, the Ministry of Foreign Affairs can submit a proposal to the Government for the introduction of restrictive measures previously introduced by the EU. But the passing of a Decision by the Government is not mandatory, that is, the Government may or may not pass such a Decision. These types of decisions are generally made in accordance with the strategic and national interests of the states, including the Republic of North Macedonia. However, in addition to this mechanism, states should have a legal framework and a mechanism for deciding on the introduction of restrictive measures against their own citizens who are suspected of being terrorists or members of a terrorist organization. The states should also have a mechanism to submit a request for the introduction of restrictive measures to other states and international organizations. The aim of all this is full implementation of Resolution 1373. An analysis of NATO member states that have mechanisms and legal possibilities for the introduction of autonomous sanctions is presented in the table below.

²⁹ Foreign, Commonwealth & Development Office, Sanctions Regulations – Report on Annual Review 2021, issued 11 January 2022, Available on: <http://www.gov.uk/official-documents>;

³⁰ Law on Restrictive Measures, (Official Gazette of the RM, 190/2017), See more on: <https://ufr.gov.mk/wp-content/uploads/2020/05/ZakonR%D0%B5%D1%81%D1%82%D0%B8%D0%BA%D1%82%D0%B8%D0%B2%D0%BD%D0%B8-%D0%BC%D0%B5%D1%80%D0%BA%D0%B8.pdf>.

Table 1: Review of legal bases for the introduction of sanctions by NATO member countries

NATO Members	UN Sanctions	EU Sanctions	Autonomous Sanctions
Albania	√	√	√ ³¹
Belgium	√	√	√ ³²
Bulgaria	√	√	√ ³³
Canada	√		√ ³⁴
Croatia	√	√	
Czech Republic	√	√	√ ³⁵
Denmark	√	√	
Estonia	√	√	
France	√	√	√ ³⁶
Germany	√	√	√ ³⁷

³¹ Albania has demonstrated a practical implementation of the UNSCR 1373. In 2015 the CoMs adopted 3 decisions designating 20 persons. Decisions were published in the Official Gazette. Out of three decisions: (a) 1 decision was made on the basis of 1 foreign request to designate 2 persons in total, where there was no criminal proceeding in Albania; (b) 1 decision was made on the basis of conviction of 13 persons for terrorism-related criminal activities; (c) 1 decision was made on the basis of ASP proposal to designate 5 persons (4 citizens of Albania, and 1 Italian affiliated person) considering, that Italian authorities imposed to them restrictive measures for participation in terrorist group, Anti-money laundering and counter-terrorist financing measures Albania Fifth Round Mutual Evaluation Report, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL). <https://rm.coe.int/committee-of-experts-on-the-evaluation-of-anti-money-laundering-measur/1680931f70> See also Law on Measures for the suppression of Terrorism Financing (Official Gazette of Albania No 9258 from 15.07.2014), See more on: https://laws4me.com/wp-content/uploads/Laws/Albania/Suppression_of_Terrorism_Financing.pdf;

³² Belgium maintains a national list in relation to freezing of terrorist assets with a view to combating terrorist financing: Available on: https://finance.belgium.be/en/about_fps/structure_and_services/general_administrations/treasury/financial-sanctions/national All financial institutions and certain non-financial institutions are obliged to check if they have funds on behalf of persons and entities included in this national list. In such case, they need to apply the imposed freezing measures and they need to inform the Treasury Department of Federal Public Service Finance.;

³³ Bulgaria has not adopted any statutory rules establishing a general autonomous regime for imposition of sanctions at national level independently from (i.e. not in implementation of) sanctions imposed by the UN and the EU - except for the Law on Measures against Financing of Terrorism ("LMFT") provides for a special autonomous national regime for imposition of restrictive measures specifically targeted against people, entities, groups and organizations suspected of having links with terrorism;

³⁴ In addition to sanctions imposed under the United Nations Act, Canada implements autonomous sanctions under the Special Economic Measures Act ("SEMA").

³⁵ These sanctions can be implemented in a form of a Government Decree and must be issued in cooperation with the Financial Analytical Office ("FAO");

³⁶ The autonomous French sanctions are implemented by decree or order pursuant to Articles L. 562-1 and seq. and R. 562-1 and seq. of the French Monetary and Financial Code. Accordingly, the French Minister of Economy and the Minister of the Home Affairs may decide, jointly, to take freezing measure, autonomous from the measures resulting from the UN and European sanctions regimes. https://www.amf-france.org/sites/default/files/2020-07/guide-gel-des-avoirs_vf1.pdf;

³⁷ Section 4 of the Foreign Trade and Payments Act allows for the implementation of autonomous regimes. This is done to: (i) guarantee the essential security interests of the Federal Republic of Germany, (ii) to prevent a disturbance of the peaceful coexistence of nations or (iii) to prevent a substantial disturbance to the foreign relations of the Federal Republic of Germany, (iv) to guarantee the public order or security of the Federal Republic of Germany within the meaning of Articles 36, 52(1) and Article 65(1) of the Treaty on the Functioning of the European Union or (v) to counteract a danger to the coverage of vital needs in Germany or in parts of Germany and thereby to protect the health and life of human beings in accordance with Article 36 of the Treaty on the Functioning of the European Union;

Greece	√	√	
Hungary	√	√	√ ³⁸
Island	√	√	
Italy	√	√	√ ³⁹
Latvia	√	√	√ ⁴⁰
Lithuania	√	√	√ ⁴¹
Luxembourg	√	√	√ ⁴²
Montenegro	√	√	√ ⁴³
Netherlands	√	√	√ ⁴⁴
North Macedonia	√	√	√ ⁴⁵
Norway	√	√	√ ⁴⁶
Poland	√	√	√ ⁴⁷
Portugal	√	√	
Romania	√	√	
Slovakia	√	√	

³⁸ <https://ezine.eversheds-sutherland.com/global-sanctions-guide/hungary/>;

³⁹ Italy has a regime for the prevention and prosecution of crimes committed for the purposes of international terrorism under Legislative Decree No. 109/2007, along with the introduction of a new category of criminal collusion for the purposes of international terrorism (art. 270 bis of the Penal Code);

⁴⁰ The Latvian government may impose national sanctions if it is not in contradiction with the international obligations of Latvia arising from the participation of Latvia in an international organization, and if it is necessary to achieve following objective: to combat international terrorism or manufacture, storage, movement, use, or proliferation of weapons of mass destruction;

⁴¹ Lithuania has a list of individuals which are banned from entering the Republic of Lithuania, as well as a list of individuals sanctioned in relation to terrorism;

⁴² By the law of October 27, 2010 relating to the implementation of UNSC resolutions as well as acts adopted by the EU concerning prohibitions and restrictive measures in financial matters in respect of certain people, entities and groups in the context of the combat against terrorist financing (the “Law”). Furthermore, the Commission de Surveillance du Secteur Financier (“CSSF”) implements its own Regulations applicable to Luxembourg’s financial sector;

⁴³ Law on International Restrictive Measures (Official Gazette of Montenegro, No 56/2018 and 72/2019), See more on: <https://me.propisi.net/zakon-o-medjunarodnim-restriktivnim-mjerama/>;

⁴⁴ Based on the Sanctions Act 1977, the Netherlands may implement international rules on sanctioned countries, persons or specific sectors into Dutch regulations. Another related list is the UN sanctions committees list relating to terrorism. The list includes all of the individuals and entities that are targeted by sanctions and measures that are enforced and imposed by the UNSC.

⁴⁵ Law on Restrictive Measures, (Official Gazette of the RM, 190/2017), See more on: <https://ufr.gov.mk/wp-content/uploads/2020/05/ZakonR%D0%B5%D1%81%D1%82%D0%B8%D0%BA%D1%82%D0%B8%D0%B2%D0%BD%D0%B8-%D0%BC%D0%B5%D1%80%D0%BA%D0%B8.pdf>;

⁴⁶ <https://ezine.eversheds-sutherland.com/global-sanctions-guide/norway/>;

⁴⁷ Sanctions are implemented in Poland through the Anti-Money Laundering and Anti-Terrorist Financing Act (“AML/CTF Act 2018”) and the Act on the Trading Goods, Technology and Services of Strategic Importance to the State Security and the Maintenance of International Peace and Security. The restrictive measures in force include arms embargoes, export controls, asset freezes, financial sanctions on designated individuals/entities and travel bans on named individuals;

Poland	√	√	√ ⁴⁷
Portugal	√	√	
Romania	√	√	
Slovakia	√	√	
Slovenia	√	√	√ ⁴⁸
Spain	√	√	
Türkiye	√	√	√ ⁴⁹
UK	√		√ ⁵⁰⁰
USA	√		√ ⁵¹

The table shows the NATO countries that can introduce different types of sanctions. The introduction of autonomous sanctions by NATO countries is in accordance with their national laws, while the procedures for the introduction of sanctions for freezing funds and appointing persons to the national sanctions lists must be performed within an administrative procedure, and it is the state and not the judicial authorities that makes the decisions. The very process of appointing persons to the national sanctions list must be on the grounds of suspicion upon previously collected data and intelligence information that prove that the persons or entities are terrorists, terrorist organizations or actively or passively support their activities. In the context of international coordination and joint fight against terrorism and its financing, NATO countries should establish a mechanism and a legal framework, as well as send requests with a list of persons and entities related to terrorism to other countries and international organizations (the UN and the EU) in order to adopt it at a national and international level.

NATO is a military and political alliance. Although there is no provision in the Washington Agreement that NATO can introduce sanctions, the author of this article recommends a mechanism for introducing administrative sanctions against persons and entities that threaten international peace and security, including terrorists and terrorist organizations. The process of implementation of sanctions between the member states will thus be unified and coordinated, reducing the gap in the process of implementation of sanctions introduced by the UN and the EU.

⁴⁸ The Act that empowers the Slovenian government to impose sanctions is the Act Regulating Restrictive Measures Introduced or Implemented by the Republic of Slovenia in Accordance with Legal Acts and Decisions Adopted by International Organisations (ZROUPAMO);

⁴⁹ Respective sanctions are provided in Law 6415 on the Prevention of the Financing of Terrorism;

⁵⁰ The UK implements sanctions under regulations made under the Sanctions and Anti-Money Laundering Act 2018 ('SAMLA'). In addition, the UK also has an autonomous terrorist sanctions regime under the Counter Terrorism Act 2008 and the Anti-Terrorism, Crime and Security Act 2001;

⁵¹ The US uses comprehensive, targeted, and sectoral economic sanctions against terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, human rights abuses, and other threats to US national security, its foreign policy, or its economy. The US Department of the Treasury's Office of Foreign Assets Control ("OFAC") is the primary US government agency responsible for implementing and enforcing the various US sanctions programs;

As previously mentioned, and explained in the table above, some of the NATO member states are members of the EU, and according to their national legislations they give priority to the implementation of the EU rather than the sanctions introduced by the UN. The countries which are not members of the EU implement UN sanctions or implement autonomous sanctions. Under such circumstances, the autonomous sanctions at the level of the NATO alliance will be introduced in a due time and there will be compliance between the member countries themselves.

Conclusion

There is no single silver bullet that would eliminate or neutralize every threat to security and international peace. New security threats such as terrorism are asymmetric and complex, and they require a complex response, cohesion, cooperation, and collaboration at a national and international level.

From a historical perspective, we are witnessing the formation of a multitude of international and regional organizations, military alliances, unions, various coalitions, and pacts that, by taking joint measures and activities, manage to contribute to the establishment and maintenance of international peace and security.

Membership in collective security systems itself brings benefits to states, including more effective balancing of aggressors and promoting trust and cooperation among the members themselves. Collective security embraces the principle of balancing all against one. Such a situation is disadvantageous for aggressors or those who do not respect international norms and rules because they are faced with a dominant force, rather than an equal one.

A key advantage of collective security is creating an environment in which aggression or non-compliance with norms and rules is less likely to occur.

Collective security systems, embodied in international organizations such as the United Nations or regional organizations such as the European Union, have developed a wide range of international restrictive measures (sanctions) that represent a diplomatic or economic instrument through which efforts are made to change the activities or policies of a certain entity (natural or legal person/s) or state/s resulting from the violation of international law or human rights, threat to international peace and security, or policies that are not in line with the rule of law and democratic principles. According to their legal nature, these measures are legally binding for all the members, and in practice it is necessary to adopt a legal framework for their efficient implementation. However, these measures are not always quick and efficient due to the method and procedures for their adoption. Countries should develop their own mechanism that will legally enable them to introduce autonomous sanctions against persons and entities for which there are grounds for suspicion that they are involved in terrorism or terrorist financing. Finally, NATO countries should exchange information in order to fully

implement the Recommendation 1373, which requires the freezing of assets of terrorists and terrorist organizations and rapid exchange of information between countries.

In general, all the above NATO countries have established a legal framework through which they regulate the implementation of international restrictive measures adopted by the UN, or the EU at the national level, thus fulfilling the obligations arising from the very membership in these organizations.

It is important to note that there is a different approach towards the implementation of international restrictive measures by the states that are members of both organizations, the UN and the EU. Following the established practice and legal regulation, the author concludes that in practice the EU joins the sanctions adopted by the UN Security Council, and upon passing the decision the member states have the obligation to implement them, i.e., to take measures for their implementation. Although as previously mentioned the EU member states are also UN member states, both in principle and in practice they implement the sanctions adopted by the EU. This, in turn, creates the possibility for a legal vacuum, in which the person against whom the UN Security Council has imposed sanctions, and whose property or assets are located in the territory of an EU member state, can promptly relocate them to a safe place. Considering modern technology and the development of so-called e-banking or mobile banking, that process can be performed very easily and simply. This represents a serious problem because if we consider the obligations arising from the adoption of resolutions introducing sanctions against persons associated with terrorism, the property and assets of these entities must be frozen without delay so that they cannot be used to finance terrorism and terrorist activities.

Also, a vacuum in relation to the implementation process occurs for those NATO countries that are members of the UN, and which also have the status of a candidate state for EU membership. In these countries, the Government or some other state administration body passes a decision on the introduction and application of sanctions introduced by the EU. It often happens that the decision to introduce and apply the sanctions adopted by the UN or the EU is made after a certain period (after a few days, weeks, or even after several months).

As we stated above, this practice represents an excellent opportunity for the property and assets of the persons for whom sanctions have been imposed to be relocated to a safe place for them. The same applies to the ban on entry/exit, the embargo of goods and services, the embargo of weapons, etc.

In order to overcome this legal vacuum, the author recommends that the NATO Alliance create a legal mechanism through which, at the political level, decisions will be made to introduce sanctions against persons and entities that pose a threat to security and international peace, including terrorists and terrorist organizations.

This, in turn, will result in the formation of an integrated list of entities (individuals, groups, legal entities and other organizations) which will be valid for NATO member

countries. The list should be of a public nature and available to everyone in the Alliance, because both physical and legal persons as well as the bodies of state administrations have the obligation to implement the measures of restriction or sanctions and at the same time to take measures for their implementation.

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CHAPTER IV

SOURCES OF FINANCING THE TERRORIST ORGANIZATIONS ACTING IN THE SAHEL REGION AND COUNTERING THE FINANCING OF THE TERRORIST ORGANIZATIONS

Simplice A. Asongu¹

Abstract

The chapter on “sources of financing the terrorist organizations acting in the Sahel region and countering the financing of the terrorist organizations” is a comprehensive literature review that builds on extant conceptual insights and contemporary literature to discuss evolving paradigms and mechanisms of financing terrorism as well as measures by which the corresponding terrorism can be countered. In the light of the above, the sources of financing terrorism in the Sahel region will be provided in five main categories, notably terrorism financing through: (i) trade and other lucrative activities; (ii) non-governmental organizations and charities; (iii) smuggling of arms, assets and currency (iv) drug trafficking and (v) cryptocurrencies. In the same vein, the mechanisms of countering terrorism will be articulated along the underlying categories. Policy implications are discussed.

Keywords: finance; terrorism; counterterrorism; Sahel region

Introduction

The African Sahel region is classified as one of the most vulnerable areas in the World, resulting from its economic challenges, political instability, ethnic conflicts, lack of development, and the spread of criminal acts by terrorist organisations (Buket et al., 2021). Over the past two decades, the Sahel has become a host for terrorism movements. These movements are highly fractured, with different oriented objectives: some expressing allegiance to Al Qaeda and others to Daesh. According to the narrative, these allegiances often reflect calculations that are largely tactical rather than specific to ideological or sectarian preferences. Moreover, these violent groups are largely amorphous and often change their names, contingent on operations, structures, and alliances. In this view, there are scholars that

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argue that terrorist groups like the Boko Haram operate more as collection of loosely linked bands and cells than as a tightly disciplined hierarchical armed group while others argue that it is a centralized and technically unified organisation (Zenn 2019; Anugwom 2019; Thurston 2017; PrietoCuriel et al., 2020). On the other hand, several mechanisms have been put in place to counter terrorism in the Sahel sub-region, ranging from national government initiatives through foreign government partners to international organisations.

In the light of the above, the Pentagon has decided in favour of the creation of a separate African Command as a result of a continued growth of terrorist activities in the continent as a whole and the Sahel as a case that has gained increasing attention. Mali was the main point of intervention, although the United States had to withdraw its support after the recent Coup d'état in the country in accordance with the US laws (Tankel, 2020). The United Nations Office on Drugs and Crime (UNODC) worked closely with the Sahel member States in the fight against terrorism and laudable results have come by. These include among others, the intensification in the fight against smuggling and drug trafficking, and improved information exchange as a countering mechanism. Also, the G5 Sahel was created in 2014 that later in 2017 established the G5 joint force by the "G5" Heads of State - Burkina Faso, Chad, Mali, Mauritania and Niger with the objective of countering terrorism in the Sahel (Baylee and Kouassi, 2022). In that same year of 2017, the United Nations Security Council (UNSC) unanimously adopted Resolution 2359, which shows that the UNSC welcomed the deployment of the group of five (G5) Joint Force of the five Sahel states that would work towards addressing the threat of terrorism and transnational organized crime in the region, approving for the force to have up to 5000 military personnel and police that would combat terrorism in the Sahel along with the United Nations Multidimensional Integrated Stabilisation Mission in Mali (MINUSMA) and French forces in the region to ensure sufficient coordination and exchange of information vis-à-vis their operation (Ndiaye, 2020).

Despite these concerted efforts, there has been the multiplication of terrorist groups in the Sahel region, and some of these groups have recently been forming coalitions to strengthen their capacity. This has been the case of the Jama'at Nasr al-Islam wal Muslimin (JNIM) that was formed in 2017 as a coalition of Salafi-jihadist insurgent groups operating in the Sahel region of sub-Saharan Africa (Dentice, 2018). These four groups that came together are four Mali-based jihadist groups {Ansar Dine, the Katiba al-Furqan (the Saharan branch of al-Qaeda in the Islamic Maghreb), the Katiba Macina and al-Mourabitoun groups}. In fact, UNODC (2013) documented that if care is not taken in this region, terrorist groups will overcome the leading governments to begin a catastrophic era in Africa. One of the areas of debate at all levels has been in mastering the sources of finances of these groups for their operations to be sustainable and how policies can counter these financing sources. The sources of finance of terrorism in this sub-region have evolved from formal and informal sources. These traditional forms of financing terrorism have been transformed by modern digital technologies. Virtual currencies such as cryptocurrencies, crowdfunding, fundraising, social networks, and Telegram channels are actively used by terrorist organisations (Andrianova, 2020).

The chapter on “sources of financing the terrorist organizations acting in the Sahel region and countering the financing of the terrorist organizations” will be a comprehensive literature review building on the conceptual insights provided by the Financial Action Task Force (FATF) (FATF, 2013) which is the study in the extant literature closest to the present chapter. The FATF (2013) is outdated by about 9 years and between 2013 and 2022, many developments in terms of terrorism financing have taken place (for example cryptocurrencies) and the emergence of new terrorist organisations in the Sahel that should be considered. In fact, some terrorist organisations have even published a book, *Bitcoin wa Sadaqat alJihad*, which clearly teaches how to transfer valuable bitcoins from North America and Western Europe to jihadists (Weimann, 2016; Wang and Zhu, 2021). The models and conceptual framework in dealing with the topic under consideration are broadly consistent with FATF (2013) which is adjusted and improved in the light of evolving paradigms and mechanisms of financing terrorism as well as measures by which the corresponding terrorism can be countered.

In the light of the above, the sources of financing terrorism in the Sahel region will be provided in five main categories, notably terrorism financing through: (i) trade and other lucrative activities; (ii) non-governmental organizations and charities; (iii) smuggling of arms, assets and currency; (iv) drug trafficking and (v) cryptocurrencies. In the same vein, the mechanisms of countering terrorism will be articulated along the underlying categories.

Conceptual clarification and methodology

The Sahel is a 3.053 million km squared land that runs from below the Sahara desert and above the humid and more tropical savannas of North-Central Africa. It stretches from the Atlantic coastline of Mauritania and Senegal through Eritrea’s Red Sea coast. Several countries are considered to fall within this region including Senegal, Mauritania, Mali, Burkina Faso, Niger, Nigeria, Chad, Algeria (Southern part), Sudan and Eritrea. The region has several unique characteristics. It is an important region of trade throughout history which has led to the creation of wealth in several civilizations (Ferraro, 2021; Nicholson, 2018). The region equally has several religious and ethnic groups and is rich in natural resources. The region is of today faced with several challenges. These include among others, it’s vulnerability to climate change (with the temperatures increasing 1.5 times the global average) and persistent insecurity (Nicholson, 2018). Among the security threads in this region is terrorism.

Several terrorists groups exist in this sub-region as of date. Examining the history behind these groups and their mode of operations, the first terrorist group is the Boko Haram group that was founded in 2002 by Mohammed Yusuf in Maiduguri, the capital of the north-eastern state of Borno in Nigeria, and later on went violent in 2009. The group operates principally in Nigeria and has extended to other Sahel countries like Chad. The organization has opted for attacks against the Sufi and Salafi religious movements, traditional leaders, the wider civilian population, and the States in which they operate, which they regard as corrupted and illegitimate (Pérouse, 2014). The idea of contention is whether Boko Haram is a centralized

organization structured around a few key leaders or a network of decentralized cells. Centralized organizations in which decisions and resources flow from top-down have been established to be more efficient than decentralized ones but also less resilient to counter-terrorism measures (Cunningham et al., 2016; Anugwom, 2018). In this view, there are scholars that argue that Boko Haram operates more as a collection of loosely linked cells and bands than as a tightly disciplined hierarchical armed group while others argue that it is centralized and technically unified organization (Zenn 2019; Anugwom 2019; Thurston 2017; PrietoCuriel et al., 2020). These conflicting thoughts are due to the fact that the group is extremely secretive.

The next terrorist group operating in the Sahel is Al Qaeda in the Islamic Maghreb (AQIM), which was originally known as the Salafist Group for Preaching and Combat (GSPC), disintegrated from the Armed Islamic Group (GIA), a key participant in the 1998 Algerian Civil War. In 2006, the GSPC became formally affiliated to Al Qaeda (AQ) and changed its name to AQIM. The main aim of the organization is ridding North Africa of Western influence; overthrowing governments deemed apostate, including those of Sahel countries like Algeria and Mali and instituting an Islamic state. As a result, has engaged an insurgency campaign in the Maghreb and Sahel regions (Laub and Masters, 2014; Boeke, 2016). The AQIM's operation tactics include guerrilla-style attacks, assassinations, and suicide bombings of military, government, and civilian targets.

Also, National Movement for the Liberation of Azawad (MNLA) is another terrorist group that has as objective to create an independent State in Northern Mali. The group was founded in 2011 with majority of its members believed to have been former fighters of the Libyan war. Jama'at Nasr al-Islam wal Muslimin (JNIM) is another terrorist group operating in the Sahel that was formed in 2017 as a coalition of Salafi-jihadist insurgent groups operating in the Sahel region of sub-Saharan Africa. These groups that came together are four Mali-based jihadist groups {Ansar Dine, the Katiba al-Furqan (the Saharan branch of al-Qaeda in the Islamic Maghreb), the Katiba Macina and al-Mourabitoun groups}. JNIM operates from rural strongholds scattered throughout northern and central Mali (Dentice, 2018). The coalition seeks to impose its ultra-conservative interpretation of Islam on both state and society, through gorilla style attack tactics and military approaches when need be.

A review of sources of financial terrorism in the Sahel region Informal sources of financing terrorism

Smuggling

As a foundation of theoretical underpinning paving the way for scientific research on the ramifications of smuggling in financing terrorist acts, Cornish (1994) developed a script method with the application of the situational crime prevention (SCP) techniques to explain a complex scheme of assets smuggling by Hezbollah supporters in the United States, demonstrating how smuggling brings about political tensions. Specifically, in the Sahel region, a number of studies have been conducted demonstrating how smuggling in the Sahel region finances

terrorist attacks. Demonstrating the smuggling tunnels for transporting contraband employed by terrorist in this region, Bøås (2015) posited on how the periphery is a competing and an overlapping network of informal sources of financing terrorists' attacks, and also consists of passage channels for weapons and drugs. Kfir (2018) in demonstrating how illicit trade by terrorists generates significant financial resources for terrorism in the Sahel region especially during repressive attacks for insurgency, acknowledged the poor governance and regional imbalances in terms of opportunity distribution as a major cause of increased terrorism.

In addition to smuggling terrorist financing assets, the insecurities in the Sahel region caused by the rebellion movements have increased the ungoverned nature of the area and thus facilitated arms smuggling from the Middle East and Europe as a source of financing terrorism. For the Sahel for instance, in June 2012, a courier for Boko Haram, was arrested in north-western Nigeria. During interrogation, he revealed that the terrorist organisation frequently employs women to deliver arms, ammunitions, and cash to their members (FATF, 2013). Looking at the facilitation from the Middle East, the best example is that of the Malian nationalist pro-independence movement rebellion group initially led by the National Movement for the Liberation of Azawad (MNLA) which was later joined by two other groups, the Movement for Monotheism and Jihad formed in 2011 and Ansar ad Din created in 2012. The latter two groups joined for seizure of power from the ruling government but with the purpose of establishing an Islamic state in the region and whose attacks were finance by arm contraband from Middle East and from Europe facilitated by trade smugglers (Cline, 2013).

Drug trafficking

The second strand of literature focuses on drug trafficking as an informal source of financing terrorism in the Sahel region. The most notable and well documented case of drug trafficking in the Sahel region is that of the Air Cocaine in 2009 which led to collusion between national and local networks with 10 tonnes of cocaine loaded from Venezuela to Mali with an estimated value of 300 million Euros shipped by the Colombian cartel (Gaye, 2018). The outlined example is just a recall and evidence of a notable example of drug trafficking in the Sahel region. Drug trafficking and illicit arms movements have facilitated terrorist attacks in the Sahel region, financing criminal acts and terrorist operations which cause intercommunity tensions and threats. The terrorist attacks have been labelled to result from the multi ethnicity nature of the area and especially from the Arab ethnic culture. The historical migratory and less restricted movement of goods have boosted drug trafficking in the Sahel region which serves as an informal financing source to the terrorist groups and specifically the Tuareg which dominates this region. Drug trafficking in the region does not only pose the problems of terrorisms, not least because, but political insurgencies from rebellion groups are also causing military coup d'états and paving the way for civil wars whose course has led to abrupt ramifications especially in contests against various states and militant terrorist groups. In the same context, Chelin (2019) outlined the Armed Islamic Group (GIA), the Salafist Group for Combat and Preaching (GSPC) and Al Qaeda in the Islamic Maghreb (AQIM) as one of the militant groups that has benefited from illicit flows of arms and drug trafficking in the region.

Consequently, for the Sahel leading governments, the terrorist groups in the Sahel region have since grown more adept to illegal activities such as drug trafficking considered as one of their main sources of finance and have epitomized the intersection of crime and terror in the vast territory stretching from North Africa through the Sahara and to the Sahel. It is acknowledged by Shelley (2011) and UNODC (2011) that increasing drug trafficking in the field has led the Sahel terrorist groups to forge alliances with local terrorist groups. The Al Qaeda group is cited on how it extended its alliance with the Movement for the Unity of Jihad in West Africa (MUJAO) and international drug cartels, which paved the way for flow of drugs within the Sahel region and especially across the South American countries.

Establishing their demonstration of illicit transfers such as drug trafficking as a means of financing terrorist acts in the Sahel region, Alda and Sala (2014) proposed a 3-dimension categorical intersection relating criminal networks and terrorist organizations: Firstly, they proposed the coexistence of operating in the same region, cooperation in working together and association in terms of the same behavioural patterns. The three categories according to Alda and Sala (2014) constitute what promotes the bond and the success of most terrorist attacks in the Sahel region facilitated by drug trafficking. The incidence of drug trafficking and smuggling of arms in the Sahel region is cited by many as an evidence of a growing radical terrorist elements in northern Africa, and particularly in northern Mali. In the same line of studies in the Sahel region, the law enforcement, and the U.S. National Intelligence Council (2011) reported that “more than 40 foreign terrorist organizations have links to drug trade” which has contributed to raise the number of attacks in the Sahel region. In the Sahel region, drugs are highly smuggled through northern Mali, Kidal and through Northern Nigeria by these terrorist groups earning them a source of financing their activities (Harmon, 2016). Several regions if care is not taken, could even be taken over and run by criminal networks. Examples of attendant countries according to UNODC (2013) are Iran and Iraq (i.e., in the Middle East) and countries in the Sahel region such as Mali. The case of AQIM where two Malian men were sentenced in the Federal Court For conspiring to provide material support to the formally designated al-Qaeda, AQIM and Revolutionary Armed Forces of Colombia (FARC) in dealing with drugs by charging \$10,000 per kilogram of cocaine to help finance terrorist operations, is one of the recorded cases where drug trafficking is used as an informal source of financing terrorism in the Sahel region (Davies, 2010). It is argued that the current security crisis in the Sahel region is explained by the links between illegal trade and terrorism (UNODC 2013). The criminal acts practiced by these terrorist groups include extortion, kidnapping, robberies, arms trading, and fraud, but drug trafficking top the list with the highest proportion of drugs movement.

Illegal exploitation of Natural resources

The third strand of literature on the informal sources of finance identifies how the illegal exploitation of natural resources in the Sahel region is an informal source of financing terrorism. A number of terrorist attacks in the Sahel region are being influenced by the presence of minerals and the natural resources. The Sahel region is endowed with great potential

for resources such as oil and gold. The terrorist groups in this region exploit these natural resources to generate income to finance their terrorist attacks. Terrorist groups throughout Africa and specifically in the Sahel region have undertaken the control over natural resources to finance their terrorist projects. Their control over natural resources is judged illegal because they forced through attacks to gain control of these resources which are managed by the governments of various states. Terdiman (2021) reported a case of Al Qaeda controlling land resources especially oil to sponsor its terrorist attacks. These attacks sponsored from the illegal exploitation of resources have also been directed on capture and deprivation of civilians from getting access to water and land resources. In this region, these radical terrorist groups have launched attacks against energy infrastructures to gain control and establish a large financing base against the local governments. Bannon and Collier (2003) demonstrated how resource wealth tends to promote civil wars between the resource-rich and -poor areas citing an example such as the Islamic State of West Africa (ISWA) and the Islamic State of Greater Saharan (ISGS). Mbow et al. (2021) also demonstrated how civil attacks in the Sahel region perturbed the use of land resources for a growing prosperity because of the terrorist occupation of some of these resources.

The Sahel natural petroleum has fuelled terrorism by providing terrorist groups with highways channels to attack their enemies. Petroleum as a source of income to Sahel governments, also serves as a means of financing terrorist attacks when radical groups are in possession of the natural resources (Yetiv, 2011).

The exhaustive review of informal sources of financing terrorism in the Sahel region has demonstrated how drug trafficking and arms smuggling are not the only sources of financing terrorism but also extortion, human trafficking, kidnapping and the illegal exploitation of the natural resources. The argument documented by the UNODC (2013) that if care is not taken in these regions, terrorist groups will overcome the leading governments to begin a catastrophic era in Africa has to be taken into account by the governments of this countries to try and create strong alliance that can unite to stop terrorism in the Sahel region.

Formal sources of financing terrorism

The extensive literature review is conducted on the formal sources of financing terrorism in the Sahel region while assessing their significance in aggravating terrorist attacks. Understanding the reasons for the need of money by these terrorist groups in the Sahel region, is an important facet that could help to provide a comprehensive insight into how these needs are being financed by the sources identified in the study. Acknowledging that there exist legal sources of financing terrorism, in an attempt to identify these sources and elaborate on their weights, Freeman (2011) documented that without money, these radical groups could not conduct their terrorist attacks. These groups need funds to build terrorism infrastructures such as camps, purchase arms for attacks and sustain their members with sufficient food and

housing. Apart from the informal sources of financing terrorism such as drug trafficking, extortion and kidnapping, other formal sources such as profit from legitimate businesses, religious organizations, charitable organizations and government funds have contributed to the growth of terrorism in the Sahel region, exacerbating insecurity in recent decades. This section of the study highlights the formal sources of financing terrorism in the Sahel region.

The major sources identified in the study are legitimate businesses, government funds, religious and charitable organizations which are all employed in this review to explain how terrorist entities finance their attacks in the Sahel region. These forms of legal finance are preferred by terrorist groups in the Sahel region due to the disadvantages of the informal sources in terms of insecurity and the difficulty of concealing large sums of money.

In the first section on formal sources of financing terrorism in the Sahel region, we lay emphasis on how profit from legitimate businesses is one of the main sources.

Trade

The terrorist groups in the Sahel region in their legitimate trade as a source of financing their operations obtain higher returns from the trade of resources such as diamond and cash crops. Citing a notable case, Basile (2004) documented that Al Qaeda ran a great diamond base in Liberia and Burkina Faso to finance their operations making their activities to go unperturbed since its creation. The massive war equipment of these groups operating in the Sahel region have been financed by the trade of natural resources such as petroleum which has also generated significant profit used to finance terrorist activities. The major advantage of legitimate trading businesses is that products are transferred through legitimate trade flows which cross borders without suspicion (Passas and Maimbo, 2007). Though, the profit from legitimate businesses is not considered the major source of financing operations, it is however more advantageous as it is more secured without the fear of the central governments since the activities are legal and in compliance with the law (Tupman, 2009). As a major operating terrorist group in this region, Al Qaeda established many plantations of cash crops and companies (such as bakeries and furniture making) which contributed significantly to generating funds for their attacks. This is broadly consistent with the Boko Haram in Nigeria that has established trade links with neighbouring countries to supply cattle. Also, In July 2011, security operatives apprehended the owner of a Nigerian telecommunications company, in northern Nigeria and upon interrogation, he confessed to using some of the profit from his business to support the Boko Haram in its activities (FATF, 2013). These terrorist groups have a large host of legitimate businesses, running from trade in natural resources to trade in manufacturing goods, real estate business and extensive computer software companies, among others. The Sahel region also boasts of aquatic resources such as fishery organisms which has been exploited by terrorist groups to set fishing businesses to raise funds for their operations. Other groups such as Hezbollah have set a company that fixed and trade second hand cars to sustain their operations. As a noticeable example, the operations of Al Qaeda in the 1990s in Sudan were financed primarily by funds obtained from legitimate businesses;

including the sales of agricultural products mainly cash crops (Tupman, 2009). This means of formal finance presents as its major disadvantage that goods are seized if identified as belonging to a terrorist group, making these groups to prefer states' sponsorship.

State Sponsorship

The most common formal source of financing terrorism in the Sahel region is states' financing. It is a primary source of financing terrorism mostly from the Middle East countries such as Iran, Iraq and Afghanistan who have sponsored Hezbollah and the Salafist groups. The groups operating in the Sahel region receive states' support in many ways, be it financial support by providing money for financing their operations, the supplies of equipment such as triggers, armed tanks and guns, and the provision of false documentation and passports, providing a space for them to settle in their land to set plans for their radical operations or a safe movement from and to their countries. The financial and military aids have top the list of the numerous helps received by the terrorist groups operating in the Sahel region. In the 1990s, the Sudan government provided space for Al-Qaeda to establish training camps in exchange for money and building infrastructure (Byman, 2005). As one of the most active states in financing terrorist attacks, Iran provided Hezbollah with \$100 million per year (Freeman, 2011).

Also, the terrorist groups operating in the Sahel region receive substantial supports from states which seek to promote their political and cultural ideologies. Basile (2004) posited that terrorist organizations perceived state funding to be more beneficial in terms of the amount of funds provided which is more than other sources such as profit from legitimate businesses and contributions from charitable organizations. In the Sahel region, the funds from Iran and other known sponsors like Iraq contributed to the sustainability of Al Qaeda, Daesh and Hezbollah. Al Qaeda in the Islamic Maghreb (AQIM) has employed these funds in the Sahel region by launching conventional terrorist tactics, including guerrilla-style ambushes. The AQIM group for example has developed relationships with local jihadist organizations in the region and specifically in Mali to extend their criminal networks of launching attacks (Chelin, 2019). In the same line, the Daesh group in Libya has employed the funds and equipment from state sponsors to establish networks in their attempt to create a caliphate in Libya (Comens and Rabe-Hemp, 2014). The state sponsorship is also perceived by these groups to be the best in terms of security and the ease at which funds are transferred efficiently and effectively between these groups without undermining the legal justifications of the sponsors. Given the fact that these groups receive sponsors from numerous non-state organizations, it remains important to identify some of them such as charity and cultural organizations which are discussed in the next preceding paragraphs.

NGOs and Charity organisations

In the third strand of the underlying review of formal sources of financing terrorism in the Sahel region, we elaborate on charity groups and cultural organizations as one of the major sources of financing terrorist attacks. The financial capabilities of these groups are made stronger by networks of consistent funding from charity groups and dispersed

diaspora communities giving charitable donations to encourage these radical attacks. These charitable contributions are made by Islamic groups with heavy investments to promote their identity operating in the Sahel region such as Al Qaeda and the Hezbollah groups. These charitable groups provide both financial and material support. Accordingly, some of these charitable groups have provided heavy equipment which has empowered the Al Qaeda and Boko Haram groups to attack the local governments in the region as well as foreign government facilities, and the residence of the Westerners. The terrorist groups in the Sahel region boosted with the aid from the Middle East countries have stated their intent to harm Western interests through suicide operations, bombings and kidnappings. These charitable organizations supporting the terrorist groups perceived their objectives as being justified in their own righteousness, while the target groups portray such targeted operations as totally evil and against nature (Masuku et al., 2021). Among these charitable groups are the Saudi and the Qatari charitable organizations that have helped groups operating in Mali such as Ansar Dine and the Movement for Unity and Jihad in West Africa (MUJAO) (Brisard, 2013).

Also, the evidence of this non-governmental charity groups financing terrorism in the Sahel region is the case discovered in Nigeria where a bank account claimed to belong to Boko Haram after investigations was frequently credited by a certain charitable organization based in the Middle East. This organization had many accounts in numerous banks in Nigeria with all the money said to have been used in financing Boko Haram's operations (Inter Governmental Action Group against Money Laundering in West Africa (FATF, 2013).

In the same line of charitable organizations financing terrorism, an organization which is said to be a certain construction company based in a regional capital of northern Mali received funds from charitable organizations which were said to finance terrorist attacks through complex processes for international money transfers.

The formal sources of financing terrorism identified in this section of the study indicate that there is no minor source of financing terrorism in the Sahel region as all these sources contribute to the numerous radical terrorist attacks that have destroyed properties and loss of lives. The terrorist groups have large networks of sponsorship which have made it difficult from stopping their operations. The region identified in the study to provide formal financial support either through the state sponsor or charitable and cultural organizations mechanisms, is the Middle East and some Northern African countries.

Cryptocurrencies

Terrorist groups in the Sahel region use cryptocurrency as a means of settlement and exchange in legitimate and illegitimate business activities. Cryptocurrency is documented as a common source of financing terrorist operations in the African Maghreb and the Sahel region in the last decade. The transactions of the terrorist financed by cryptocurrencies exhibits itself in the purchase of weapons, explosives and other items on the black-market economy. A notable case in which terrorist groups use crypto currencies to settle their transactions is presented by their online sites and blogs which provide the guidelines on how potential

donors can support their activities (Irwin and Milad, 2016). A notable example of terrorist attacks financed by crypto currencies, precisely by Bit coin is the case of an attack in Jakarta in 2016 (Wang and Zhu, 2021). The terrorist groups such as Al Qaeda, Boko Haram and AQIM in the Sahel region exchange crypto currencies for large quantities of fiat currency or easily use them to purchase arms (Jabotinsky and Lavi, 2022). Besides, terrorist conduct a lot of drug sales and arm purchase through the internet and payments are done through decentralized wallets (Bitcoin, EX-codes, and EXMO-cheques). For example the Russian Federation reported of illicit funds received in fiat currency were converted to Bitcoin wallet held by a terrorist organisation with the aid of an anonymous account at an online Block chain trading platform, which through an exchange was converted back to fiat currency and transferred to a terrorist account (FATF, 2020).

A review of mechanisms of countering the financing of terrorism in the Sahel region

The growth of terrorism in the Sahel region has been a call for concern. The main terrorist groups such as Al-Qaeda, Boko Haram and Hezbollah financed their terrorist activities by using both legitimate and illegitimate sources of finance. This part of the study outlines the channels through which the formal and the informal sources of financing terrorism can be counteracted to curb the terrorism threat in the Sahel region. Counteracting the informal and the formal sources of financing terrorism requires different counteracting measures. This section identifies, regional cooperation between the member states of the Sahel region, retribution, the enactment of anti-drug and counter-money laundering laws, and military intervention at the national borders as countering strategies of terrorists' financing sources in the Sahel region.

The enactment of laws on anti-drug trafficking, and counteracting money laundering laws such as the Anti-Drug Act of 1986 in the USA and the Polish Act of 1 March 2018 on counteracting money laundering. These laws change and define how drugs and human trafficking can be counteracted. It provides a justice system that prevents the corrupt nature of the Sahel region where offenders cannot easily evade police custody or overturn court rulings with harmonized anti-smuggling laws to curb terrorism. Also, policymakers of these countries have to entrust the law reinforcing body and the criminal court with the capabilities to deal with these offenders by respecting the rule of the law. In the African context and the Sahel region, in particular, the enactment of strict judgment laws pertaining to anti-drug trafficking cannot effectively counteract terrorist sources of trafficking because of the corrupt nature of the judicial institutions. The corrupt nature of institutions serves as a channel through which terrorists can perform radical operations and still escape their radical actions without being held in custody (Majewski, 2020).

However, for the enactment of such laws to serve as a counter-terrorism channel, it requires the justice system to be independent of the political ruling, respect the rule of law and be impartial in decision makings pertaining to terrorist cases or cases related to offenders

who finance terrorists' operations directly or indirectly in the Sahel region (Nduka et al, 2021). The enactment of these laws and the judicial independence can be effective in counteracting both the formal and the informal sources of financing terrorism because corruption is said to have provided the terrorist groups with opportunities to bribe public officials and infiltrate government infrastructures which can be nullified if the role of law is respected. Due to the spread of transnational crime in the Sahel region, as an example to other regions, Niger enacted an anti-drug act to curb drug trafficking, during which their Minister of Justice and the spokesman of the government Marou Amadou, congratulated the members of the parliament by acknowledging the importance of setting such a counter-measure of suppressing sources of financing terrorism and other criminal acts that distort the nation's stability.

Regional and international cooperation between the countries affected by terrorism and the western countries such as the USA is also worthwhile. International cooperation between these countries to provide restrictions on activities belonging to terrorist groups can be an imperative counter-terrorism measure. This is because some governments support the activities of some groups such as the case of the Sudan government in the 1990s that supported the Al Qaeda group by providing space to set up camps for military training. Regional cooperation between these countries suffering from instability by tightening and establishing strict rules pertaining to the international movement of goods in and out of their national borders is a counter-terrorism measure than can help to reduce both the illegal and legal sources of financing terrorism in the Sahel region. At the international level, cooperation with countries such as the USA and Germany has led to a lot of investment in the fight against terrorism in Africa and the Middle East. The cooperation with the world's major powers will be of high importance since these countries as well possess top military equipment and an advanced digitalization systems that can be used in tracing sources that finance terrorism in this region. Regional cooperation makes it possible to attain different country-targeted objectives as some countries might need help in enforcing their military sectors to withstand political instability, digitalizing the public sector (e-governance) in ensuring institutional transparency in judicial treatment while others may require some support to establish channels for curbing the illegal movements of goods such as arms smuggling and drug trafficking (Nduka et al., 2021).

Consequently, the already regional cooperation that existed between the Sahel and the Saharan countries with the UN agencies has helped to reduce drug trafficking and other illegal sources of financing terrorism in the Sahel region. Assembling these strengths against the terrorist groups will surely reduce terrorism in the Sahel region. Demonstrating the importance of regional and national cooperation, UNODC indicated how countries in the Sahel region such as Burkina Faso, Mali and Niger have been working in collaboration with each other in a Regional Judicial Platform for Sahel countries in combating radical operations of terrorist groups. This is also demonstrated by the joint establishment of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) measures in the region and other Saharan African countries (FATF, 2013). The countermeasure of regional cooperation has not convinced the present Mali government as according to them, it is the reason why

the country had suffered a lot in the past decades due to over-dependence. The cooperation counter approach is in danger since the withdrawal of the Mali transition authorities from the G5 Sahel on the 15th of May of 2022 (Oxford Analytica, 2022). This collaboration is not limited only to the level of controlling terrorist threats but also to ensuring the delivery of humanitarian assistance and peacebuilding efforts in the world and Africa in particular.

Similarly, retribution can be employed as a counter-terrorism strategy. This strategy of counteracting these sources of financing terrorism is to increase the severity of punishment on individuals caught smuggling arms or other equipment used by terrorists to launch terrorist attacks. The severity of the punishment on offenders can cause fear and panic to those involved in smuggling equipment and arms trafficking and can help to counteract these means of financing terrorism in the Sahel region. The severity of this punishment can be in the form of increasing the prison term of the offenders to longer periods and in the solitary or dead sentence of imprisonment. The severity of the punishment to those who partake in the facilitation of providing terrorists with finance will surely serve as a warning/deterrent with tough court penalties. Retribution is considered the most elementary societal response to radical violence such as terrorist attacks in which the offenders receive punishment in terms of an act of vengeance for criminal acts (Chelin, 2019). Though, these terrorist groups sometimes respond to the government strategies by multiplying the number of attacks. These include among others, the Al Qaeda and the Boko Haram whose members got outraged by the extent to which government-based counter-terrorism strategies were set in Mali and Nigeria, to increase the likelihood of more radical attacks. This strategy, though still effective, has received some criticism as intensifying the punishment of the victims as a response may be more dangerous than terrorism itself (McCauley, 2006).

The enhancement of detection and identification capacity in the Sahel region can be employed to counteract sources financing terrorism financing. The detection and traceability capacity are the ability of these countries to identify and counteract sources of financing terrorism. The detection capacity in the Sahel region needs to be enhanced by a well-digitalized structure. The low level of digitalization diffusion in this region limits the detective capacity, which is a call for concern, The importance of detective capacity in various means of transportation such as the air and the waterways transport systems is demonstrated in the UNODC report highlighting the importance of Airport Communication Project commonly called as AIRCOM formed by a membership of 20 countries including west African countries (Tardy, 2014). In the case of the detective AIRCOM project, it comes as a surprise that none of the Sahel regions belongs to the group except Mali, though, the Malian territory still contains the major terrorist thread among countries the Sahel region. The enhancement of detectives and the traceability capacity of illegal sources of financing criminal acts are still far less developed because of fewer investments in technological innovation. As a recommended counteracting measure of sources financing terrorism, we recommend that economies in Sahel region establish projects like that of AIRCOM or join such groups that trace and identify the illegal operations such as drug trafficking and arms smuggling used by terrorists to support their radical operations.

The detective capacity in the Sahel region needs improvement because the region is characterised by countries with coastal areas or access to the sea that require a well-established control system of transported goods and specifically freight containers that can be used to smuggle illicit goods, such as drugs, weapons and explosives. The counteracting measure should consist of setting a detective system on the coastline bordering the various nations and especially the coastal line extending to the Caribbean and South American countries that have been reported to be trading with terrorists in the Sahel region. Programmes such as the Global Container Programme should be enhanced to counter illicit movements of goods. Similarly, the customs duties should be enhanced to perform by well-trained personnel who can identify high-risk transport containers. The established global control of containers has recorded some success in identifying cases of illicit transfer of arms especially in Niger (Spijkerboer, 2019). Similarly, the detective system does not only detect illegal movement or transfer of goods but also human trafficking, given that according to Niger's trade commission in 2015, more than 100,000 Africans transited through their country searching for better pasture in Europe (Uduji et al., 2019). The extension of the Global Container Control Programme activities to all the Sahel and Saharan countries can help to counteract financing terrorism sources so that they are not only limited to 17 countries and 28 operation ports as is the case but also extended to other countries of the world where arms are exported (UNODC, 2018). The strategy of having access to the global police communication system for tracking and identifying illegal transactions, especially contraband, will help to reduce the movements of these goods through sea and air transport (Adama, 2021).

Also, the increased military role at the national borders is a strategy of counteracting the illegal movements of goods between countries in the Sahel. The increased military role at the borders requires both an increase in military expenditures on personnel and equipment. The goal of placing huge military bases at the national boundaries is not only to prevent the illegal movement of weapons and other contraband but also to prevent the entry of individuals that could be of threat to national safety. Increase informal sources of arms smuggling can be counteracted by blocking the entry of all the illegal means through which goods are smuggled. This can be done in the Sahel region through increased military expenditures on equipment and personnel aimed at counteracting the formal and the informal networks through which these goods are smuggled into the Sahel region. The growth of terrorism in the Sahel region in recent years is due to the inability of the military base to contain the threads posed by these groups due to low levels of investments in the sector. Accordingly, compared to western countries such as the USA and Germany which are characterised by higher levels of military expenditures on equipment and personnel, the military sectors of countries in the Sahel region are comparatively less equipped to fight terrorism. Delimiting the sources of financing terrorism in the Sahel region suffices an establishment of a system that registers all the financial flows from and into the countries with the collaboration of the financial institutions. A very common practice of illicit financial

flows in this region is called “speed money” paid by individuals and businesses to avoid taxes, mostly by those whose identities are hidden. The terrorist groups in these regions are said to have unidentified bank accounts registered with different names at different bank branches. The most notable case of the group that practice illicit flows of money to finance its activities is the Boko Haram in Nigeria. These illicit flows can be counteracted if a well digitalized financial system is established which makes it possible for the managing organ of financial sectors to trace all the financial flows transferred through financial institutions. This illicit financial flows and other state transfers from the sponsoring countries need to be traced, especially from the Middle East. It is mostly difficulty to trace the movements of funds to finance terrorist operations especially when it is a formal transfer of a state sponsor. The state sponsorship of terrorism can be traced by a digitalized financial system that identifies all the financial flows except when the flows are transferred by physical cash.

The discussions on counteracting strategies of terrorist financing sources in the Sahel region are in part inspired by those adopted in other regions like the enactment of an anti-drug act considering the specificity of the Sahel region. However, the multiple sources of financing terrorism in this region, especially when financed by funds from legitimate trade where goods are sold legally, makes its identification and traceability very complex and becomes a difficult if not complicated and impossible task. The most recommended counterterrorism strategy in the Sahel region should be regional cooperation with joint forces between the member states. The cooperation with the Anti-illicit trade flows laws enacted in the region could only succeed if corruption is not a hindrance. Irrespective of the countermeasures to be taken by joint cooperation in this region because of the resilience of these terrorist groups in the Sahel region, it will still be a challenge to perturb their activities.

To counteract cryptocurrency as a source of financing terrorism in the Sahel region, literature has documented the legislative protection, cross-regional cooperation and an advanced technology tracking system documented as pre-prevention mechanisms that can effectively prevent terrorist financing. The legislative restriction of cryptocurrencies transactions is enacted in the same line with the anti-money laundering laws, while regional cooperation requires a joint action by all the countries to establish regulatory mechanisms against networks such as cryptocurrencies in other to avoid radical groups from using them as a source of terrorist operations (Wang and Zhu, 2021). The policy suggestions for counteracting terrorism in the Sahel region are similar to those applied in other regions like Europe and South America (Dion-Schwarz, 2019). Like other sources of financing terrorism, cryptocurrency appeared to be the most difficult in the case of the Sahel region as its member state have less digitalized and developed financial sectors that can regulate and trace the volume of cryptocurrency transactions.

Discussion and policy suggestions

In view of the highlighted literature, it is worthwhile to establish some evidence-based policy directions attention and consideration of the G5 Sahel, the African union, the United Nations, and member states that are involved in the fight against terrorism in the Sahel region.

Firstly, to the government of different States affected, the first policy implication is directed to the telecommunication sector of these economies. In this respect, in order to limit the communication among the terrorist groups, SIM (Subscriber Identity Module) cards for telephones should be sold only to people with established national identity cards or foreign passports and national units that are setup to monitor every communication especially in regions occupied by terrorist groups. This strategy will track communications linked with the financing of terrorism operations or strategies for terrorism attacks. Besides cyber security mechanisms should be enhanced in these States. This is most important given that most of these terrorist groups use cyber space to organise their attacks. For instance, the Al-Qaeda terrorist network leverages on the Internet extensively to boost terrorist plots. Before the 9/11 attacks in the USA, Al-Qaeda employed the Internet to recruit members, coordinate operations, send e-mail, and make online reservations. Though some of these measures are difficult to apply due to the law enforce on the confidentiality of individuals' communication in many countries, there is need to collaborate with the law enforcements agencies and the parliament to amend such laws to limit its scope of application when the threat of terrorism is apparent.

Given that most terrorists fighting in the Sahel have migrated from other regions or border countries, for instance, MNLA operates in Northern Mali and majority of its members are believed to be former fighters of the Liberian war that migrated after Gadhafi was killed. One of the ways to limit this illegal migration is to enforce border securities and internal checks done within the national economies. In this respect, residents without a permit should be arrested for questioning. This can however only be effective if there is limited corruption within the attendant economies. The fight against corruption is one of the missions of the UNODC, this agency should enforce its rule in this respect by strengthening collaborations and capacity building with national anti-corruption units.

Arm registration procedures should be enhanced right from the companies fabricating arms down to the units of usage. In this respect, all countries and organisations should be involved. Implementing such a recommendation would entail addressing responses to the following questions, *inter alia*. Who has fabricated weapons? What quantity has been fabricated? Which are destinations for these weapons? Are they duly registered in the destination countries? What is the purpose of acquiring these arms? In this respect, there should be increase in the management of the usage of arms and ammunition within the Sahel economies. These would reduce arm trafficking which is one of the means of finance for these terrorist organisations.

The last but not the least policy that can be established is for the central bank of Sahel member countries and those of the rest of the world to take responsibility for the emission of cryptocurrencies. As it stands, cryptocurrency is private money and there are no control mechanisms put in place for effective management of the monetary flow to and from these digital wallets. In this respect, terrorists can easily use cryptocurrency as an alternative and/or modern means of financing terrorism if no effective control system is put in place.

Concluding implications and future research direction

The African Sahel region is classified as one of the most vulnerable areas in the world, resulting from its economic challenges, ethnic conflicts, political instability, lack of economic development, and the spread of criminal acts by terrorist organisations (Buket et al., 2021). In fact, UNODC (2013) documented that if care is not taken in this region, terrorist groups will overcome the leading governments to begin a catastrophic era in Africa. One of the areas of debate at all levels has been in mastering the sources of finances of these groups for their operations to be sustainable and how policies can counter these financing sources. This chapter was a comprehensive literature review building on the conceptual insights provided by the Financial Action Task Force (FATF) (FATF, 2013) which is the study in the extant literature closest to the present chapter. The FATF (2013) is outdated by about 9 years and between 2013 and 2022, many developments in terms of terrorism financing have taken place (for example, cryptocurrencies) and the emergence of new terrorist organisations in the Sahel that should be taken into account. The models and conceptual framework in dealing with the topic under consideration are broadly consistent with FATF (2013) which is adjusted and improved in the light of evolving paradigms and mechanisms of financing terrorism as well as measures by which the corresponding terrorism can be countered.

In the light of the above, the sources of financing terrorism in the Sahel region were provided in four main categories, notably terrorism financing through: (i) trade and other lucrative activities; (ii) non-governmental organizations and charities; (iii) smuggling of arms, assets and currency (iv) drug trafficking and (v) cryptocurrencies. In the same vein, the mechanisms of countering terrorism will be articulated along the underlying categories. The sources of finance, counter-financing measures as well as corresponding policy implications are summarized in Table 1 in order to enhance readability and flow.

This literature review obviously leaves room for future research especially as it pertains to assessing if the documented sources of financing terrorism and countering the financing of attendant terrorism withstand scrutiny from an empirical framework in the Sahel region in particular and other terrorism-affected regions and countries in the world in general. When considering the suggested areas in the future, comparative studies are also worthwhile to provide more insights into best performers in terms of countering the financing of terrorism and what lessons can be learnt from underlying best-performing countries and regions.

Table 1: Sources of financing terrorism and their counter measures

Sources of finance	Counter measures	Policy implications
Crypto currency and Illicit financial flows	Anti-money laundering act	The central banks should take responsibility for the management of cryptocurrencies for easy monitoring of transaction destinations
Arms smuggling	Trade restrictions and the deployment of military personnel at the national borders	Registration procedure of fire arms setup from the fabrication units right up to usage in destination countries.
Drugs trafficking	The enactment of anti-drugs act with retribution	SIM cards for telephones should be sold only to people with established national identity cards or foreign passports and national units setup to monitor every communication especially in regions occupied by terrorist groups
Terrorist legitimate business	Regional cooperation and the deployment of trained personnel to assume custom duties.	Regional integration of joint military forces
Extortion and Kidnapping	Increase military spending on equipment and personnel	SIM cards for telephones should be sold only to people with established national identity cards or foreign passports and national units setup to monitor every communication especially in regions occupied by terrorist groups
State sponsor	-International cooperation and the setting up of a digitalized monitoring system. -The traceability of unknown bank accounts and unidentified sources of illicit financial flows	The digitalization of the public service and reinforcement of central bank controls in monetary transactions
Religious and cultural organizations	-The establishment of detective and identification channels of funds movement. -Educate and preach against vice to protect human rights	-The involvement of the States in the religious sector through establishing special authorization for religious setups with clear follow-up on their activities.
Financial institutions	-Suspicious financial institutions should be banned from operating -A digital tracking system registering all financial transactions	Putting in place of a digital monitoring system of interbank transfer with purpose of each transaction stated.
Corruption	-Anti-corruption laws -Retribution -Increased term of imprisonment for suspected officials -E-governance	Anti-corruption organs should be dissociated from the executive arms of government with powers to sanction.

Source: Author

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CHAPTER V

THE USES OF CRYPTOASSETS IN TERRORISM FINANCING

Liat Shetret¹

Abstract

Despite their extreme volatility, cryptoassets like Bitcoin are increasingly appealing to terrorist organizations for the same reasons they appeal to the most dogmatic members of the blockchain community. These monetary technologies are devoid of a central issuing authority and borderless, settle at near-instant speeds, and if staged covertly enough, afford end-users complete anonymity. Or so it seems. Adding fuel to the fire, is the war in Ukraine. The conflict represents a threshold moment for the post-Cold War global security order that has transformed the modern terrorist financing risk landscape. This paper concedes that the risk of anonymous cryptoasset-enabled TF has grown meaningfully this decade. But ultimately, global, and national stakeholders, including NATO members, allies and partners can significantly mitigate cryptoasset TF risks by investing in modern blockchain analytics, harmonizing their regulatory approaches, and implementing investigative best practices.

Keywords: *Cryptoassets, Cryptocurrency, Terrorism Financing, Bitcoin, Blockchain Analytics*

Thunderstruck by Russia's invasion of Ukraine, Europe is in the grips of its largest land war since World War II. As the conflict continues to inflame tensions between NATO allies, Russia and China, a sharp political re-alignment of the world's resource-rich developing nations seems a more likely outcome than a direct military conflict of global superpowers. The latter would inevitably entail catastrophic nuclear consequences for all parties involved. Hopefully, nobody wants to incite that.

As the Ukrainian war drags on – exerting strain on global supply chains and the COVID-battered economy they uphold – an estimated 260 million people are projected to fall into

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extreme poverty this year, according to Oxfam.² Additionally, the United Nations Conference on Trade and Development (UNCTAD) issued a report in May 2022 forecasting that 69 countries will face three destabilizing economic shocks this year. These are rising food prices, soaring energy prices and tighter lending.³ The Southeast Asian nation of Sri Lanka is the first casualty of this risk triad, with protestors revolting against their government and ousting the prime minister and president from power in July 2022.

Amid deteriorating global economic conditions and a cascade of chaotic regime changes that are just beginning to mobilize in emergent nations, accelerating instabilities in low-and-middle-income countries (LMICs) present fertile terrain for the resurgence of terrorism globally. The difference between now and the early years of the Millennium, however, is that cryptoassets have rapidly emerged as a potential conduit for terrorism financing (TF).

Despite a glacial “crypto winter” cycle that has eroded \$2 trillion in market capitalization relative to the peak of the digital asset rally, a June 2022 “Terrorism Situation and Trend Report” (TE-SAT) from Europol noted the appeal of these financing streams to terrorist organizations, with an emphasis on crowdfunding.⁴ The report said: “The use of digital currency, cryptocurrency, and virtual assets service providers (VASPs) enables terrorist and extremist groups to increasingly misuse crowdfunding activities, while maintaining a higher level of anonymity for donors and recipients.”

Despite Europol’s findings, cryptoasset transactions account for “maybe 1% of all TF cases”, according to congressional testimony in a 2021 US Subcommittee Intelligence and Counterterrorism hearing.⁵ Yet, terrorist adoption of cryptoassets may be increasing faster than anyone knows. The following white paper will explore why crypto appeals to terrorist groups. It will also educate readers about the latest crypto TF typologies, analyze key regional trend lines, highlight the jurisdictional barriers to regulatory harmonization, and identify best practices for NATO members, partners and allies in conducting crypto TF investigations.

Europol specifically cited the growing adoption of cryptoassets like Bitcoin and Ether by organizations such as Daesh and al-Qaeda. Not beholden to a central, sovereign issuing authority, cryptoassets traded on an unregistered exchange can move between wallets anywhere in the world without the standard know your customer (KYC) and anti-money-laundering (AML) checks. But for threat actors, there’s a catch; every single transaction is recorded on the blockchain – the distributed and immutable ledger that records all wallet

² Oxfam International. 2022. “Terrifying prospect” of over a quarter of a billion more people crashing into extreme levels of poverty and suffering this year.” Oxfam International. <https://www.oxfam.org/en/press-releases/terrifying-prospect-over-quarter-billion-more-people-crashing-extreme-levels-poverty>.

³ Grynspan, Rebeca. 2022. “Weathering a ‘perfect storm’ of cascading crises.” UNCTAD. <https://unctad.org/news/blog-weathering-perfect-storm-cascading-crises>.

⁴ Europol. 2022. “EU Terrorism Situation and Trend Report (TE-SAT).” Europol. https://www.europol.europa.eu/cms/sites/default/files/documents/Tesat_Report_2022_0.pdf.

⁵ US Subcommittee on Intelligence and Counterterrorism. 2021. “Terrorism and Digital Financing: How Technology is Changing the Threat.” Congress.gov. <https://www.congress.gov/event/117th-congress/house-event/LC67196/text?s=1&r=94>.

activity. Blockchain analytics are utilized by law enforcement to identify wallet accounts transacting with one another, allowing for visibility into transactions, essentially canceling the benefits threat actors seek to attain by using cryptoassets.

In Spain, the Europol report noted that terrorist networks have, since 2020, began to pivot away from money service businesses (MSBs) in favor of cryptoassets and various virtual platforms. Blockchain analysts have also identified the use of cryptoassets for TF purposes across the Middle East region, including by one Iran-sponsored hybrid-threat group that has been carrying out kinetic attacks against civilian targets since the 1980s. Furthermore, the TE-SAT report highlighted the use of prepaid cryptoasset coupons or premium tickets – “that can be bought legally in NATO member states for values comprising between 50 to 250 euros” – to transfer terrorism network funds abroad.

Beyond jihadist groups, Europol flagged the growing use of crypto-enabled platforms by right-wing extremist organizations. In the US, a 2021 report from the hate-group-monitoring Southern Poverty Law Center think tank argued that cryptoassets have “revolutionized” the domestic right-wing extremist movement.⁶ In New Zealand – one of five designated “major non-NATO allies” – the infamous Christchurch Mosque shooter Brenton Tarrant divulged in his 2019 killing-spree manifesto that he profited greatly from the Bitconnect crypto ponzi scheme.⁷

From extremists aligned with the racist right and jihadist networks across the world, cryptoassets appeal to terrorist actors because they are a borderless mechanism for near-instant value transfer that are not dependent on any bank or central authority to govern their portability. All a terrorist requires is access to a crypto wallet and an alphanumeric wallet address to send or receive digital money from other co-conspirators in their network, so they can fund and stage future attacks.

The good news is that rapid innovation in blockchain-tracking technologies has made it harder for threat actors to conceal illicit flows. Yet the accelerating polarization of Eastern and Western powers has introduced daunting new barriers to countering crypto-enabled illicit finance – not to mention TF. Amid rapidly fraying relations between global superpowers and secondary petro-powers in the Middle East, the prospect of reliable mutual legal assistance in helping track and seize crypto funds suspected to be tainted by TF seems increasingly distant.

According to the US State Department’s official website, there are 72 designated Foreign Terrorist Organizations (FTOs) in existence today.⁸ These are largely concentrated in the Middle East, Africa and Southeast Asia (SEA).

⁶ Hayden, Michael E., and Megan Squire. 2021. “How Cryptocurrency Revolutionized the White Supremacist Movement.” Southern Poverty Law Center. <https://www.splcenter.org/hatewatch/2021/12/09/how-cryptocurrency-revolutionized-white-supremacist-movement>.

⁷ De Silva, Matthew. 2019. “The New Zealand shooter got rich off crypto scam BitConnect.” Quartz. <https://qz.com/1575323/the-new-zealand-shooter-got-rich-off-crypto-scam-bitconnect/>.

⁸ US State department. n.d. “Foreign Terrorist Organizations - United States Department of State.” State Department. Accessed October 29, 2022. <https://www.state.gov/foreign-terrorist-organizations/>.

While only a limited number of these groups pose a direct threat to NATO allies and major non-NATO partners, multi-polar agendas that threaten to sharply redraw battle lines in emerging nations could set the stage for FTOs to endanger NATO interests abroad. In fact, NATO has been supporting the African Union (AU) – a regional organization with 55 members – since 2005.⁹ Cooperation between the two organizations on counterterrorism has been deepening since 2019, evolving in 2020 to the extent that the alliance is now providing the AU with operational military support, training and structural assistance.

In the Middle East and North Africa, meanwhile, NATO has been assisting Algeria, Egypt, Israel, Jordan, Mauritania, Morocco and Tunisia since 1994. The growing push in Washington to designate Russia as a state sponsor of terror – combined with the Kremlin’s use of private mercenary groups (PMC) like the Wagner Company to project power in Africa and the Middle East – are testament to the rising risk of escalation in NATO-supported countries.

If Washington’s state-terror-sponsor designation prevails, then the crypto TF landscape will be further complicated by Russia’s proven sophistication with cryptoassets and corresponding illicit typologies. It follows that the crypto TF threat landscape is rapidly expanding.

Why do Terrorists Turn to Crypto?

Terror groups have been turning to crypto since at least 2014, when Daesh announced that it was integrating this asset class into its fundraising campaigns.¹⁰ In 2016, the Gaza-based Mujahideen Shura Council launched a Bitcoin fundraising drive on Twitter and Telegram called Jahezona, complete with the price list of weapons, including rockets, rifles, grenades and other tactical gear. The group also included its Bitcoin QR code in the solicitation.

Despite their extreme volatility, cryptoassets like Bitcoin appeal to terrorists for the same reasons they appeal to the most ideologically committed members of the blockchain community: they are devoid of a central issuing authority and borderless, settle at near-instant speeds, and if staged and structured craftily enough, afford end-users complete anonymity. Or so it seems.

For terrorist groups, the borderless aspect of cryptoassets means organizations “who were otherwise restricted to their region of origin to aggressively pursue expansion into neighboring regions”.¹¹ In their purest form, crypto transactions don’t even have to touch a bank or digital asset exchange account, which means they are not subject to any KYC

⁹ “Topic: Cooperation with the African Union.” 2022. NATO. https://www.nato.int/cps/en/natohq/topics_8191.htm.

¹⁰ Ridwan, Raihan Zahirah Mauludy. 2019. “Kelompok Studi Mahasiswa Pengkaji Masalah Internasional 1 Jurnal Sentris KSMPMI Vol. 2 – 2019 - The Utilization of Cryptocurrencies by the Terrorist Group as an Alternative Way of Hawala for Illicit Purposes.” Jurnal Online Universitas Katolik Parahyangan. <https://journal.unpar.ac.id/index.php/Sentris/article/view/4183/3101>.

¹¹ Hassan, Asif M., Shamsul N. Nafees, and Catherine Putz. 2022. “Cryptocurrency and Terrorist Financing in Asia – The Diplomat.” The Diplomat. <https://thediplomat.com/2022/02/cryptocurrency-and-terrorist-financing-in-asia/>.

screening or AML checks. Instead, crypto transactions can move fluidly between so-called “unhosted wallets”.

Unhosted wallets are personal vaults users install on their mobile and other devices to store their crypto, as opposed to custodial accounts on hosted exchange accounts. These non-exchange wallets also come in the form of more secure, specialized hardware wallets like Ledger and Trezor. These devices are considered “cold” wallets because they are fully offline, as opposed to “hot” wallets, which are connected to the Internet.

The fact that cryptoassets – excluding emerging central bank digital currencies (CBDCs) – are not beholden to or issued by a sovereign monetary system further highlights their borderless nature. The inherent decentralization of these monetary instruments thus empowers terrorists to further exploit regulatory fragmentation and arbitrage between developed and underdeveloped nations, as it pertains to cryptoassets. Ultimately, crypto’s borderless dimension provides terrorists with an optimal foundation to subvert international TF oversight and seamlessly fund expansion into new regions.

If staged and (money) muled skillfully enough, crypto-enabled terror funds can hop through global threat networks completely anonymously. This opacity is even more of a risk in countries that have not fully embraced crypto-specific regulatory frameworks, or where financial crimes compliance systems and personnel are generally not sophisticated nor resourced well enough, respectively, to detect TF, much less malign cryptoasset transfers.¹² The use of anonymity-enhancing cryptoassets (AECs) like Monero, Dash, and Verge – which terror-related groups have increasingly been using since at least 2018¹³ – further complicates the identification of suspected terrorists and their funding networks.

The speed of cryptoasset settlement is also highly attractive to terrorist groups, with funds – depending on blockchain network congestion – almost always arriving in recipients’ digital wallets in less than 30 minutes. Combined, the borderless, anonymity-friendly and instant feature of cryptoasset payments “enable fast distribution of finances into other regions, facilitate more recruitment missions, and likely make the role of middlemen – which both al-Qaeda and Daesh have historically employed – obsolete”.¹⁴

On another note, the low-cost barriers to planning, staging and executing terror attacks makes cryptoassets even more suitable for those conducting TF. A 2017 study by the Institute for Economics and Peace analyzed 40 terrorist cells that plotted or carried out attacks in Western Europe between 1994 and 2013 and found that most attacks were self-funded.¹⁵ The study also discovered that three-quarters of the terror attacks in Europe over the same period

¹² Iyer, Arun. 2021. “Preparing for future concepts in terrorism: Non-kinetic acts and decentralization.” Atlantic Council. <https://www.atlanticcouncil.org/commentary/article/preparing-for-future-concepts-in-terrorism-non-kinetic-acts-and-decentralization/>.

¹³ Elliptic. 2022. “Preventing Financial Crime in Crypto: Typologies Report 2022.” Elliptic. <https://www.elliptic.co/resources/typologies-report-2022>.

¹⁴ Hassan, Nafées, and Putz, 2022

¹⁵ Institute for Economics & Peace. 2017. “Global Terrorism Index.” Vision of Humanity. <https://www.visionofhumanity.org/wp-content/uploads/2020/10/Global-Terrorism-Index-2017.pdf>.

cost less than \$10,000. Therefore, relatively small and innocent-looking cryptoasset transfers could potentially mask significant financing for deadly terror attacks.

On a more philosophical note, cryptoassets suit terrorist groups because they literally embody the prevailing organizational structure demonstrated by this class of threat actors since the late 1990s. While terrorist organizations generally operate under the umbrella of centralized decision-making, operational execution is frequently decentralized. In other words, the broader strategy and vision of a terrorist group is conceived by leadership, but the actual planning, staging, and consummation of kinetic and non-kinetic acts are delegated to regional cells.

Counter-terrorism experts have seen most transnational terrorist networks structure themselves this way since the late 1990s – including groups like al-Qaeda and Daesh.¹⁶ It was around this time that transnational groups “empowered local hubs to design and organize their operations, allowing them autonomy to conduct multimodal experiments in their respective theaters to identify the most effective method to strike the enemy”.¹⁷ Fast forward to present-day and experts have seen terrorist groups increasingly looking to bypass their adversary’s advantage by “abandoning the traditional modes of measuring military success”.¹⁸

As such, modern terror networks eschew standard chains of command and even the technical skills previously needed for more conventional warfare. For local terror cells – who have been delegated the tasks of grassroots recruitment and small-scale attacks – cryptoasset adoption seems like a particularly useful funding tool, as it enables them to transfer funds relatively anonymously and without jurisdictional barriers.

Also, consider that the new generation of terrorist leaders are increasingly tech-savvy engineers.¹⁹ Experts argue that it is precisely this crop of dark “visionaries” who view cryptoassets as a key operational gain that will give their group “first-mover advantage”²⁰.

Today, cryptoassets have transformed terrorism into a truly borderless threat. For instance, a Lebanese criminal group in South America’s Triple Frontier – between Brazil, Argentina and Paraguay – can now convert cocaine-related proceeds into crypto and instantly remit them to co-conspirators directly involved in attacks against NATO partners and allies anywhere in the world.

Thanks to blockchain technology, terrorists no longer need a bank account, a money courier or any type of intermediary to safely transfer funds to their accomplices. Threat actors can simply transact peer-to-peer on unhosted wallets. But other innovations in blockchain payment technology have expanded the modern crypto TF attack surface to even more confounding, evasive and dangerous levels.

¹⁶ Hassan, Asif M., Shamsul N. Nafees, and Catherine Putz. 2022. “Cryptocurrency and Terrorist Financing in Asia – The Diplomat.” *The Diplomat*. <https://thediplomat.com/2022/02/cryptocurrency-and-terrorist-financing-in-asia/>.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ *Ibid.*

Crypto Terrorism Finance Typologies Overview

Modern terrorism is funded via a variety of different sources both licit and illicit. According to the United Nations Security Council (UNSC), these include the “abuse of legitimate commercial enterprise[s], exploitation of natural resources” and the “abuse of non-profit organizations, and crowdfunding sites”. Furthermore, the UNSC says some terrorist networks may have both direct or indirect access to “organized criminal groups and may engage in criminal activities, including drugs or arms trafficking, trafficking in persons, extortion, and kidnapping for ransom”²¹. Other key sources of TF include the illicit trade in commodities and the counterfeiting industry.

Yet according to Elliptic’s 2022 “Preventing Financial Crime in Cryptoassets” report²², when it comes to cryptoassets, the number of publicly confirmed cases of TF “remains relatively small in comparison to general money laundering activity and compared to their broader use by sanctioned actors”. However, Elliptic’s analysis of TF campaigns last year suggests that they have become more sophisticated in their use of cryptoassets.

Elliptic notes that terrorists are now “successfully raising greater amounts than before”, implementing new methods to obtain cryptoassets, diversifying into non-Bitcoin digital currencies, and deploying more sophisticated obfuscation techniques to thwart blockchain analysis. Excluding grand-scale operations like the 9/11 attacks, TF generally involves a minimal amount of funds, with operations costing less than \$10,000 on average, as noted previously.

What’s more is TF funds are micro-segmented, with even more innocuous-looking amounts directed towards specific stages and components of the operation. The small-denomination nuances of these transactions make TF extremely difficult to identify, even with traditional fiat movements. Lacking any advance knowledge of a terror-flagged wallet address or credible intelligence about suspicious entities and users from law enforcement, the typical virtual asset service provider (VASP) will be significantly limited in their ability to detect TF.

In the past, one hybrid typology that TF investigators detected and successfully intercepted involved the combination of loan fraud and fraudulently obtained debit and credit cards to purchase \$62,000 of Bitcoin and other cryptoassets.²³ This crypto-based TF funds staging was an intermediary transactional hop made by terrorist Zoobia Shahnaz to ultimately wire over “\$150,000 to individuals and entities in Pakistan, China and Türkiye” that were fronts for Daesh, according to the US Department of Justice. In 2020, Shahnaz was sentenced to 13 years in American prison for providing material support to the terrorist group.

²¹ Security Council - Counter-Terrorism Committee. n.d. “Countering the Financing of Terrorism.” United Nations. Accessed October 30, 2022. <https://www.un.org/securitycouncil/ctc/content/countering-financing-terrorism>.

²² Elliptic. 2022. “Preventing Financial Crime in Crypto: Typologies Report 2022.” Elliptic. <https://www.elliptic.co/resources/typologies-report-2022>.

²³ US Department of Justice. 2020. “Long Island Woman Sentenced to 13 Years’ Imprisonment for Providing Material Support to ISIS.” <https://www.justice.gov/opa/pr/long-island-woman-sentenced-13-years-imprisonment-providing-material-support-isis>.

More recently, authorities have detected jihadists “engaging in cryptoasset-enabled fundraising activities through apparent charities, media or propaganda offices, and other organizations”. The Elliptic report spotlights the case of Al Sadaqah – “an apparent charitable and fundraising organization supporting militants in Syria”.²⁴ In December 2017, Al Sadaqah began posting on group messaging channels in Telegram, and on Twitter calling for supporters to send Bitcoin to the charity’s wallet. Then in early 2018, the organization began posting on its Twitter account requests for supporters to send funds to the group through Bitcoin ATMs.

The same year, Al Sadaqah also began soliciting donations in three AECs: Monero, Dash and Verge. Of the three, Monero is the most privacy-friendly cryptoasset, and thus presents the biggest challenge for blockchain investigators. It uses a combination of cryptographic schemes, including “ring signatures and one-time keys to hide the destination and origin of transactions”²⁵. Ring signatures are a “type of digital signature in which a group of possible signers are merged together to produce a distinctive signature that can authorize a transaction”.²⁶

In Monero transactions, the actual signer – or the user sending funds – creates a signature that is then combined with non-signers in the Monero network, forming a ring around the payment. It becomes near impossible for blockchain investigators to identify who the real sender of funds is. Regarding the solicitation of AEC donations by Al Sadaqah, Elliptic noted that it is “unclear how much funding they generated in these altcoins, but the fact that the group looked to these coins as a source of funding suggests they had concerns about the transparency Bitcoin affords”²⁷.

US authorities shut down Al Sadaqah’s fundraising campaign in August 2020. Law enforcement seized funds belonging to the group and other charity fronts operating on behalf of al-Qaeda. Elliptic noted that many of the donations made to these charities were rinsed through BitcoinTransfer – a Syria-based crypto exchange business²⁸. This law enforcement operation also targeted a fundraising campaign organized by the al-Qassam Brigades – the military wing of a notorious Palestinian militant group.

In early 2019, this organization began soliciting Bitcoin donations. At first, the campaign requested that funds be sent to the static donation address listed on its website. After receiving several thousands of dollars in Bitcoin, the al-Qassam Brigades launched a new fundraising website that “generated unique donation addresses for each visitor”²⁹. As the Elliptic report

²⁴ Elliptic. 2022. “Preventing Financial Crime in Crypto: Typologies Report 2022.” Elliptic. <https://www.elliptic.co/resources/typologies-report-2022>.

²⁵ Noether, Shen. n.d. “Ring Signature Confidential Transactions for Monero.” Cryptology ePrint Archive. Accessed October 30, 2022. <https://eprint.iacr.org/2015/1098>.

²⁶ “Monero Ring Signature Explained.” 2017. Mycryptopedia. <https://www.mycryptopedia.com/monero-ring-signature-explained/>.

²⁷ Elliptic. 2022. “Preventing Financial Crime in Crypto: Typologies Report 2022.” Elliptic. <https://www.elliptic.co/resources/typologies-report-2022>.

²⁸ Ibid.

²⁹ Wilder, Heidi. 2019. “Tracing Bitcoins from a Hamas Terrorist Fundraising Campaign.” Elliptic. <https://www.elliptic.co/blog/tracing-bitcoin-terrorism>.

noted, one-time wallet addresses are an operational security technique typically deployed by more sophisticated ransomware actors and cybercriminal forums.

This obfuscation technique also further impairs blockchain investigators' capacity to track and trace the ultimate beneficiary wallet address or addresses where the bulk of TF funds ultimately flow to. Fortunately, US authorities "eventually seized the al-Qassam website infrastructure and dismantled the fundraising campaign". Law enforcement ultimately seized funds from 150 cryptoasset wallets "involved in sending funds to and from al-Qassam". Despite this takedown, Elliptic's analysis found that this militant organization still "managed to raise approximately \$7.7 million in funds through July 2021 across a range of cryptoassets".³⁰

Most recently, the use of Bitcoin coupons has been implicated in cryptoasset-enabled TF. In September 2020, authorities in France announced the disruption of a TF cell that used cryptoassets to support jihadists in Syria. France arrested 29 suspects linked to al-Qaeda affiliate Hayat Tahrir al-Sham. The detained were implicated in purchasing Bitcoin coupons from licensed tobacco shops around France. Cell members used cash to purchase the coupons, which they then redeemed in Bitcoin in values ranging from 10 to 150 euros (\$12 to \$176). TF conspirators then transferred those assets to French jihadists in Syria.

Regarding other typologies associated with right-wing terrorists, Elliptic research from 2021 found that Bitcoin transactions sent to suspected accounts "are frequently sent in amounts using the value '1488'10". This number – a combination of "14" and "88" – is typical of neo-Nazi symbolism. "The number "88" is used by many far-right extremists to represent the phrase "Heil Hitler", because H is the eighth letter in the alphabet. The number "14" is numerical shorthand for the ethno-nationalist slogan known as the "14 Words". The 14 words are: "We must secure the existence of our people and a future for white children."³¹

Elliptic identified one extremist wallet in which 47% of all payments received were for amounts that contained "148810". On another note, the use of the AEC Monero featured again in a case involving the Eastern European-based neo-Nazi militant group known as the Order of Dawn in 2018. Just like the jihadist examples above, this group was observed soliciting cryptoasset donations on its website. The group asked supporters to send Monero to a wallet address listed on its website, by first staging their donation with the purchase of Bitcoin on an American exchange.

This Bitcoin was then used to buy Monero at a European exchange, highlighting the exploitation of regulatory and compliance arbitrage across jurisdictions. More broadly, this technique of converting one cryptoasset to another is known in the crypto financial crime compliance space as "chain hopping". The advent of so-called decentralized finance (DeFi) and, specifically, decentralized wallets and exchanges like MetaMask and Bisq, had made the identification of suspects even more complex for blockchain investigators. Elliptic notes that

³⁰ Elliptic. 2022. "Preventing Financial Crime in Crypto: Typologies Report 2022." Elliptic. <https://www.elliptic.co/resources/typologies-report-2022>.

³¹ Elliptic. 2021. "Hate Symbols in the Blockchain Used to Flag Crypto Fundraising by Neo-Nazis." Elliptic. <https://www.elliptic.co/blog/blockchain-hate-symbols-flag-crypto-fundraising-by-neo-nazis>.

this extremist group’s website also “includes an embedded Monero mining tool – allowing visitors to the site to loan their computer power to mine XMR”.

However, the Order of Dawn claimed to have only raised 62 Monero – worth just over \$6,000. The group believes that raising cryptoassets will help it finance a volunteer militant army. Given the relative transparency of Bitcoin and Ether, extremist researchers believe that these groups are increasingly gravitating towards Monero and other AECs. Elliptic reports that right-wing terrorists are also migrating to extremist-run crowdfunding sites such as Hatreon and Tor-based donation sites to raise cryptoasset funds for their cause.

The issue facing NATO allies and partner nations today is that Russia could hypothetically create unregulated safe havens for crypto-based TF. Consider, for example, the cross-pollination of cryptoasset TF with more sophisticated crypto-laundering tradecraft innovated by leading ransomware gangs and cybercriminals – and the vast regulatory latitudes the latter enjoy in Russia and its Commonwealth states. This harrowing prospect presents a significant and evolving challenge for the alliance, and all its partner states where the threat of terror – be it jihadist or right-wing – runs high.

Considerations for Crypto and Terrorism Finance in Africa, the United States and Europe

Africa

A 2022 report published by Korean crypto exchange KuCoin found that crypto transactions in Africa increased by over 2,500% last year.³² Almost 90% of these payments were cross-border transactions. This is at least the third-highest increase of crypto adoption out of any other region in the world last year, according to a recent research report authored by blockchain intelligence firm Chainalysis. Kenya, Nigeria, South Africa and Tanzania all rank in the top 20 of Chainalysis’ ‘Global Crypto Adoption Index.’ Bitcoin is by far the most entrenched cryptoasset on the continent – surpassing all other digital asset usage by more than double.

Africa also has a larger share of its “overall transaction volume made up of retail-sized transfers than any other region at just over 7%, versus the global average of 5.5%”.³³ At the same time, Sub-Saharan Africa (SSA) is experiencing a significant surge of terror attacks. The growing relevance of terrorism on the African continent to the alliance’s security agenda is evidenced by the first-ever NATO-AU joint counter-terrorism (CT) training, which took place in April 2019. This training was followed by a dedicated CT dialogue that took place in December of that year.³⁴

³² “Crypto users in Africa grew by 2,500% in 2021: Report.” 2022. Cointelegraph. <https://cointelegraph.com/news/crypto-users-in-africa-grew-by-2-500-in-2021-report>.

³³ “P2P Platforms, Remittances, and Savings Needs Power Africa’s Grassroots Cryptocurrency Adoption.” 2021. Chainalysis. <https://blog.chainalysis.com/reports/africas-grassroots-cryptocurrency-adoption/>.

³⁴ “What is NATO doing to counter the threat of terrorism?” 2021. NATO. https://www.nato.int/cps/en/natohq/news_185728.htm?selectedLocale=en.

Additionally, the White House unveiled its revamped “Strategy Toward Sub-Saharan Africa” in August, highlighting the initiative to deliver “security dividends” as a key pledge.³⁵ One of the sub-initiatives listed under this pledge is “reducing the threat from terrorist groups to the US Homeland, persons, and diplomatic and military facilities”. This initiative is vital, as the Institute for Economics and Peace’s 2022 Global Terrorism Index (GTI) found that over the last year, “there were serious deteriorations” in many SSA countries – especially in the Sahel region.³⁶

The Sahel stretches across the western expanse of Africa up through the north central edge of the continent and is a major smuggling corridor for drugs, weapons and people regionally and into Europe. This region is also facing the worst food crisis in a decade, due to ongoing conflicts with extremists, high inflation and the lingering impact of the COVID-19 pandemic. The non-profit Alliance for International Medical Action estimates that there are some 38-million people in the Sahel who meet the criteria needed to be designated as “food insecure”³⁷.

According to the latest GTI report, 48% – or 3,461 – of all “terrorism deaths globally occurred in SSA with four of the ten countries with the largest increases in deaths from terrorism residing in SSA: Burkina Faso, the Democratic Republic of the Congo, Mali and Niger”. Three of these countries are in the Sahel. An April 2022 report from the threat intelligence provider Echo Analytics Group assessed that support for terrorism in the Sahel will increase as “groups like al-Qaeda” and Daesh “exploit high food prices, resource shortages, and government instability”.

Nigeria, for example, faces a significant terrorism threat and has been fighting the terrorist group Boko Haram for over ten years. A report authored by research firm Morning Consult in July 2022 found that Nigeria may be the leading adopter of cryptoassets in the world, with 55% of adults in the country reporting they trade crypto at least once a month.³⁸

Nigeria’s generally young and tech-savvy population is turning to cryptoassets to mitigate the adverse financial impact of freefalling local currency and persistent double-digit inflation.³⁹ As such, cryptoassets have thrived in Nigeria despite generalized regulatory hostility, punctuated by the government’s banning of crypto trading last year. However, recognizing that the bulk of their adult population were circumventing the ban by using peer-to-peer exchange applications like LocalBitcoins and Paxful, Nigeria’s market regulator issued new directives in May to treat all cryptoassets as securities.⁴⁰

³⁵ “Fact Sheet: U.S. Strategy Toward Sub-Saharan Africa.” 2022. The White House. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/08/fact-sheet-u-s-strategy-toward-sub-saharan-africa/>.

³⁶ Institute for Economics & Peace. 2017. “Global Terrorism Index.” Vision of Humanity. <https://www.visionofhumanity.org/wp-content/uploads/2020/10/Global-Terrorism-Index-2017.pdf>.

³⁷ Ibid.

³⁸ Morning Consult. 2022. “The Crypto Report: Our Analysts on the State of Cryptocurrency.” Morning Consult. https://go.morningconsult.com/rs/850-TAA-511/images/220630_State_of_Cryptocurrency_Report.pdf.

³⁹ “Nigeria’s Senate summons central bank chief over ‘free fall of the naira.’” 2022. CNBC Africa. <https://www.cnbc.com/2022/nigerias-senate-summons-central-bank-chief-over-free-fall-of-the-naira/>.

⁴⁰ Reynolds, Sam. 2022. “Nigeria’s SEC Affirms All Digital Assets Are Securities in New Rulebook.” CoinDesk. <https://www.coindesk.com/policy/2022/05/16/nigerias-sec-affirms-all-digital-assets-are-securities-in-new-rulebook/>.

At the same time, Nigeria alone accounts for roughly half of all remittance flows to sub-Saharan Africa, according to the Brookings Institute.⁴¹ Boko Haram, meanwhile, is being supported and trained by al-Qaeda in the Islamic Maghreb (AQIM).⁴² The group is also active in countries that neighbor Nigeria and is believed to have ties to the Somalia-based militant group al-Shabaab. This link has broader implications for NATO, as US President Joe Biden approved the redeployment of some 450 special operations troops to Somalia in May, following the militant group's attack on an African Union (AU) military base.⁴³

In fact, attacks attributed to al-Shabaab have nearly doubled over the last seven years, according to data compiled by the Africa Center for Strategic Studies in Washington.⁴⁴ Gen. Stephen J. Townsend – head of the Pentagon's US Africa Command – said in February during a visit to Mogadishu that: “Al-Shabaab remains al-Qaeda's largest, wealthiest and most deadly affiliate, responsible for the deaths of thousands of innocents, including Americans.” A recent journal article written in the *African Conflict & Peacebuilding Review* asserted that Boko Haram's “linkage with AQIM, al-Shabaab, and other al-Qaeda affiliates also deepened”.⁴⁵

This assessment is based on mounting evidence that Boko Haram has received foreign funding, weapons, training and logistical support from members or associates of these groups. But Echo Analytics notes that “while Nigeria has a more established military to conduct counter-terrorism operations in the Sahel, countries like Burkina Faso, Mali, Niger, Guinea and Cameroon lack similar security infrastructure”⁴⁶. Despite these other regional terror-conflict zones, Nigeria and Boko Haram are central to the cryptoasset TF riddle in Africa.

Nigeria is deeply advanced as a regional adopter of cryptoassets and fintech. However, it also has a flourishing cybercriminal community, as evidenced by notorious hacker groups like Silver Terrier and the local fraud ring that siphoned \$36 billion in scam unemployment benefits from the US during the pandemic.⁴⁷ There is a fertile ecosystem in place in Nigeria for Boko Haram financial networks to operate and cross-pollinate cryptoasset TF activity with more sophisticated cybercriminal typologies.

⁴¹ Leke, Acha, and Vera Songwe. 2021. “Keep remittances flowing to Africa.” Brookings Institution. <https://www.brookings.edu/blog/africa-in-focus/2021/03/15/keep-remittances-flowing-to-africa/>.

⁴² US Subcommittee on Counterterrorism and Intelligence Committee on Homeland Security House of Representatives. 2011. “Boko Haram Emerging Threat to the U.S. Homeland.” GovInfo. <https://www.govinfo.gov/content/pkg/CPRT-112HPRT71725/pdf/CPRT-112HPRT71725.pdf>.

⁴³ Raghavan, Sudarsan. 2022. “An attack on a military base in Somalia shows al-Shabab's deadly power.” The Washington Post. <https://www.washingtonpost.com/world/2022/07/17/somalia-al-shabab-us-troops/>.

⁴⁴ “Surge in Militant Islamist Violence in the Sahel Dominates Africa's Fight against Extremists – Africa Center for Strategic Studies.” 2022. Africa Center for Strategic Studies. <https://africacenter.org/spotlight/mig2022-01-surge-militant-islamist-violence-sahel-dominates-africa-fight-extremists/>.

⁴⁵ Ladan, Usman. “Transnational Terrorism Revisited: Is Boko Haram an al-Qaeda Affiliate?” *African Conflict & Peacebuilding Review*, vol. 12 no. 1, 2022, p. 105-126. *Project MUSE* muse.jhu.edu/article/857748.

⁴⁶ “Surging Terrorism in Africa.” 2022. Echo Analytics Group. <https://echoanalyticsgroup.com/overwatch/surging-terrorism-in-africa/>.

⁴⁷ Penzenstadler, Nick. 2020. “Unemployment fraud: How international scammers took \$36B from the US.” USA Today. <https://www.usatoday.com/in-depth/news/investigations/2020/12/30/unemployment-fraud-how-international-scammers-took-36-b-us/3960263001/>.

Also, while groups like Boko Haram and al-Shabaab, are relegated to operating in remote “areas with incomplete and unreliable electricity, let alone internet coverage”,⁴⁸ their financial networks may enjoy more comfortable urban lifestyles. On a somewhat reassuring note, a 2021 study conducted by a trio of academic researchers found no immediate evidence that Boko Haram is active in the crypto space.⁴⁹ If the Nigerian naira continues to plummet, however, this could change. Yet, one concerning variable that could usher in the use of more cryptoassets by Boko Haram and other terrorist groups in the Sahel is growing Russian influence throughout the region.

United States

According to the US Treasury’s 2022 National Terrorist Financing Risk Assessment, prolonged “military operations have degraded Al-Qa’eda’s (AQ’s) operational capabilities in some regions and dislodged” Daesh in Iraq and Syria “from urban centers in the Middle East”.⁵⁰ As such, the Treasury’s TF risk assessment noted that “the risk of organized networks of operatives implementing complex plans developed by their leadership has decreased in recent years”.

The last mass-casualty terror attacks in the US were the 2016 Pulse nightclub massacre in Orlando, where 49 people were slain by a gunman who had pledged allegiance to ISIS, and the 2017 New York City truck attack, where a terrorist ran over and killed eight people on a bicycle path.⁵¹ However, the near-fatal stabbing of author Salman Rushdie in New York by assailant Hadi Matar – the son of Lebanese refugees – is a reminder that jihadist lone wolves still pose a risk.⁵²

Investigators probing the attack are analyzing Matar’s links to Iran, particularly after he told the *New York Post* in an interview: “I respect the ayatollah. I think he’s a great person. That’s as far as I will say about that.”⁵³ Despite the general threat of larger-scale and organized

⁴⁸ Entenmann, Eva. 2018. “Terrorist Financing and Virtual Currencies: Different Sides of the Same Bitcoin? - ICCT.” International Centre for Counter-Terrorism. <https://icct.nl/publication/terrorist-financing-and-virtual-currencies-different-sides-of-the-same-bitcoin/>.

⁴⁹ Amiram, Dan, Bjørn N. Jørgensen, and Daniel Rabetti. 2021. ““Coins for Bombs” Increased Transparency of the Global Financial System: Evidence from Terrorist Attacks Financing Detection in Blockchain-based Currencies.” https://coller.tau.ac.il/sites/coller.tau.ac.il/files/media_server/Recanati/management/seminars/account/2021/AJR-April2021.pdf.

⁵⁰ US Treasury Department. “2022 National Terrorist Financing Risk Assessment.” <https://home.treasury.gov/system/files/136/2022-National-Terrorist-Financing-Risk-Assessment.pdf>.

⁵¹ Straub, Frank, Jack Cambria, Jane Castor, Ben Gorban, Brett Meade, David Waltemeyer, and Jennifer Zeunik. 2017. *Rescue, Response, and Resilience: A Critical Incident Review of the Orlando Public Safety Response to the Attack on the Pulse Nightclub*. Critical Response Initiative. Washington, DC: Office of Community Oriented Policing Services. <https://cops.usdoj.gov/RIC/Publications/cops-w0857-pub.pdf>

⁵² Hadi Matar: The unremarkable executioner who tried to make good on Tehran’s fatwa against Salman Rushdie.” 2022. EL PAÍS in English. <https://english.elpais.com/usa/2022-08-20/hadi-matar-the-unremarkable-executioner-who-tried-to-make-good-on-tehrans-fatwa-against-salman-rushdie.html>.

⁵³ Vago, Steven, and Ben Kessler. 2022. “Salman Rushdie attacker Hadi Matar ‘surprised’ author survived.” *New York Post*. <https://nypost.com/2022/08/17/alleged-salman-rushdie-attacker-didnt-think-author-would-survive/>.

FTO threats fizzling out, the Treasury notes that the danger from these organizations “persists, even if [it’s] less acute than in previous years.”⁵⁴ With the decentralized power of online propaganda, the modern FTO threat to the US. has become more “ideologically diverse” and “geographically diffuse”.

Backdropped by the US evacuation and resettlement of nearly 80,000 Afghan refugees since the withdrawal last August⁵⁵, the Treasury said that it is “closely monitoring developments in Afghanistan and their potential impact on the terrorist and terrorist financing threats”.⁵⁶ When it comes to cryptoasset TF, the risks cited in the typologies section remain the same, with the threat of cross-border donations to sham Middle Eastern charity organizations posing the greatest challenge. The growing experimentation with propagandist NFTs also presents another risk to be on alert for.

While the Treasury seems less concerned with FTOs at present, it said: “One of the most significant developments in the US terrorism landscape is the rising threat posed by domestic violent extremists (DVEs). This threat materializes in the form of “lone actors, small groups of informally aligned individuals, networks exhorting and targeting violence toward specific communities, and violent self-proclaimed “militias”.⁵⁷ Within the DVE bracket, the Treasury and US law enforcement, in general, are particularly concerned with racially or ethnically motivated violent extremists (RMVEs) and anti-government threat actors.

According to the Treasury, RMVEs are “individuals motivated by bias, often related to race or ethnicity, held by the actor against others or a given population group. Presently, the Treasury has explained that “the greatest threat to the homeland arises from US-based individuals acting alone who, whether inspired by foreign groups or by ideologies that are more domestic in nature, act alone in carrying out deadly attacks, using firearms, vehicles or homemade explosives”. What’s more, the Treasury noted that these so-called lone wolves are increasingly funding attacks via their own personal finances.

The prevalence of “self-financing (usually through employment income or savings)”⁵⁸ by lone wolf threat actors poses a significant challenge for banks, “because the transactional activity is unlikely to look different than the customer’s expected activity, based on risk profile”. Self-funding also further separates any “financial connection” to terrorist groups and limits the effectiveness of certain AML/CFT measures aimed at identifying or disrupting TF.

⁵⁴ US Treasury Department. “2022 National Terrorist Financing Risk Assessment.” <https://home.treasury.gov/system/files/136/2022-National-Terrorist-Financing-Risk-Assessment.pdf>.

⁵⁵ “Tens of thousands of Afghans have resettled across the U.S. Now, the challenge is making a home.” 2022. PBS. <https://www.pbs.org/newshour/nation/tens-of-thousands-of-afghans-have-resettled-across-the-u-s-now-the-challenge-is-making-a-home>.

⁵⁶ US Treasury Department. “2022 National Terrorist Financing Risk Assessment.” <https://home.treasury.gov/system/files/136/2022-National-Terrorist-Financing-Risk-Assessment.pdf>.

⁵⁷ US Treasury Department. “2022 National Terrorist Financing Risk Assessment.” <https://home.treasury.gov/system/files/136/2022-National-Terrorist-Financing-Risk-Assessment.pdf>.

⁵⁸ US Treasury Department. “2022 National Terrorist Financing Risk Assessment.” <https://home.treasury.gov/system/files/136/2022-National-Terrorist-Financing-Risk-Assessment.pdf>.

The Treasury also noted that DVEs generally use a “number of licit means to finance their activity, including crowdfunding, private donations and membership fees, and commercial activities like the “sale of merchandise or entertainment events”. However, the Treasury specifically noted the risk of cryptoasset financing with regards to private donations and membership fees and how it compounds the challenges of detection. Lastly, the new merchant category code (MCC) for gun store purchases being mandated by Visa and Mastercard has created new incentives for DVEs and RMVEs to use cryptoassets to stage and finance potential attacks.⁵⁹

Europe

Tracking European terror investigations, the most common offense that led to the arrest of suspects was membership in a terrorist group, followed by planning or preparing an attack, according to the European Council⁶⁰. It also reported other suspects who were charged with “financing terrorism, recruitment and incitement to terrorism”. The highest number of attacks tracked during the reporting period occurred in France (5), followed by Germany (3), Sweden (2), Austria, Denmark, Hungary, Belgium, and Spain, according to the council. The latter five countries each experienced one attack.

On one side, conditions conducive to driving terrorism in the EU are the financially desperate situation of millions of refugees forced to leave war-torn countries like Syria, Libya, and Afghanistan for a chance of a better life in Europe and beyond. Another driver is the generalized hostility some migrants harbor against the West for its role in escalating the conflict in their native countries. Last year, the United Nations High Commissioner for Refugees reported that European countries were hosting over one million Syrian asylum seekers and refugees, with 70% of them being hosted in two countries only: Germany (59%) and Sweden (11%).⁶¹

Furthermore, over 70% of Syrian refugees live in poverty globally, with their plight being exacerbated in the aftermath of the pandemic.⁶² While Syrian jihadist discontent is largely concentrated in Germany, France has experienced more jihadist attacks than any other EU member since 2014, according to Europol data.⁶³ The Washington Institute think tank explains that: “France has always been a high-priority target for jihadists, who tend to depict the country as inherently and historically hostile to Islam.⁶⁴ In addition to scorning its

⁵⁹ “Visa, Mastercard, American Express will begin tracking gun store purchases.” 2022. Axios. <https://www.axios.com/2022/09/12/gun-stores-credit-cards-visa-mastercard-american-express>.

⁶⁰ Europol. 2022. “EU Terrorism Situation and Trend Report (TE-SAT).” Europol. https://www.europol.europa.eu/cms/sites/default/files/documents/Tesat_Report_2022_0.pdf.

⁶¹ “Syria Refugee Crisis – Globally, in Europe and in Cyprus – UNHCR Cyprus.” 2021. UNHCR. <https://www.unhcr.org/cy/2021/03/18/syria-refugee-crisis-globally-in-europe-and-in-cyprus-meet-some-syrian-refugees-in-cyprus/>.

⁶² Ibid.

⁶³ Europol. 2022. “EU Terrorism Situation and Trend Report (TE-SAT).” Europol. https://www.europol.europa.eu/cms/sites/default/files/documents/Tesat_Report_2022_0.pdf.

⁶⁴ Bindner, Laurence, Hugo Micheron, and Aaron Y. Zelin. 2020. “Terrorism in France: New and Old Trends in Jihadism.” The Washington Institute. <https://www.washingtoninstitute.org/policy-analysis/terrorism-france-new-and-old-trends-jihadism>.

foreign policy, its involvement in the Muslim world, and its resource exploitation in former colonies, some Muslims condemn France's unique culture of *laïcité* (secularism) and political incorrectness."⁶⁵

Jihadist rage towards the perceived irreverence of French culture is best illustrated through its media institutions, which have an extremely "satirical wing" and a "legacy of the revolution", specifically against monarchic rule, according to the Washington Institute.⁶⁶ The 2015 terror attacks on the offices of the French magazine *Charlie Hebdo* – which were perpetrated by the Algerian Kouachi brothers, to avenge a blasphemous depiction of the Prophet Mohammed in the satirical weekly – epitomizes the jihadist view of prevailing French cultural attitudes towards Islam.

The brothers – who later revealed they were associates of al-Qaeda in the Arabian Peninsula (AQAP) – killed 17 people in their attack.⁶⁷ As noted more generally in the Typologies section, counter-terrorism experts believe the Kouachi brothers – who were essentially lone wolves operating a two-member AQAP cell – bootstrapped their entire operation for less than \$10,000, with the AK-47s they used in the magazine shooting emerging as their largest expense.⁶⁸

The brothers financed their terror attack through the online sale of counterfeit athletic shoes, which they sourced from China, according to transaction-laundering expert Ron Teicher.⁶⁹ Transaction laundering hinges on ecommerce card transactions being deliberately miscoded to conceal the true nature of goods or services being purchased online, and it presents an additional obfuscation layer that could complicate the identification of crypto-enabled TF.

The abundance of China-sourced counterfeit goods in circulation on ecommerce platforms, and the ease through which enterprising terrorism financiers in Europe can sell fake or non-existent goods for money that they can then convert to crypto is an emerging concealment tactic that alliance partners must be aware of. It's also important to note that of the 6,000 European jihadists who joined ISIS or Jabhat al-Nusra in Syria, more than 70% came from Belgium, France, Germany and Britain, according to the Washington Institute.⁷⁰ Jihadist fighters from Denmark, the Netherlands and Spain accounted for an additional 20%.

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ Petrikowski, Nicki P. 2015. "Charlie Hebdo shooting | Facts, Victims, & Response." Encyclopedia Britannica. <https://www.britannica.com/event/Charlie-Hebdo-shooting>.

⁶⁸ Windrem, Robert. 2015. "Terror on a Shoestring: Paris Attacks Likely Cost \$10,000 or Less." NBC News. <https://www.nbcnews.com/storyline/paris-terror-attacks/terror-shoestring-paris-attacks-likely-cost-10-000-or-less-n465711>.

⁶⁹ Teicher, Ron. 2017. "When Transaction Laundering Finances Terror." Finextra. <https://www.finextra.com/blogposting/13558/when-transaction-laundering-finances-terror>.

⁷⁰ Bindner, Laurence, Hugo Micheron, and Aaron Y. Zelin. 2020. "Terrorism in France: New and Old Trends in Jihadism." The Washington Institute. <https://www.washingtoninstitute.org/policy-analysis/terrorism-france-new-and-old-trends-jihadism>.

Right-wing terrorists in the EU, meanwhile, have been increasingly radicalized by the perception that the political leaders in their countries have abandoned a commitment to native-born Europeans in favor of open borders and other so-called “globalist” agendas. Nowhere is the growing appeal of this nativism and anti-immigrant sentiment more visible than in France, where far-right politician Marine Le Pen won an unprecedented 41.5% of the vote in April.⁷¹

Germany has also been grappling with the rise of far-right extremism, with the country’s federal criminal police logging 19,000 such cases “attributed to suspects from the right-wing milieu”⁷² last year. More troubling, German authorities have observed a rise in right-wing extremism among their own security agencies. In May, the German government said it had identified more than 300 employees of national and state military, police and security agencies with links to far-right terrorists or similar movements.⁷³

Germany’s Federal Ministry of the Interior analyzed 860 cases of possible terrorist activity from July 2018 to July 2021, with federal-level security agencies accounting for 176 cases, and state level officers suspected in the remaining 684.⁷⁴ More broadly, Germany reported 33,300 suspected right-wing terrorists throughout the country, which marks a nearly 4% increase over those reported the previous year.⁷⁵ In this environment, Germany’s Interior Minister Nancy Faeser has called right-wing terrorism the “the greatest danger to people living in this country.”⁷⁶

Fueling growing support for the extreme right are deteriorating economic conditions in Germany and throughout greater Europe due to skyrocketing energy costs, lingering resentment for pandemic-era policies, hostilities towards the West’s green agenda, and the open embrace of migrants cited above. Making matters more perilous, however, is the untraceable flow of billions of dollars of American and NATO weapons to Ukraine. Already, there have been reports of NATO firepower intended for Ukraine being sold on the dark web, where users transact almost exclusively in cryptoassets.⁷⁷

Items purportedly being sold include rifles, grenades and bulletproof vests at prices ranging between \$1,100 and \$3,600. There have even been reports of Javelin anti-tank missile systems being sold for \$30,000, with the seller listing their location as Kyiv, Ukraine. But,

⁷¹ “Macron wins election but Le Pen’s far right goes mainstream | Elections News.” 2022. Al Jazeera. <https://www.aljazeera.com/news/2022/4/25/loss-is-victory-for-le-pens-far-right-in-frances-election>.

⁷² Jones, Timothy. 2022. “Politically motivated crimes in Germany hit record: report – DW – 01/18/2022.” DW. <https://www.dw.com/en/germany-logged-record-number-of-politically-motivated-crimes-in-2021-report/a-60457488>.

⁷³ “Germany: Over 300 far-right extremists at security agencies.” 2022. AP News. <https://apnews.com/article/9324f596204a0e83d92fbd8ba33d066b>.

⁷⁴ Jones, Timothy. 2022. “Politically motivated crimes in Germany hit record: report – DW – 01/18/2022.” DW. <https://www.dw.com/en/germany-logged-record-number-of-politically-motivated-crimes-in-2021-report/a-60457488>.

⁷⁵ *Ibid.*

⁷⁶ “Germany: Over 300 far-right extremists at security agencies.” 2022. AP News. <https://apnews.com/article/9324f596204a0e83d92fbd8ba33d066b>.

⁷⁷ Toulas, Bill. 2022. “Dark web sites selling alleged Western weapons sent to Ukraine.” Bleeping Computer. <https://www.bleepingcomputer.com/news/security/dark-web-sites-selling-alleged-western-weapons-sent-to-ukraine/>.

like everything else on the dark web, it should be noted that listings can easily be fraudulent, and that “the chances of them being created by pro-Russian actors for propaganda purposes are high,” according to news reports.⁷⁸

Nevertheless, the influx of weapons into the continent and the West’s patronage of the Azov Regiment – an infamous Ukrainian neo-Nazi militia – to counter Russian military aggression has sparked concerns over the metastasis of right-wing terrorism in Europe.

Also troubling are reports that 26 German right-wing terrorists have traveled to Ukraine since the start of the war. As West Point’s Combatting Terrorism Center noted in a 2020 report: “Americans and Europeans drawn to various brands of far-right nationalism have looked to Ukraine as their field of dreams: a country with a well-established, trained, and equipped far right militia – the Azov Regiment.”⁷⁹

Sample discussion and illustrations of the crypto-terrorism finance nexus from Africa the United States and across Europe demonstrate, that much like cash, crypto can be misused for terrorist finance purposes to obfuscate the money trail, move money across borders, and provide financial means and resources to large and centralized terrorism organizations such as Boko Haram but also to decentralized, self-funded lone-wolf actors. But where do these uses and typologies meet the global regulatory regime for cryptoassets?

Regulatory Harmonization

In today’s rapidly evolving cryptoasset TF threat landscape, cross-border collaboration has become mission-critical to prevent terrorists from exploiting the international financial system. According to the US Treasury’s 2022 National Money Laundering Risk Assessment “uneven and often inadequate regulation and supervision, coupled with a lack of compliance enforcement for digital asset trading platforms and other service providers, allow criminals to expose the US and international financial systems to risk from jurisdictions where regulatory standards and enforcement are less robust”.⁸⁰

It follows that global gaps in AML and CTF oversight and enforcement enable terrorists to engage in “jurisdictional arbitrage”, which exploits “regulatory inconsistencies across jurisdictions, or in some cases, complete lack of regulation and supervision”, according to a recent Department of Justice (DoJ) report on cryptoassets and strengthening international enforcement cooperation.⁸¹ It notes that there remain “significant challenges” to fully leveraging

⁷⁸ Ibid.

⁷⁹ Lister, Tim. 2020. “The Nexus Between Far-Right Extremists in the United States and Ukraine – Combating Terrorism Center at West Point.” Combating Terrorism Center. <https://ctc.westpoint.edu/the-nexus-between-far-right-extremists-in-the-united-states-and-ukraine/>.

⁸⁰ “2022 National Terrorist Financing Risk Assessment.” n.d. Treasury Department. Accessed October 30, 2022. <https://home.treasury.gov/system/files/136/2022-National-Terrorist-Financing-Risk-Assessment.pdf>.

⁸¹ US Department of Justice. 2022. “How To Strengthen International Law Enforcement Cooperation For Detecting, Investigating, And Prosecuting Criminal Activity Related To Digital Assets.” Department of Justice. <https://www.justice.gov/ag/page/file/1510931/download>.

mutual legal assistance between the US and its foreign law enforcement partners to investigate and prosecute threat actors who misuse cryptoassets, and to seize their criminal proceeds.

Globally, the FATF reigns as the leading standard setter for cryptoasset AML/CFT oversight. The body's most recently updated guidance on cryptoassets and VASPs recommends that all "VASPs be regulated for anti-money laundering and countering the financing of terrorism (AML/CFT) purposes, that they be licensed or registered, and subject to effective systems for monitoring or supervision".⁸² The FATF's guidance also "outlines the need for countries and VASPs, and other entities involved" in cryptoasset activities, to "understand the money laundering and terrorist financing (ML/TF) risks associated" with them and to take "appropriate mitigating measures to address those risks".

The key here is that jurisdictions must take a risk-based approach (RBA) that factors their unique TF exposures in cryptoasset activity to effectively monitor and regulate this space.

Key aspects of a sound VASP RBA highlighted by FATF include "licensing or registration; preventive measures, such as customer due diligence (CDD), record-keeping, and suspicious transaction reporting" – in addition to sanctions and international cooperation.

The US Attorney General's Office advises that NATO partners should "examine and weigh the reputational and national security risks and policy implications associated with allowing certain virtual assets businesses to operate within their borders – especially those that brand themselves as 'headquarters-less' – eschew traditional notions of primary domicile and place of business or resist application of laws or standards requiring transparency and compliance with AML/CFT and other legal requirements".⁸³

One CFT-specific recommendation highlighted by the FATF is for jurisdictions to apply the same "confiscation and provisional measures relating" to property that is the "proceeds of, or used in, or intended or allocated for use in, the financing of terrorism, terrorist acts, or terrorist organizations, (d) or property of corresponding value" to cryptoassets.⁸⁴ The FATF also recommends freezing "without delay" the cryptoassets of any designated persons or entities, so that they are not made available to "or for the benefit of designated persons or entities in relation to the targeted financial sanctions related to terrorism and TF".

Highlighting one of the most prevalent cryptoasset TF typologies, the FATF also advised that countries should apply RBA-specific measures to "protect non-profit organizations from TF abuse". Furthermore, the body noted that there is no "universally agreed upon definition or methodology for determining whether a jurisdiction, in which a VASP operates or from which VA transactions may emanate" represents a higher risk for TF. However, the FATF identifies three possible indicators of higher jurisdictional cryptoasset TF risk.

⁸² Financial Action Task Force. 2021. "Updated Guidance for a Risk-Based Approach for Virtual Assets and Virtual Asset Service Providers." FATF. <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Updated-Guidance-VA-VASP.pdf>.

⁸³ Ibid.

⁸⁴ Financial Action Task Force. June 2022. "Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers." FATF. <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Targeted-Update-Implementation-FATF%20Standards-Virtual%20Assets-VASPs.pdf>.

Firstly, the body flagged “countries or geographic areas identified by credible sources as providing funding or support for terrorist activities or that have designated terrorist organisations operating within them.” Secondly, it warned about “countries that are subject to sanctions, embargoes, or similar measures issued by international organizations such as the United Nations”. Thirdly, the FATF flagged “countries identified by credible sources as having weak governance, law enforcement, and regulatory regimes”.⁸⁵

Yet the most key component of FATF’s crypto oversight regime is the “Travel Rule”. This requires countries to treat all cryptoasset transactions as cross-border wire transfers. This means private sector firms must obtain, hold, and exchange accurate beneficiary and originator information. Specifically, the FATF mandates that VASPs must collect and exchange accurate personally identifiable information (PII) about senders and receivers of cryptoasset transfers once they exceed a certain threshold, which may vary by jurisdiction or country.

PII specified by the FATF include the legitimate name of the originator customer, their account number, their address or national identity number, customer identity number, or date and place of birth, the name of the beneficiary and their account number. The *de minimis* threshold for cryptoasset transfers recommended by the FATF is 1,000 euros or dollars, “whereby there are comparatively fewer requirements for VA transfers below the threshold than above”.⁸⁶

But even if jurisdictions implement this recordkeeping threshold, the FATF notes that “they should still require the VASPs when engaging in transfers below the threshold” to collect the name of the originator and the beneficiary, and the cryptoasset wallet address for each or a unique transaction reference number (TXID). Furthermore, if a TF investigator suspects that the transaction may have indicators of TF, “such information pertaining to the customer should be verified”. While the US imposes a \$3,000 threshold, the EU endeavors to implement a more onerous recordkeeping and reporting burden that covers every euro of crypto transferred.

The EU even wants to extend its recordkeeping regime beyond VASPs to transactions between VASPs and unhosted wallets and even between unhosted wallets transacting with each other. This is significant because, at present, the “full requirements” of the travel rule do not apply to VASP transfers to unhosted wallets, as the organization is “not aware of any technically proven means of identifying the person that manages or owns an unhosted wallet, precisely and accurately in all circumstances.”⁸⁷ Consequently, the risks of transacting with unhosted wallets should also be factored in cryptoasset-related RBAs.

⁸⁵ Financial Action Task Force. June 2022. “Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers.” FATF. <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Targeted-Update-Implementation-FATF%20Standards-Virtual%20Assets-VASPs.pdf>.

⁸⁶ Ibid.

⁸⁷ Financial Action Task Force. June 2022. “Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers.” FATF. <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Targeted-Update-Implementation-FATF%20Standards-Virtual%20Assets-VASPs.pdf>.

The UK's Financial Conduct Authority (FCA), meanwhile, wants to maintain the standard FATF Travel Rule recordkeeping requirement, but in its native currency.⁸⁸ The problem that arises in the EU – where most NATO member states are domiciled – is one of harmonizing customer identification practices. According to the Centre for European Policy Studies think tank, under the EU's Fifth Anti-Money Laundering Directive (5AMLD), “varying national customer identification and verification requirements are applicable across the EU”.⁸⁹

These “fragmented national approaches to digital identity solutions” obstruct the “development of innovative cross-border solutions” to ensure accuracy in KYC screening⁹⁰. To harmonize regulatory approaches to cryptoasset CFT monitoring and enforcement, NATO partners should defer to the FATF's guidance. But, when it comes to verifying customer identity, NATO members should be aware of jurisdictional challenges to KYC accuracy and incorporate that into their cryptoasset RBAs for the purpose of considering transactions involving certain European jurisdictions for enhanced customer due diligence (CDD).

As of June [2022], the FATF noted that the “vast majority of jurisdictions have not yet fully implemented” the agency's “R.15/IN.15 requirements (which set the global AML/CFT Standards for VAs and VASPs)”. It added: “While 29 out of 98 responding jurisdictions reported having passed Travel Rule legislation, only 11 jurisdictions have started enforcement and supervisory measures.” In all, a quarter of reporting jurisdictions are in the process of passing relevant legislation, according to the FATF. But 36 of the countries – or roughly one-third – “have not yet started introducing the Travel Rule”. The body warns that this gap “leaves VAs and VASPs vulnerable to misuse” by terrorists and other threat actors.

Initiatives that can enhance harmonization include public-private sector partnerships focused on information sharing, or treaties like United Nations Convention on Transnational Organized Crime or the Convention on Cybercrime of the Council of Europe. Another good body to coordinate a NATO-wide CFT response is the FATF-style European regional agency, Committee of Experts on the Evaluation of Anti-Money Laundering Measures, and the Financing of Terrorism (MONEYVAL).⁹¹ While only 19 Council of Europe member states are evaluated by the FATF, 27 Council of Europe member states are members of MONEYVAL.⁹²

Beyond more traditional European jurisdictions, the following countries or jurisdictions are also members of MONEYVAL: Israel; the Holy See (including the Vatican City State); the United Kingdom Crown Dependencies of Guernsey, Jersey, and the Isle of Man; and the British Overseas Territory of Gibraltar. Ultimately, however, NATO partners should continue to work through the FATF's Virtual Asset Contact Group to encourage and support each other in implementing and refining FATF's cryptoasset recommendations – including the Travel Rule.

⁸⁸ “EU Extends Travel Rule to Crypto-Assets.” 2022. Jones Day. <https://www.jonesday.com/en/insights/2022/07/eu-extends-travel-rule-to-cryptoassets>.

⁸⁹ EPS-ECRI Task Force. 2021. “Anti-Money Laundering in the EU: Time to get serious.” CEPS.eu. https://www.ceps.eu/wp-content/uploads/2021/01/TFR_Anti-Money-Laundering-in-the-EU.pdf.

⁹⁰ Ibid.

⁹¹ iPROCEEDS-2. 2022. “Guide on Seizing Cryptocurrencies.” Cybercrime Programme Office of the Council of Europe. <https://rm.coe.int/0900001680a2276b>.

⁹² Financial Action Task Force. <https://www.fatf-gafi.org/pages/moneyval.html>.

Investigative Best Practices and Recommendations for NATO Members

While cryptoasset TF risks pose a proliferating challenge for CFT analysts worldwide, the advent of modern blockchain analytics technology can help financial compliance defenders level the playing field against malign actors. Blockchain analytics is the process of scraping publicly available data from distributed ledgers to analyze, identify and “cluster” data on the blockchain.⁹³ That’s an inherent attribute of the blockchain: all transactions and their metadata are recorded immutably on their distributed ledgers, enabling investigators with complete access to illicit fund flows, provided they have the right compliance technology.

Blockchain analytics solutions simplify cryptoasset investigations by modeling and visually organizing “data in order to identify key information about users and transactions”,⁹⁴ in an intuitive and insight-rich display. Granted, AECs like Monero remain a steep challenge. But in most cases, the scraping of blockchain data by analytic solutions can tie “crypto transactions to illicit activity through certain signifiers such as a crypto wallet previously linked to illicit transactions like drug smuggling or terrorist financing”.⁹⁵ Modern blockchain compliance technologies are powered by artificial intelligence (AI) and machine learning (ML) code engines to calculate risk scores for artifacts at the transaction, customer, or wallet level.

At certain risk thresholds, platforms will generate alerts notifying compliance investigators that certain customers or transactions merit closer inspection. AI-powered analytics also enable solution providers to tag the transactional pattern with a specific “typology” encoded by vendors into their proprietary systems.⁹⁶ This further entails the creation of a “heuristic”, “which clusters transactional wallet data with similar typologies”. Modern solutions further empower cryptoasset compliance investigators to configure risk rules, according to their unique TF exposures. These technologies can be deployed both at the browser level or via a cloud-based API, integrating seamlessly with virtually all institutional and VASP technology stacks.

Despite the general intuitiveness of these platforms, compliance investigators and law enforcement alike still need significant training to develop the proper expertise to conduct successful cryptoasset tracing investigations, and to seize illicit funds. That’s why dedicated investment in blockchain forensics training and education is vital for today’s CTF investigators.

Seizing Cryptoasset TF Funds

Beyond actual cryptoasset tracing and investigations, experts advise that law enforcement agencies should endeavor to “establish an all-encompassing cryptocurrency policy”⁹⁷. According to a 2018 investigative guide published by the US-based Regional Organized

⁹³ Elliptic. “A Brief Guide to Analytics on Blockchain.” Elliptic. <https://www.elliptic.co/blog/a-brief-guide-to-analytics-on-blockchain>.

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ Regional Organized Crime Information Center. 2018. “Bitcoin and Cryptocurrencies: Law Enforcement Investigative Guide.” <https://www.iacpcybercenter.org/wp-content/uploads/2018/03/Bitcoin.pdf>.

Crime Information Center, this process entails creating a “department-controlled wallet on a secure machine and establish rules surrounding the process of seizing” and custodial cryptoassets.⁹⁸

An effective cryptocurrency policy will address the following: identify who is authorized to conduct cryptoasset seizures and transactions; list internal and external notifications when a case involves crypto; detail standard operating procedures for handling and preserving digital evidence and provide chain-of-custody instructions for devices storing digital evidence.⁹⁹ Meanwhile, the Council of Europe’s recent guide on seizing cryptoassets offers a vast compendium of best practices for conducting AML and TF investigations.

After identifying a wallet, where there is substantial evidence to suspect criminality or terrorism, the council advises that investigators should have full understanding of all “applicable laws for seizing cryptocurrencies implemented in a specific country”¹⁰⁰. This is essential, as some foreign jurisdictions may be unwilling to consent to such an initiative.

The Council of Europe notes that to mitigate the risks of obtaining evidence illegally and committing procedural mistakes, it is vital to “understand the applicable legal framework and procedures for the seizure” of cryptoassets.

The actual seizure of cryptoassets can be performed locally – or at the device level – via private keys or seed phrases or online on a “custodial wallet in the same or another jurisdiction”¹⁰¹. The Council also notes that “seizing funds from non-custodial wallets can be much more complicated as the funds will be controlled by a suspect and eventually by their accomplices”.

During raid operations in suspect homes, investigators on the hunt for illicit cryptoassets should be alert to the following indicators of crypto usage, cryptocurrency addresses/public keys, private keys, and seed word lists, QR codes, PINs, hardware wallets, the installation of software wallets, character strings resembling passwords and mining equipment.

According to the Council, indicators of cryptoasset use “can be found, for instance, in a building during a house search, on the body or in the pockets of a suspect during arrest”.¹⁰² Once law enforcement has successfully obtained access to a suspect’s cryptoasset wallet or funds, it is imperative that these funds are transferred to a “suitable address of an appropriate government-controlled wallet”, or wallets depending on the variety of different cryptoassets seized, according to the Council.¹⁰³ The addresses of departmental wallets must be easily accessible by investigators to enable the “swift” seizure of cryptoassets if they encounter them in the course of an investigation.

⁹⁸ Ibid.

⁹⁹ Ibid.

¹⁰⁰ iPROCEEDS-2. 2022. “Guide on Seizing Cryptocurrencies.” Cybercrime Programme Office of the Council of Europe. <https://rm.coe.int/0900001680a2276b>.

¹⁰¹ Ibid.

¹⁰² Ibid.

¹⁰³ Ibid.

The immediacy of transferring funds to a government-controlled national wallet is imperative because it would otherwise be naive for investigators to believe that their detained terror suspects are the only counterparties who may have access to a seized wallet or wallets. Once the funds are in law enforcement's possession, investigators must abide by all compliant policies and procedures set forth in their guidelines for cryptoasset chain of custody.

A Rapidly Evolving TF Threat Landscape

Augmenting the digital asset TF threat landscape even further is Russia's recent approval for the use of cryptoassets in cross-border settlements. Whether this will make the bellicose nation a haven for cryptoasset TF actors hostile to NATO partners remains to be seen. What is certain from this overview, however, is that although the threat landscape is rapidly evolving, so are the tools and techniques available for law enforcement and investigators to identify, interdict and seize misuse of cryptoassets for terrorism finance. The borderless, relatively instantaneous, and asymmetrically regulated nature of cryptoasset value transfer all portend heightened use of cryptoassets by terrorist networks and actors across all sides of the ideological spectrum.

The constellation of sector risks described in this paper, represent only a general sampling of how cryptoasset-enabled TF – religious and otherwise is taking shape. Given the recent explosion in crypto adoption, NATO Member Countries should consider dedicating government funds to upskilling on cryptoasset-based TF investigations. Facing an unprecedented and rapidly evolving crypto TF threat landscape, blockchain intelligence and investigatory capabilities have never been more essential to the alliance.

Beyond suspicious cryptoasset donations to non-profits groups and charities, CTF fighters should be attuned to growing risks from dark web commerce, specifically. Finally, as popular discontent with Western governments and the Ukrainian conflict has spread throughout the US and Europe, CTF guardians must not underestimate the threat of right-wing and ethnonationalist-motivated TF.

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CHAPTER VI

ANALYSIS OF COUNTERING TERRORISM FINANCING POLICY OF TÜRKİYE

Filiz Katman¹

Abstract

Terrorism, consists of several aspects including how it is financed. Counterterrorism policies, international cooperation is vital in countering terrorism financing. Thus, a monitoring mechanism is necessary to oversee the progress in countering terrorism financing (CTF) in individual national countering terrorism policies. Türkiye, being one of the countries challenged by terrorism, has been implementing a comprehensive countering terrorism policies including a series of CTF mechanisms. In this study, the CTF policy of Türkiye is analyzed. One of its main areas of countering terrorism that requires international cooperation due to the characteristics of terrorism. Both conventional and contemporary aspects of terrorism financing and countering policies are analyzed with respect to international monitoring mechanisms. The geo-strategic position of Türkiye in its neighborhood and long history of countering terrorism experience requires a comprehensive analysis including cyber and digital arena as well.

Keywords: *Countering Terrorism Financing, Cyber, Digital, Terrorism, Türkiye.*

Introduction

In terms of vagueness in defining terrorism, the characteristics of the act can be used: cause, tool, target, and outcome. First of all, in distinguishing an act as terrorism from others, political motivation is the primary identifier. The perpetrator has a political motivation in committing a terrorist act and this act involves violence. The result of this violence is a fearful effect like death. Above of all of these, the objective of terrorism is to affect political behavior. In this chain, the victim is just a mean used by perpetrators in delivering their

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message, so that the act is symbolic. It should also be noted that terrorist organizations have internal psycho-social dynamics determining the characteristics of future acts, plans and methods, then psycho-social impacts of terrorism on the society accordingly. In this perspective, terrorist organizations will be defined as “learning organizations” and psycho-social factors play critical role in the shape of terrorism in future. Financial aspect of terrorism is a vital component, and it also goes through transformation.

It is argued by Martha Crenshaw (1990, p. 10) argued that in democracies, those who cannot find another way to influence policies of the government, try to make their voices heard via non-violent ways such as lobbying, demonstrations, protests. But “there can be no words at the point where violence begins and thus, there can be no politics either” as mentioned by Hannah Arendt (1969). Two distinguishing factors argued by Jessica Stern (2001, p. 11) are viral in terrorism: non-combatants as targets, for dramatic purpose. In defining terrorism financing, the reference is the United Nations (UN) International Convention for the Suppression of the Financing of Terrorism (UN, 1999):

“...collecting and providing 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: (a) An act which constitutes an offense within the scope of and as defined in one of the treaties listed in the annex; or (b) Any other 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 conflict, 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.”

Considering rapid changes in the world, an overall investigation on the impact of such changes on terrorism includes risks, types, and precautions. Defining terrorist organizations as learning organizations require a dynamic update on such factors in effective counter-terrorism policies. Technological advances, changing dynamics in the world politics, and introduction of contemporary threats lead to very complex changes in terrorism, specifically in terrorism financing with digitalization, rise of non-state actors, artificial intelligence, crypto currency, crowd funding, internet and mobile payments, e-purse etc.

Terrorism Financing

Terrorist organizations move money in order to meet their financial necessities. In choosing among various methods, terrorist organizations consider certain characteristics: convenience, cost, risk, simplicity, speed, and volume (Freeman and Ruehsen, 2013, p. 5). In terms of ‘conventional terrorism financing’; cash couriers, false trade invoicing, formal banking, informal transfer systems, high value commodities, and money service businesses are discussed by Freeman and Ruehsen (2013). In terms of convenience, it is argued that geographical/topographic and demographic factors are important considering the weight and bulk. In terms of cost, fees and side payments play a role in deciding among different financing

methods. In terms of risk, it is mentioned that varying degree of anonymity associated with each financing method determines the risk while reliability is also a vital element in choosing among different financing mechanisms. In terms of speed, the necessity to move money as quickly as possible for operational needs lead terrorist organizations to consider distance, number of borders and time constraint. In terms of volume, it is argued that theoretically, formal banking and money services businesses can transfer an infinite amount of money. In categorizing financing methods, it is argued that cash courier is the simplest method, while informal transfer systems, money service businesses, formal banking, false trade invoicing, high-value commodities is more complex.

According to Freeman and Ruehsen (2013, pp. 20-21) terrorist organizations use relatively new methods as well. For example, the use of Stored Value Cards (SVCs), closed (tied to specific business) or open (like prepaid debit cards), are preferred because of being “compact, easily transportable, potentially anonymous” (ibid). Despite digital currencies, stored-value cards, mobile payments can be listed new payment methods, little evidence has been found in 2010s. Basaranel and Turksen (2019, p. 6) also argue that “*the current international countering terrorism financing regime is not successful at meeting the interests of individual states owing to the costs of implementation and at times because of the blanket approach therein*”.

Turkish Legal Framework on Terrorism Financing

Published in the Official Gazette on 12 April 1991, terrorism is defined in Turkish Law to Fight Terrorism, Act No. 3713 as follows (*Republic of Türkiye Ministry of Treasury and Finance, 2021*):

Definition of Terrorism and Terrorist Offenses

Definition of Terrorism (Different Title: 18.07.2006/26232-5532/17 art.)

Article 1- (Different First Paragraph: 19.07.2003/25173-4928/20 art.) 1. Terrorism is any kind of act done by one or more persons belonging to an organization with the aim of changing the characteristics of the Republic as specified in the Constitution, its political, legal, social, secular and economic system, damaging the indivisible unity of the State with its territory and nation, endangering the existence of the Turkish State and Republic, weakening or destroying or seizing the authority of the State, eliminating fundamental rights and freedoms, or damaging the internal and external security of the State, public order or general health by means of pressure, force and violence, terror, intimidation, oppression or threat. 2. An organization for the purpose of this Law is constituted by two or more persons coming together for the common purpose. 3. The term “organization” also includes formations, associations, armed associations, gangs or armed gangs as described in the Turkish Penal Code and in the provisions of special laws.

The Turkish legal framework on countering terrorism, the Counter-Terrorism Law (CTL), No. 3713 of 12 April 1991 and the Turkish Criminal Code, No. 5237 of 1 June 2005 have been updated with amendments in accordance with European Convention on Human Rights (ECHR) including July 2010 Law amendment to the CTL, the Law No. 6352 of 2 July 2012 and the Law No. 6459 of 30 April 2013. Moreover, enacted in 1996, there was Law no. 4208 as basis for Law No. 5549 on Prevention of Laundering Proceeds of Crime of 18 October 2006. Specifically, on 16 February 2013, Law on the Prevention of Financing of Terrorism No.6415 provides the legal ground for countering-terrorism financing policies. UN Security Council Resolutions providing the basis, the Law No. 6415 (Ministry of Treasury and Finance, 2021) defines terrorism financing offense and legal procedure in Article 5 (execution of UNSC Resolution 1267), 6 a 6 (formal procedure for UNSC Resolution 1373. The respective authority is the Council of Ministers upon the information of Financial Crimes Investigation Board (*Mali Suçları Araştırma Kurulu-MASAK*) together with other respective institutions on informed by the natural and legal persons and public organizations about the asset records of the information on the frozen assets within seven days following the date of request.

Assessment of Turkish Counter-Terrorism Financing Policy

Countering terrorism financing has global standards, namely Financial Action Task Force's Forty Recommendations, which require financial institutions to monitor transactions and report to respective authorities in the state. In terms of effectiveness, problems exist due to several reasons. According to Richard K. Gordon (2011, p. 564), it is due to a faulty theoretical construction, poorly described, expensive and unfunded characteristics of the FATF Recommendations; lack of expertise or data design and implement such system by financial institutions. Determining suspicious reports and defining overall role of public sector and private sector can also be named as other problems in rethinking global standards in countering terrorism financing. Another necessity is with regard to global standards in countering terrorism financing. The FATF 40 Recommendations should be overviewed due to a faulty theoretical construction, poorly described, expensive and unfunded characteristics of the FATF Recommendations; lack of expertise or data design and implement such system by financial institutions.

International Co-operation Review Group (ICRG), the Review Group on Asia/Pacific and the Review Group on the Americas, Europe and Africa/Middle East were review groups set up by FATF for monitoring (Borekci and Erol, 2011, p. 3754). Nomination, referral based on mutual evaluation results, and referral based on non-participation in an FSRB and non-publication of reports are three procedures.

Another standard is issued by the European Union, namely the Declaration on Combating Terrorism (EU, 2004) including money entry and exit to the Union and Black Money Laundry Order; financial sanctions to the terrorists and terrorist organizations; preventing using aid

institutions in financing of terrorism, sanctions to freezing bank accounts of individuals and groups in member countries are made more effective within the framework of financing terrorism (Wilkinson, 2005, pp. 31-32).

The main component of Türkiye's contribution to the international community's efforts to counter-terrorism is membership of the FATF. This requires Türkiye to constantly review, update and implement CTF legislation to ensure that it is compliant with the FATF recommendations (Ministry of Foreign Affairs, 2022). 2015 marked another vital point in such efforts since together with United States of America (USA), Türkiye initiated the FATF report on ISIL/Da'esh financing (Defeat-ISIS CIFG) (US State Department, 2022). After deficiencies identified in the FATF 2019 mutual evaluation, Türkiye promulgated a new law on terrorism finance, money laundering, and nonproliferation. Moreover, cooperation with other financial investigation units through EGMONT Group by MASAK is another area for Türkiye to contribute international community's efforts to counter-terrorism.

The European Union (EU) adopted a Counter-Terrorism Strategy, which continues to be the main framework for EU action in the field of counterterrorism in December 2005. In the "pursue" pillar second aim of is to put an end to sources of terrorist financing by carrying out inquiries, freezing assets, and impeding money transfers (Santamato and Beumler, 2001, p. 34). Moreover, new rules to prevent money laundering and terrorist financing were adopted by the Council and the European Parliament in May 2015 (Delegation of the European Union to Türkiye, 2022). Within Türkiye's candidacy to the European Union, it is also a vital component in Türkiye's contribution to international community's efforts.

Initially, the North Atlantic Treaty Organization (NATO) identified two initial CTF policy needs (Cascone, 2022): to prevent terrorists from financing through the looting of cultural property; the exchange of financial information obtained in the course of technical exploitation/battlefield evidence activities. In the first one, preparing NATO military forces for operational deployments is the goal. In the second one, in sharing information with the appropriate authorities, NATO initiated preliminary contacts with relevant international partners (Interpol, the Financial Action Task Force, the Egmont Group).

FATF (2021) published its report on assessment of Türkiye's capacity on Anti-money Laundering and Counter Terrorist Financing Türkiye Mutual Evaluation (AML/CTF). It aims to monitor performance in order to address the risks prevailing for better performance and effectiveness together with the recommendations. The evaluation is made over compliant, largely compliant, partially compliant or non-compliant with recommendations. In the period, there is a gradual progress observed by the FATF in Türkiye's countering-terrorism financing assessment (Katman, 2021). In the following periods, there were policy changes in accordance with the recommendations. It reveals a dedication to upgrade the counter-terrorism financing in Türkiye. Assigned by ICRG, Türkiye was also subject to referral based on mutual evaluation results and a regional review group called Europe/Eurasia (ERRG) for review process in July 2009 to continue the *prima facie* analysis (Borekci and Erol, 2011, p. 3760).

In 2007 Mutual Evaluation Report Türkiye (FATF, 2007), non-compliance in 11 recommendations, partial compliance in 22 recommendations, compliance in 3 recommendations, and large compliance in 12 recommendations were assessed while 1 recommendation was not applicable and compliance or large compliance in 16 core areas were assessed.

In October 2009, an interagency working group in coordination of MASAK was established in order to overcome a *prima facie* case assessed by FATF for Türkiye on criminalizing the financing of terrorism and associated money laundering (Special Recommendation II-SR II) and freezing and confiscating terrorist assets (SR III) in terms of deficiencies in the countering-terrorism financing (Borekci and Erol, 2011, pp. 3762-64).

In 2014 Mutual Evaluation Report Türkiye (FATF, 2014), while satisfactory compliance with all core recommendations and 4 out of the 5 key recommendations was reported, despite concrete actions, not satisfactory compliance with Special Recommendation III and significant progress including through legislative amendments in order to meet the deficiencies were assessed in the mutual evaluation report. After that, Türkiye's performance was noteworthy in countering money laundering with drug trafficking, human trafficking, fuel and migrant smuggling listed in the national risk assessment in 2018. Conversely, it is recommended to use intelligence in investigations and develop better capacity in freezing assets immediately noting on the efforts in cooperation and coordination.

In the 2019 Mutual Evaluation Report Türkiye (FATF, 2019, p. 11), Türkiye was largely compliant with 17 recommendations (Assessing risk and applying risk-based approach, National cooperation and coordination, Money laundering offense, Terrorist financing offense, Customer due diligence, Correspondent banking, Money or value transfer services, New technologies, Wire transfers, Higher-risk countries, Powers of supervision, Powers of law enforcement and investigative authorities, Cash couriers, Statistics, Guidance and feedback, International instruments, Other forms of international cooperation), compliant with 11 recommendations (Confiscation and provisional measures, Financial institution secrecy laws, Record keeping, Reliance on third parties, Reporting of suspicious transactions, Tipping-off and confidentiality, Financial intelligence units, Responsibilities of law enforcement and investigative authorities, Mutual legal assistance, Mutual legal assistance: freezing and confiscation, extradition), partially compliant with 10 recommendations (targeted financial sanctions–terrorism and terrorist financing, non-profit organizations, internal controls and foreign branches and subsidiaries, Designated Non-Financial Businesses and Professions (DNFBPs): Customer due diligence, DNFBPs: other measures, transparency and beneficial ownership of legal persons, transparency and beneficial ownership of legal arrangements, regulation and supervision of financial institutions, regulation and supervision of DNFBPs, sanctions), and non-compliant with 2 recommendations (Targeted financial sanctions–proliferation, Politically exposed persons) in technical compliance ratings. Türkiye's assessment was low only in 2 areas (Terrorist financing preventive measures

and financial sanctions, Proliferation of financing), while it was moderate in 7 areas (Supervision, Preventive measures, Legal persons and arrangements, financial intelligence, money laundering investigation & prosecution) and substantial in 2 areas (risk, policy and coordination, international cooperation) in the effectiveness ratings.

Based on the assessments given above, there is a significant progress observed in the 2007, 2014, 2019 Mutual Evaluation Reports of Türkiye (FATF, 2021) since the number of partially compliance decreased from 22 to 10, non-compliant from 11 to 2, on the other hand, the number of compliances increased from 3 to 11, largely compliance from 12 to 17. It should also be noted that despite progress is observed, contemporary countering terrorism financing mechanisms against contemporary threats due to technologies advances (Katman, 2021a) such as “digital cash”, “e-cash”, “e-money” include internet payment services, stored value cards-limited-purpose or closed-system card, multi-purpose or open-system card, e-purse, mobile payments, digital precious metals should be carefully addressed and continuous follow up must be in place in order to be up to date in mitigating digitalization of finance in terrorism as well.

Conclusion

Terrorism is a challenge and a vital component of countering terrorism policy should be focused on financial aspect of terrorism since “*money is oxygen for terrorism*” and international cooperation is more significant in countering terrorism financing. In analyzing countering terrorism financing in Türkiye, technical, legal, and human resource aspects can be listed as major areas for challenges.

As terrorism adjusts itself to the realities of time, counter-terrorism mechanism should also be able to do that accordingly. In terms of financial side of terrorism, technological advances add new platforms that are complex and involve multiple actors and platforms. In the 21st century, digital age terminology also refers to digital currency. Digitalization brings extra complex challenges to countering terrorism financing. In terms of countering such rapid developments, a major challenge is the capacity of legal framework to timely and effective coverage against digital funding, digital laundering etc. Considering Türkiye’s capacity to build legal framework in 1990s, it is vital to make continuous update in accordance with the rapid changes in the terrorism financing in parallel with the technological innovation. Cyber aspect of the 21st century should also be carefully assessed in CTF policy and it requires robust legal and human resources aspects.

In tackling terrorism financing, CTF legal frameworks involves necessary precautions on the issue but it has certain deficiencies such as the coverage of local cases of terrorism. Such problem is reflected in Turkish case. The orientation of international legal framework mainly targeting religiously motivated terrorist organizations is a challenge on international cooperation. It is not only cooperation at international level but also at domestic level that

challenges countering terrorism financing. In Turkish case, it is the intelligence sharing on sensitive and classified information that challenges countering terrorism financing.

Human resource quality is a vital component in countering terrorism financing as well. Especially in the ear of rapid technological advances, special focus should also be given on increasing the capacity of human resources with regular trainings. The critical point in effective counter terrorism financing policies, the race is mainly on who is more capable in benefiting from technological innovations.

In the Türkiye's assessment in countering-terrorism financing (Katman, 2021a), 2007, 2014, and 2019 FATF Mutual Evaluation Reports of Türkiye notes non-compliance only in 2 areas, namely targeted financial sanctions–proliferation and politically exposed persons while a gradual progress is noted positively in largely compliance (12 to 17), compliance (3 to 11), and partial compliance (22 to 10) and non-compliance (11 to 2). In overall assessment, in 28 over 40 FATF Recommendations, Türkiye was assessed as compliant and largely compliant while 12 areas are listed for focus in future to have comprehensive, efficient, and also timely CTF. One more important note is on the capacity of the banking sector, which is a vital component of CTF, with good capacity to grasp the potential exposure to transactions with links to crime, while comparatively less capacity in the exposure to terrorist financing. In non-financial entities like real estate agents, dealers in precious metal and stones, with a note on effectiveness, proportionality and dissuasiveness of the sanctions for non-compliance, it is noted a limited grasp the risks but well-developed in supervision of the financial and other relevant sectors in general.

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CHAPTER VII

TÜRKİYE'S EFFORTS TO COUNTER FINANCING OF THE TERRORIST ORGANIZATION DAESH

Osman Şen¹
Oğuzhan Pehlivan²

Abstract

Having embraced a long-term strategy concerning anti-terrorism, Türkiye is the country that receives the most harm from the actions and activities of the terrorist organization DAESH outside of areas of conflict. Due to the lack of sufficient sources covering Türkiye's combat against the financing of the terrorist organization DAESH in national and international literature, this study aims to reveal Türkiye's combat against the financing of the terrorist organization DAESH through field research upon reviewing relevant literature and available sources. As a result of the study, it has been determined that Türkiye combats financing of the DAESH on multiple levels, is a part of all international organizations and initiatives fighting against the DAESH, and contributes to all efforts against the organization including those in areas of conflict. Continuing its determined and heavy efforts of anti-terrorism on an international level, Türkiye contributes by establishing institutions and organizations that are competent in financing resources of terrorism and are cooperative, by keeping its legislation up-to-date given new developments, and by carrying out successful cross-border operations.

Keywords: *Financing of terrorism, DAESH, Financial Crimes Investigation Board (MASAK), Legislation, Judicial Campaign.*

Introduction

Türkiye is the country that receives the most harm from the actions and activities of the terrorist organization DAESH apart from areas of conflict. 304 people including 10

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police officers and one military personnel, have lost their lives and 1338 people including 62 police officers and 7 military personnel have been injured as a result of 10 suicide attacks, 1 bombing, and 3 armed attacks carried out by the organization. Moreover, Türkiye was harmed economically in addition to security concerns caused by the organization occupying a significant portion of Iraqi and Syrian territories. While organizing important operations for the fight against the organization domestically, Türkiye also organized Euphrates Shield, Olive Branch, and Peace Spring cross-border military operations and joined the Global Coalition against DAESH. Despite such efforts, it is clear that one of the most important aspects of the combat against the organization which can reach man-power and finance resources on a global scale and carries out attacks in various countries is combatting the financial resources.

Therefore, we believe that studying the role of Türkiye in combatting finance resources of the terrorist organization DAESH is crucial. This study was conducted due to a lack of sources in national and international literature concerning Türkiye's combat against financial resources of the terrorist organization DAESH.

The study aims to reveal Türkiye's combat against the financial resources of the terrorist organization DAESH through a field study following the review of relevant literature and available sources. Accordingly, the organization and legislation of the country concerning countering financing will be examined initially. Subsequently, administrative measures will be evaluated after reviewing important finance operations concerning the organization. Finally, the matter of "how Türkiye contributes to the combat against the financing of the organization internationally" will be discussed in view of the data obtained. In short, a sample case will be presented for researches studying the finance resources of organizations executing terrorism strategies.

1. The Organizational and Legal Structures in Türkiye for Fighting against Financing of Terrorism

Although it is known that movable and immovable goods of individuals were seized and transferred to the treasury due to reasons deemed a crime by the sovereigns of many civilizations such as Ancient Rome, Ancient Greece, Babylonia and Seljuks, this practice was not strictly regulated and supervised by international organizations as it is carried out today. However, these practices hint that seizures were used as a form of punishment and measure in many societies. Seizure of assets due to criminal activity was practiced in Seljuks, Ottomans, and the Republic of Türkiye.³ Permanent seizure of the assets of those involved in criminal activity is referred to as confiscation in the Turkish Penal Code which came into effect after the establishment of the Republic of Türkiye. Confiscation practice is enforced as

³ Topaç, T. H. (2013). Eşya Müsaderesi (TCK. 54). Uyuşmazlık Mahkemesi Dergisi, 0(2), 49. Retrieved from <https://dergipark.org.tr/tr/pub/mdergi/issue/16882/175769>

per court order.⁴ Confiscation is classified under common offences in the legislation in terms of financing of terrorism.

Concerning confiscation in the context of crimes related to terrorism, a regulation aimed at NGOs was enforced with the provision in Clause 4 of Article 7 of the Anti-Terror Law No. 3713 which entered into force on 12.04.1991 stating *“In addition, activities of associations, foundations, unions and similar institutions are suspended and such institutions are shut down. It is ruled to confiscate the assets of such shut down institutions.”*⁵ Subsequently, committee reports concerning the draft of Law No. 4208 on Prevention of Money Laundering which was enforced in 1996 referred to United Nations Convention against Trafficking in Narcotic Drugs and Psychotropic Substances, Recommendation R(80)10 of the Committee of Ministers of the Council of Europe, Accords issued by the Basel Committee in 1988, the decision to establish a Financial Action Task Force/FATF at the 1989 summit meeting of the G-7 countries and the related 40-point recommendation, Convention of Council of Europe on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, and Council Directive of the European Parliament on the Prevention of Money Laundering. In the Law No.⁶ 4208, it is stated that *“Whoever commits money laundering offence shall be sentenced to imprisonment for from two years to up to five years and also heavy fine of one fold of the money laundered and all the property and assets in the scope of dirty money including the returns derived from them and in case the property and assets could not be seized, the corresponding value of them shall be subject to confiscation. If dirty money is derived from offences of terrorism or from smuggling of substances or items which are forbidden by law to be imported to or exported from Türkiye, or if the offence is committed to obtain sources for the offences of terrorism, the term of imprisonment to be imposed on the perpetrator according to the clause of the above referred paragraph shall not be less than four years.”*⁷

Within the framework of the Law No. 4208 and obligations arising from the international treaties and conventions entered into, the court was authorized for penal and confiscation procedures concerning money laundering for financing of terrorism. Moreover, with the Law No. 4208, Financial Crimes Investigation Board (MASAK) was established under the Ministry of Treasury to be tasked with investigating and preventing such crimes and notifying judicial authorities upon detection thereof, cooperating with the law enforcement, cooperating with

⁴ Ergün, G. (2021). Suçta Kullanılmak Üzere Hazırlanan Eşyanın Müsaderesi. Türkiye Barolar Birliği Dergisi, 2021(153), 172-174. Retrieved from <https://search.trdizin.gov.tr/yayin/detay/512559/>

⁵ T.C. Başbakanlık Mevzuatı Geliştirme ve Yayın Genel Müdürlüğü. (1991, April 12). 20843 Sayılı. T.C. Resmî Gazete. Retrieved September 01, 2022, from https://www.resmigazete.gov.tr/arsiv/20843_1.pdf

⁶ Türkiye Büyük Millet Meclisi, Uyuşturucu ve Psikotrop Maddelerin Kaçakçılığı ile Kara Paranın Aklanmasının Önlenmesine İlişkin Kanun Tasarısı ve Adalet, İçişleri ve Plan ve Bütçe Komisyonları Raporları (1/413), Retrieved September 01, 2022, from https://www5.tbmm.gov.tr/tutanaklar/TUTANAK/TBMM/d20/c013/tbmm20013017ss01_24.pdf

⁷ T.C. Başbakanlık Mevzuatı Geliştirme ve Yayın Genel Müdürlüğü. (1996, November 19). 22822 Sayılı. T.C. Resmî Gazete. Retrieved September 05, 2022, from <https://www.resmigazete.gov.tr/arsiv/22822.pdf>

Financial Institutions to detect criminals.⁸ With the establishment of MASAK, endeavors to monitor and support activities aimed at countering the financing of terrorism were assembled under a single organization. It is believed that in addition to providing support for intelligence departments concerning financing of terrorism; this establishment enabled judicial authorities and the law enforcement in charge of conducting judicial endeavors for such crimes to receive support of an expert institution.

Once established, MASAK was authorized as Türkiye's national body to coordinate the activities of FATF, of which Türkiye is a member since 1991,⁹ and that of other international and regional bodies aimed at countering the financing of terrorism as included in the commission reports under the Law No. 4208. MASAK, in addition to FATF, conducted procedures concerning putting into practice the decisions of 2001 on freezing the assets of the Cabinet in Türkiye within the scope of Resolution No. 1267 of 1999, Resolution No. 1333 of 2000 and Resolution No. 1373 of 2001 of the United Nations Security Council pertaining to freezing of assets of persons and organizations linked to Al-Qaeda and Taliban.¹⁰ As per the UNSC Resolution, assets of those included in 131-item list consisting of organizations, persons and entities linked to terrorism have been frozen.¹¹ Updates of UNSC on Resolutions No. 1988 and 1989 of 2011 in addition to former resolutions were entered into effect as per the Decisions of the Cabinet and subsequently the President within the scope of constitutional amendment¹² and MASAK provided oversight for the aforementioned process.

The inadequacies in Law No. 4208 were amended with the Turkish Penal Code No. 5237.¹³ The money laundering issue was amended with the statement *“Where a person conducts any act in relation to an asset, which has been acquired as a result of an offence which carries a minimum penalty of one-year imprisonment, in order to transfer such asset abroad or to give the impression that such asset has been legitimately acquired and conceal the illegitimate source of such, shall be subject to a penalty of imprisonment for a term of two to five years and a judicial fine of up to twenty thousand days.”* in Article 282 entitled Laundering of Assets Acquired from an Offence of Turkish Penal Code No.

⁸ T.C. Başbakanlık Mevzuatı Geliştirme ve Yayın Genel Müdürlüğü. (1996, November 19). 22822 Sayılı. T.C. Resmî Gazete. Retrieved September 05, 2022, <https://www.resmigazete.gov.tr/arsiv/22822.pdf>

⁹ FATF. (n.d.). Countries: Türkiye. <https://www.fatf-gafi.org/home/>. Retrieved September 5, 2022, from <https://www.fatf-gafi.org/countries/#T%C3%BCrkiye>

¹⁰ Altunok, T. (2009). Türkiye’de Terörizmin Finansmanı ile Mücadele. In Terörizmin Finansmanı ve Ekonomisi (1st ed., p. 285). Barış Platin Kitabevi.

¹¹ T.C. Başbakanlık Mevzuatı Geliştirme ve Yayın Genel Müdürlüğü. (2001, December 30). 24626 Mükerrer Sayılı. T.C. Resmî Gazete. Retrieved September 06, 2022, from <https://www.resmigazete.gov.tr/eskiler/2001/12/20011230M1-12.pdf>

¹² T.C. Başbakanlık Mevzuatı Geliştirme ve Yayın Genel Müdürlüğü. T.C. Resmî Gazete. Retrieved September 07, 2022, <https://www.resmigazete.gov.tr/>, <https://masak.hmb.gov.tr/5-maddeye-iliskin-bakanlar-kurulu-kararlari>

¹³ Türkiye Büyük Millet Meclisi. (2003, May 12). Türk Ceza Kanunu Tasarısı ve Adalet Komisyonu Raporu (1/593). <https://www.tbmm.gov.tr/>. Retrieved September 7, 2022, from <https://www.5.tbmm.gov.tr/tutanaklar/TUTANAK/TBMM/d22/c059/tbmm220591>

5237 which came into effect in 2004.¹⁴ Moreover, extensive amendments were carried out to counter assets acquired from an offence with statements “*On the condition that the property does not belong to any third party acting in good faith, property that is used for committing an intentional offence or is allocated for the purpose of committing an offence, or property that has emerged as a result of an offence shall be confiscated. Property that is prepared for the purpose of committing a crime shall be confiscated, if it presents a danger to public security, public health or public morality.*” in Article 54 entitled Confiscation of Property and “*Material gain obtained through the commission of an offence, or forming the subject of an offence or obtained for the commission of an offence and the economic earnings obtained as a result of its investment or conversion, shall be confiscated.*” in Article 55 entitled Confiscation of Gains of the Law No. 5237.¹⁵

Türkiye signed on 27 September 2001 approved on 28 June 2002 the International Convention for the Suppression of the Financing of Terrorism approved in General Assembly of the UN on 9 December 1999. Türkiye has made a reservation on Clause 1 of Article 24 pertaining to the submission of any dispute concerning the interpretation or application of the Convention which cannot be settled through negotiation to arbitration and any dispute which cannot be settled through arbitration to the International Court of Justice.¹⁶ To provide a proper legal ground for all obligations arising from this convention, Türkiye has also inserted such expressions as “*Whoever knowingly and willfully provides with or collects funds for committing partially or fully terrorist crimes, shall be punished as a member of an organization. The offender is punished the same even if the fund is not used. Fund cited in the first paragraph of this Article shall mean money or all types of property, right, credit, revenue and interest, value of which may be presented by money, and benefit and value that was collected as a result of conversion thereof*”¹⁷ in Article 8 entitled Financing of Terror of the Law No. 5532 and 3713.¹⁸

Draft Law No. 5549 on the Organization and Functions of Financial Crimes Investigation Board and Prevention of Laundering Proceeds of Crime prepared by the Ministry of Finance, superior authority of MASAK, refers to the 40 Recommendations of FATF revised in 1996 and

¹⁴ Türkiye Büyük Millet Meclisi. (2004, September 26). Türk Ceza Kanunu. <https://www.tbmm.gov.tr/>. Retrieved September 7, 2022, from https://www5.tbmm.gov.tr/tutanaklar/KANUNLAR_KARARLAR/kanuntbmmc088/kanuntbmmc08805237.pdf

¹⁵ Türkiye Büyük Millet Meclisi. (2004, September 26). Türk Ceza Kanunu. <https://www.tbmm.gov.tr/>. Retrieved September 7, 2022, from https://www5.tbmm.gov.tr/tutanaklar/KANUNLAR_KARARLAR/kanuntbmmc088/kanuntbmmc08805237.pdf

¹⁶ United Nations. (1999, December 9). International Convention for the Suppression of the Financing of Terrorism. Retrieved September 7, 2022, from https://treaties.un.org/pages/ViewDetails.aspx?src=IND&mtmsg_no=XVIII-11&chapter=18&clang=en

¹⁷ Türkiye Büyük Millet Meclisi. (2006, June 29). Terörle Mücadele Kanunu'nda Değişiklik Yapılmasına Dair Kanun. <https://www.tbmm.gov.tr/>. Retrieved September 8, 2022, from https://www5.tbmm.gov.tr/tutanaklar/KANUNLAR_KARARLAR/kanuntbmmc090/kanuntbmmc09005532.pdf

¹⁸ Türkiye Büyük Millet Meclisi. (2006, April 18). Terörle Mücadele Kanunu'nun Bazı Maddelerinde Değişiklik Yapılmasına Dair Kanun Tasarısı ve İçişleri ile Adalet Komisyonları Raporları (1/1194). <https://www.tbmm.gov.tr/>. Retrieved September 9, 2022, from <https://www5.tbmm.gov.tr/tutanaklar/TUTANAK/TBMM/d22/c126/tbmm22126122ss1222.pdf>

2003, and the Special Resolution 9 adopted in 2004 concerning the prevention of financing of terrorism via cash couriers, and previous international conventions on combatting financing of terrorism. Moreover, lack of a sufficient number of suspicious transactions reported were also included among the justifications for the Law No. 5549 on grounds that Law No. 4208 failed provide protection for real and legal persons that are responsible for reporting such transactions.¹⁹ While on the one hand the organization and duties of MASAK were finally clarified, on the other hand, provisions remedying practical setbacks concerning the reporting of suspicious transactions were introduced.²⁰

During the enactment process of the Law No. 6415 on Prevention of Financing of Terrorism, GNAT commission reports included references to International Convention for the Suppression of the Financing of Terrorism, and UNSC Resolutions No. 1267 and 1373 on freezing the assets of persons who support terrorism.²¹ As per the Article 90 of the Turkish Constitution stating “International treaties duly put into force shall have the force of law.”, while the UNSC Resolutions on freezing of assets were implemented by decisions of the Cabinet, Law No. 6415, which entered into force in 2013, determined the principles concerning freezing of assets.²² In addition to principles concerning freezing of assets, the offense of financing terrorism was regulated once more with the Law No. 6415.²³ In view that perpetrators of the crime of becoming a member of a terrorist organization could also provide funding due to the very nature of the crime concerned, Law No. 6415 also proved useful to prevent such practices requiring procedures based solely on membership to such organizations.²⁴

The subparagraph (f) and paragraph 2 of Article 231 entitled ‘The Presidency of Financial Crimes Investigation Board (MASAK) of the Presidential Decree issued in 2018 was amended so as to facilitate the functioning of MASAK, with provision such as “*Requesting law enforcement and other units to conduct investigations and research in its area of duty*

¹⁹ Türkiye Büyük Millet Meclisi. (2005, June 9). Mali Suçları Araştırma Kurumunun Teşkilat ve Görevleri İle Suç Gelirlerinin Aklanmasının Önlenmesi Hakkında Kanun Tasarısı ve Avrupa Birliği Uyum ile Plan ve Bütçe Komisyonları Raporları (1/1053). <https://www.tbmm.gov.tr/>. Retrieved September 10, 2022, from <https://www5.tbmm.gov.tr/tutanaklar/TUTANAK/TBMM/d22/c131/tbmm22131006ss1201.pdf>

²⁰ Türkiye Büyük Millet Meclisi. (2006, October 11). Suç Gelirlerinin Aklanmasının Önlenmesi Hakkında Kanun. <https://www.tbmm.gov.tr/>. Retrieved September 11, 2022, from https://www5.tbmm.gov.tr/tutanaklar/KANUN_LAR_KARARLAR/kanuntbmmc091/kanuntbmmc091/kanuntbmmc09105549.pdf

²¹ Türkiye Büyük Millet Meclisi. (2011, October 21). Terörizmin Finansmanının Önlenmesi Hakkında Kanun Tasarısı ile İçişleri Komisyonu ve Adalet Komisyonu Raporları (1/489). <https://www.tbmm.gov.tr/>. Retrieved September 12, 2022, from <https://www5.tbmm.gov.tr/sirasayi/donem24/yil01/ss409.pdf>

²² Kurt, H. (2022). Türk Hukukunda Malvarlığının İç Dondurulması. TBB Dergisi, (158), 38. Retrieved from <http://tbbdergisi.barobirlik.org.tr/m2022-158-2020>

²³ Yılmaz, Y. (2020). Terörizmin Finansmanı Suçu. YÜHFD, C.XVII, 181. Retrieved from <https://dergipark.org.tr/en/download/article-file/1249893>

²⁴ Yılmaz, Y. (2020). Terörizmin Finansmanı Suçu. YÜHFD, C.XVII, 181. Retrieved from <https://dergipark.org.tr/en/download/article-file/1249893>, Türkiye Büyük Millet Meclisi. (2011, October 21). Terörizmin Finansmanının Önlenmesi Hakkında Kanun Tasarısı ile İçişleri Komisyonu ve Adalet Komisyonu Raporları (1/489). <https://www.tbmm.gov.tr/>. Retrieved September 12, 2022, from <https://www5.tbmm.gov.tr/sirasayi/donem24/yil01/ss409.pdf>

when necessary during the evaluation process”²⁵ and “The unit requested by the Presidency according to subparagraph (f) of the first paragraph shall be obliged to fulfill the requirements of this request immediately.”, respectively.²⁶

Türkiye introduced Turkish Penal Code No. 5237, Law No. 5549 on Prevention of Laundering Proceeds of Crime, Law No. 6415 on Prevention of Financing of Terrorism, Regulation On Measures Regarding Prevention Of Laundering Proceeds Of Crime And Financing Of Terrorism, and Regulation On The Procedures And Principles Regarding The Implementation Of Law On The Prevention Of The Financing Of Terrorism in addition to Law No. 3713 on Fight Against Terrorism and Law No. 4208 concerning countering crimes related to the financing of terrorism, respectively.²⁷

The duty of determining the strategy against financing of terrorism in Türkiye was assigned to Financial Crimes Coordination Board, as can be inferred from the Presidential Decree adopted in 2018 stating “*Financial Crimes Coordination Board was established to evaluate draft legislation pertaining to laundering of proceeds of crime and prevention of financing of terrorism, and to determine strategies for implementation and make directive decisions within this scope.*”²⁸ The Coordination Board consists of representatives of Ministry of Treasury and Finance, Financial Crimes Investigation Board, National Intelligence Organization (MİT), General Directorate of Financial Markets and Foreign Exchange, Tax Inspection Board, General Directorate of Criminal Affairs of Ministry of Justice, General Directorate of Research and Security Affairs of Ministry of Foreign Affairs, General Directorate of Customs Enforcement of Ministry of Commerce, Banking Regulation and Supervision Agency and Turkish National Police (TNP).²⁹ Intelligence services concerning the determination and prevention of such crime is provided, mainly, by MASAK and then by the Presidency of the National Intelligence Organization and the Intelligence Department of the TNP, other agencies carrying out intelligence functions also include the Gendarme as well as other intelligence bodies.

Judicial duties are assigned to Turkish National Police (TNP), the General Command of Gendarme, the Coast Guard Command³⁰ and the General Directorate of Customs

²⁵ T.C. Cumhurbaşkanlığı İdari İşler Başkanlığı Hukuk ve Mevzuat Genel Müdürlüğü. (2018, July 10). 30474 Sayılı. T.C. Resmî Gazete. Retrieved September 15, 2022, from <https://www.resmigazete.gov.tr/eskiler/2018/07/20180710-1.pdf>

²⁶ T.C. Cumhurbaşkanlığı İdari İşler Başkanlığı Hukuk ve Mevzuat Genel Müdürlüğü. (2018, July 10). 30474 Sayılı. T.C. Resmî Gazete. Retrieved September 15, 2022, from <https://www.resmigazete.gov.tr/eskiler/2018/07/20180710-1.pdf>

²⁷ MASAK. (n.d.). Ulusal Mücadele (TF). Retrieved September 15, 2022, from <https://masak.hmb.gov.tr/ulusal-mucadele-tf>

²⁸ T.C. Cumhurbaşkanlığı İdari İşler Başkanlığı Hukuk ve Mevzuat Genel Müdürlüğü. (2018, July 10). 30474 Sayılı. T.C. Resmî Gazete. Retrieved September 15, 2022, from <https://www.resmigazete.gov.tr/eskiler/2018/07/20180710-1.pdf>

²⁹ MASAK. (n.d.). Koordinasyon Kurulu. Retrieved September 15, 2022, from <https://masak.hmb.gov.tr/koordinasyon-kurulu>

³⁰ Aydın, N. & Demir, T. (2022). Emniyet Hizmetlerinin Sunumunda Düalist Yapı Sorunsalı: Adli ve İdari Kolluk. Dumlupınar Üniversitesi İİBF Dergisi, (9), 19-46. Retrieved from <https://dergipark.org.tr/pub/dpuibf/issue/70376/1125313>

Enforcement³¹ as per the relevant legislation. According to 2020 data, 93% of Türkiye's population resides in centers of provinces and districts.³² Police departments execute judicial duties in such locations. In addition, almost all of finance centers are located in the jurisdiction of the police. Therefore, MASAK data will be examined in administrative context while MASAK and Department of Counter Terrorism of the TNP data will be examined in judicial context in order to investigate the efforts of Türkiye against financing of the terrorist organization DAESH.

2. Administrative Aspect of Efforts to Counter Financing of Terrorist Organization DAESH

MASAK, formed as per the Law No. 4208 and the establishment efforts of which started in February 1997, performed important duties internationally as Türkiye's expert institution on money laundering and financing of terror in administrative, informative and judicial context.³³ Following MASAK's establishment, the financial system and ecology that could not be properly investigated in terms of terrorism and organized crime by the law enforcement and intelligence organizations began to be thoroughly examined. MASAK has placed great importance to capacity building ever since it was established. As can be seen in Diagram 1, the staff number has demonstrated continuous increase excluding the process following the failed coup attempt of 15 July by the terrorist organization FETÖ/PDY (Fethullahist Terrorist Organization/Parallel State Structure).

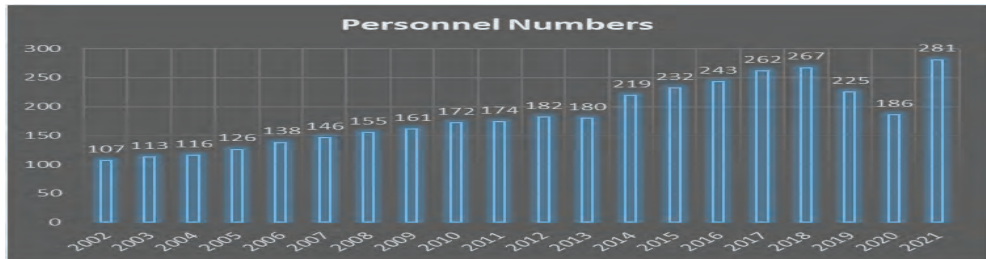


Diagram 1: MASAK's Personnel Distribution by Years³⁴

³¹ Gümrükler Muhafaza Genel Müdürlüğü. (n.d.). Adrese Dayalı Nüfus Kayıt Sistemi Sonuçları, 2020. Retrieved September 30, 2022, from <https://muhafaza.ticaret.gov.tr/teskilat/hakkimizda>

³² Türkiye İstatistik Kurumu. (2021, February 4). Adrese Dayalı Nüfus Kayıt Sistemi Sonuçları, 2020. Retrieved September 30, 2022, from <https://data.tuik.gov.tr/Bulten/Index?p=Adrese-Dayali-Nufus-Kayit-Sistemi-SonucLari-2020-37210>

³³ MASAK. (2004). Faaliyet Raporu 2003. Retrieved September 16, 2022, from https://ms.hmb.gov.tr/uploads/sites/12/2021/01/faalrap_2003.pdf

³⁴ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

MASAK, in addition to such duties it carries out concerning financing of terrorism, also conducts freezing of assets of real and legal persons as a result of investigation and analyses executed within the scope of UNSC Resolutions, Reasoned Requests of Foreign States and Court Decisions.³⁵ While freezing of assets were carried out as per UNSC resolutions as presented in Figure 1 until 2018, the process continued to be conducted as shown in Figure 2 following the Presidential Government System which was accepted with a referendum in 2017 and came into effect in 2018.³⁶

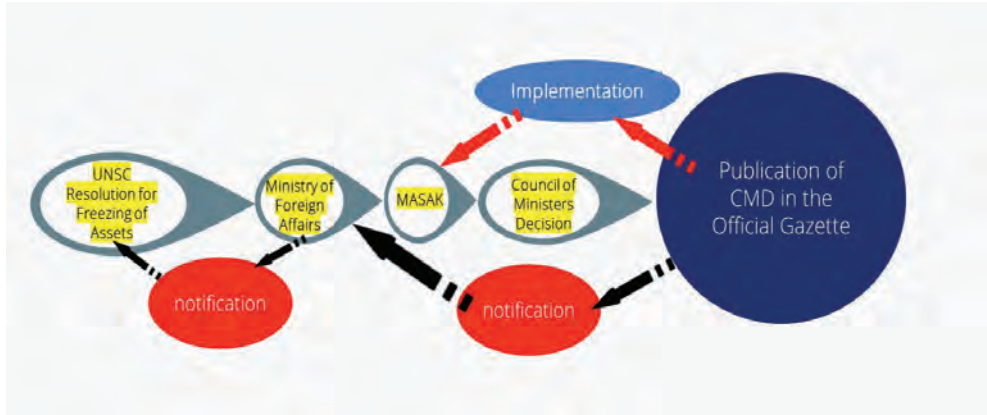


Figure 1: Freezing Process Regarding the UNSC Resolution on Freezing Assets³⁷

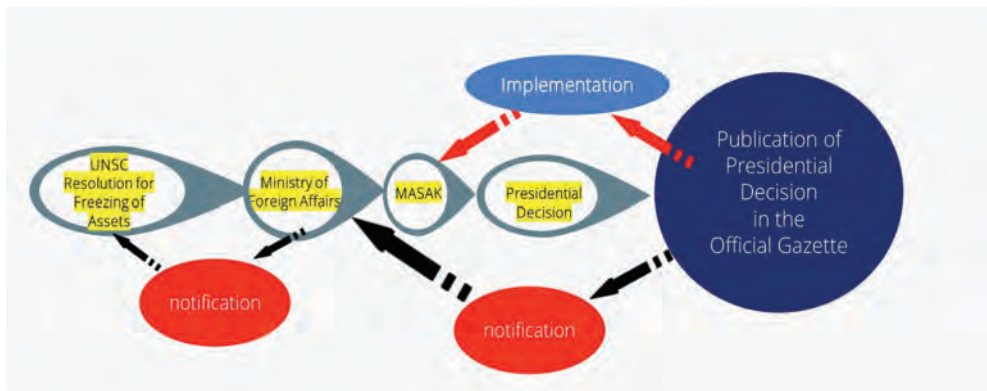


Figure 2: Freezing Process Regarding the UNSC Resolution on Freezing Assets (New System)³⁸

³⁵ MASAK. (2004). Faaliyet Raporu 2003. Retrieved September 16, 2022, from https://ms.hmb.gov.tr/uploads/sites/12/2021/01/faalrap_2003.pdf

³⁶ Türkten, F. (2019, April 16). Cumhurbaşkanlığı Hükümet Sistemi'nin ikinci yılı. Anadolu Ajansı. Retrieved from <https://www.aa.com.tr/tr/politika/cumhurbaskanligi-hukümet-sistemini-ikinci-yili/1453551>

³⁷ MASAK. (2018). Faaliyet Raporları 2017. Retrieved September 16, 2022, from https://ms.hmb.gov.tr/uploads/sites/12/2021/01/2017_Faaliyet_raporu-1.pdf

³⁸ MASAK. (2022). Faaliyet Raporları 2021. Retrieved September 17, 2022, from <https://ms.hmb.gov.tr/uploads/sites/12/2022/03/Faaliyet-Raporu-2021.pdf>

Türkiye has been enforcing freezing of assets of persons, groups and organizations linked with terrorism since 2001 with the adoption of Cabinet Decree published in redraft Official Gazette No. 24626 which was drawn up in line with Resolutions No. 1267, 1333 and 1373 of UNSC.³⁹ Persons with ties to Al-Qaeda and religious organizations have been listed. Presidential and the Cabinet decrees concerning additions and removals made in the list in the forthcoming days were published in the official gazette and then adopted. Ansar al-Islam, which was the first al-Qaeda affiliated organization in Iraq where DAESH was established and which operated in Northern Iraq, was added to the list with the Decree of the Cabinet published in the official gazette dated 25.07.2003.⁴⁰ It is seen that the leader of the organization, Abu Bakr al-Baghdadi, was added to the list along with other figures with the official gazette dated October 25, 2003.⁴¹ Currently the list consists of 481 individuals, and 279 of them are linked to DAESH and Al-Qaeda, 62 of them are only linked to Al-Qaeda and 140 of them are linked to Taliban.⁴²

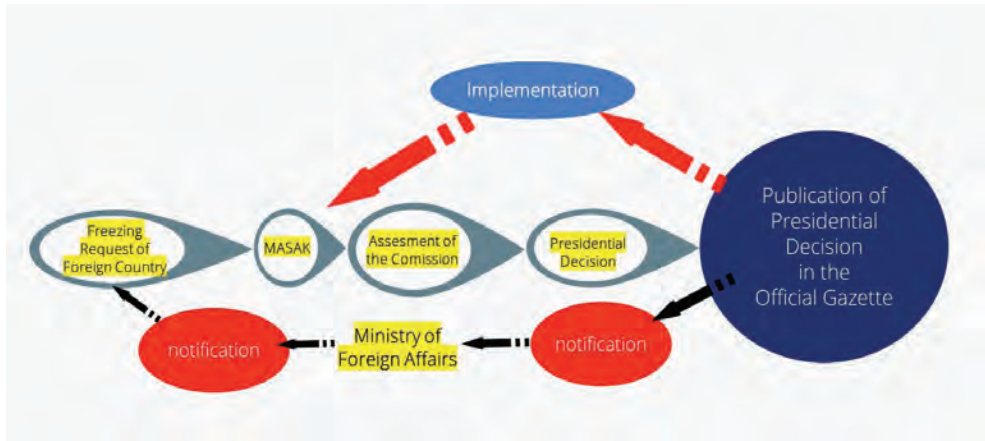


Figure 3: Freezing Process Regarding Request of Foreign Country⁴³

As demonstrated in Figure 3, currently, there are 96 persons, groups and organizations the procedures of which are ongoing and the assets of which are frozen at the request of foreign states.⁴⁴

³⁹ T.C. Başbakanlık Mevzuatı Geliştirme ve Yayın Genel Müdürlüğü. (2001, December 30). 24626 Mükerrer Sayılı. T.C. Resmî Gazete. Retrieved September 06, 2022, from <https://www.resmigazete.gov.tr/eskiler/2001/12/20011230M1-12.pdf>

⁴⁰ T.C. Başbakanlık Mevzuatı Geliştirme ve Yayın Genel Müdürlüğü. (2003, April 12). 25077 Sayılı. T.C. Resmî Gazete. Retrieved September 19, 2022, from <https://www.resmigazete.gov.tr/eskiler/2003/04/20030412.htm#2>

⁴¹ T.C. Başbakanlık Mevzuatı Geliştirme ve Yayın Genel Müdürlüğü. (2013, October 10). 28791 Sayılı. T.C. Resmî Gazete. Retrieved September 19, 2022, from <https://www.resmigazete.gov.tr/eskiler/2013/10/20131010.htm>

⁴² MASAK. (n.d.). 5. Maddeye İlişkin Bakanlar Kurulu Kararları. Retrieved September 19, 2022, from <https://masak.hmb.gov.tr/5-maddeye-iliskin-bakanlar-kurulu-kararlari>

⁴³ MASAK. (2022). Faaliyet Raporları 2021. Retrieved September 17, 2022, from <https://ms.hmb.gov.tr/uploads/sites/12/2022/03/Faaliyet-Raporu-2021.pdf>

⁴⁴ MASAK. (n.d.). 6. Maddeye İlişkin Bakanlar Kurulu Kararları. Retrieved September 19, 2022, from <https://masak.hmb.gov.tr/6-maddeye-iliskin-bakanlar-kurulu-kararlari>

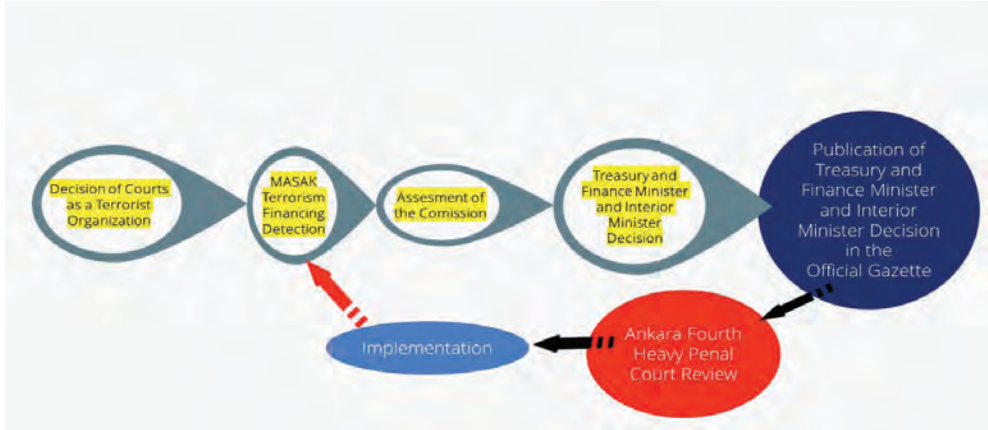


Figure 4: Freezing Process Regarding Courts Decision⁴⁵

As can be seen in Figure 4, the assets of 1213 persons, groups and organizations with ongoing procedures, 187 of which are linked to DAESH terrorist organization, have been frozen currently.⁴⁶ International information sharing, reports from international organizations and suspicious transaction reports are behind such detections of MASAK.

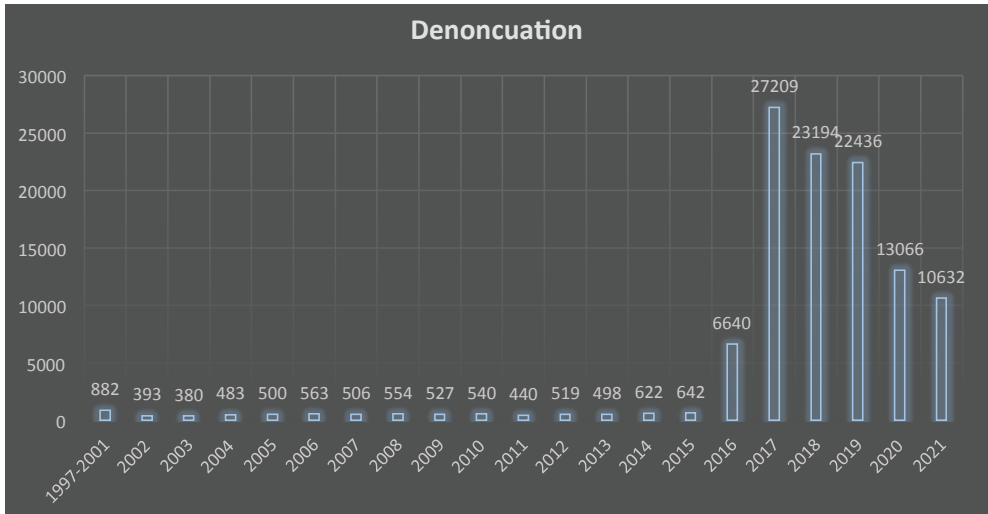


Diagram 2: Distribution of Notifications from Various Institutions to MASAK by Years⁴⁷

⁴⁵ MASAK. (2022). Faaliyet Raporları 2021. Retrieved September 17, 2022, from <https://ms.hmb.gov.tr/uploads/sites/12/2022/03/Faaliyet-Raporu-2021.pdf>

⁴⁶ MASAK. (n.d.). 7. Maddeye İlişkin Bakanlar Kurulu Kararları. Retrieved September 19, 2022, from <https://masak.hmb.gov.tr/7madde>

⁴⁷ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

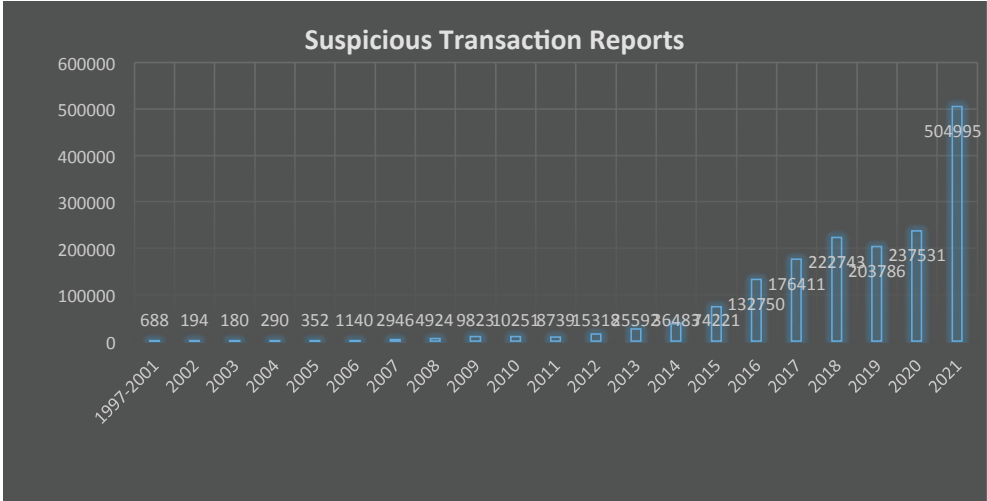


Diagram 3: Distribution of Suspicious Transaction Reports from Various Institutions to MASAK by Years⁴⁸

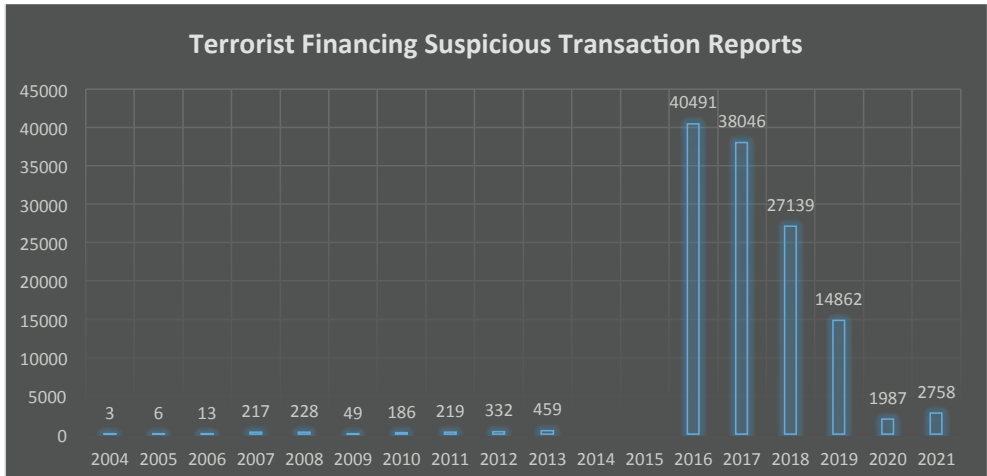


Diagram 4: Distribution of Terrorist Financing Suspicious Transaction Reports from Various Institutions to MASAK by Years⁴⁹

MASAK received a total of 1,669,357 suspicious transaction reports, with 111,226 notifications and 126,995 financing of terrorism suspicions, the yearly distributions of which are presented in Diagram 2, 3 and 4. Reviewing reports and notifications, it is seen that the numbers increase significantly as of 2016, when efforts against the terrorist organization FETÖ/PDY peaked. This is believed to be due to the increase in inter-institutional cooperation

⁴⁸ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

⁴⁹ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

resulting from removal of organization members from public positions, as well as the efforts against financing aspect of the terrorist organization FETÖ/PDY. Moreover, it is thought that MASAK increasing the inspections aimed at the activities of those in charge the yearly distribution of which are presented in Diagram 5 has been effective.

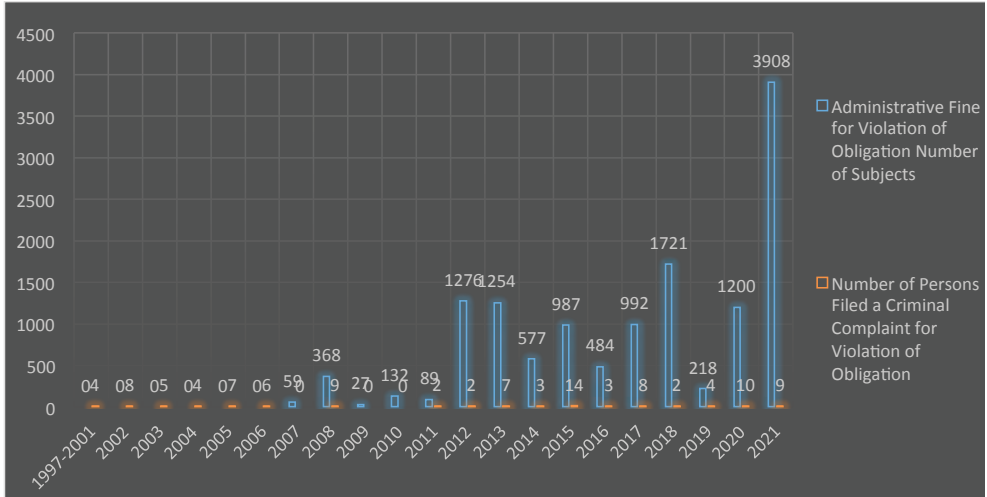


Diagram 5: Distribution of Transactions Regarding Non-Compliance with Obligations in MASAK's Supervision by Years⁵⁰

In addition to such activities, MASAK contributes to uncovering financial and other structures of the terrorist organization DAESH by engaging in information sharing concerning the efforts against financing of the organization with authorities in charge of intelligence in Türkiye, in particular Presidency of MİT and Presidency of Intelligence of the TNP.⁵¹ Provable intelligences are shared with judicial authorities and thus technical support is provided to investigation and prosecutions. Considering that administrative measures are subject to review by the courts, judicial campaigns constitute one of the most important pillars of the fight against crimes of terrorism. It is believed that analyzing judicial efforts will contribute greatly to understanding Türkiye's fight against financing of DAESH.

3. Judicial Aspect of Efforts to Counter Financing of Terrorist Organization DAESH

MASAK shares the evidence obtained from investigations of suspicious transaction reports, notifications, judicial requests, other state reports and record analyses with judicial authorities for necessary actions to be carried out. Upon reviewing Diagram 6, 7, 8 and 9 prepared from the data in activity reports of MASAK, it is seen that MASAK began laying

⁵⁰ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

⁵¹ MASAK. (2019). Faaliyet Raporları 2018. Retrieved September 19, 2022, from https://ms.hmb.gov.tr/uploads/sites/12/2021/01/2018_FAALIYET-RAPORU-v7.pdf

charges concerning financing of terrorism as of 2009 when the primary focus within the scope of the Law No. 4208 was laundering the proceeds of crime. It is also observed that judicial reports and requests began as of 2010.

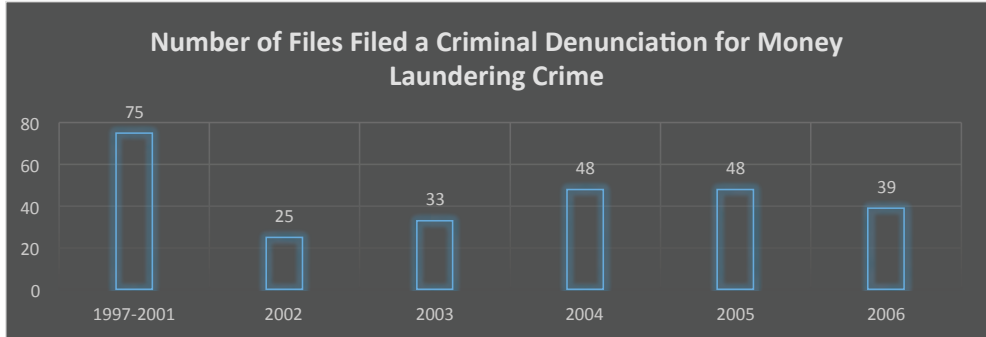


Diagram 6: MASAK Number of Files Which Filed Criminal Denunciation within the Scope of Files Examined by Years⁵²

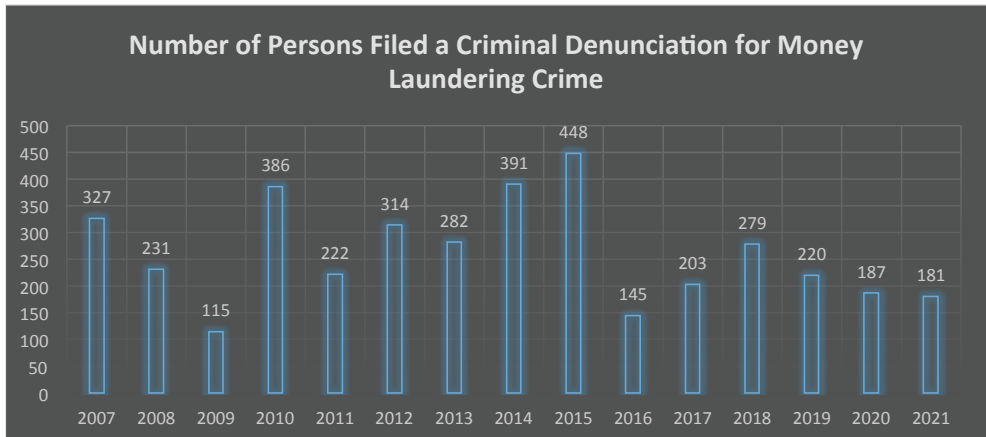


Diagram 7: MASAK Number of Persons Who Filed Criminal Denunciation within the Scope of Files Examined by Years⁵³

⁵² MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

⁵³ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

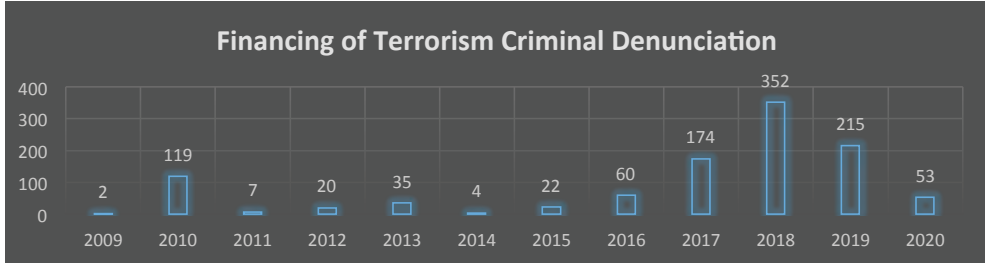


Diagram 8: MASAK Number of Files Which Filed Criminal Denunciation within the Scope of Files Examined by Years⁵⁴



Diagram 9: Distribution of Judicial Requests and Reports of Terrorist Offenses to MASAK by Years⁵⁵

Looking at Diagram 8, it is inferred that charges of financing of terrorism showed a significant increase in 2010 compared to the previous year, significantly decreased the following year, began increasing once more in 2015 and peaked in 2018. According to the data presented in Diagram 9, the number of judicial notifications and requests observed a significant increase in 2015 compared to the previous year, peaked in 2017 and decreased gradually in the following years. Again, this is believed to be due to the increase in inter-institutional cooperation resulting from removal of organization members from public positions, as well as the efforts against financing aspect of the terrorist organization FETÖ/PDY. In that context, MASAK both receives support from and provides support to judicial authorities in terms of financing of terrorism offense.

Judicial authorities combat financing of terrorism in light of evidence and notifications received from MASAK and other media. While public prosecutors may start and conduct a direct prosecution following such notifications and criminal reports, usually they instruct law enforcement officers specialized in judicial procedures for subjects requiring technical expertise and manpower. In addition to such instructions, intelligence and notifications received by the law enforcement are investigated by the relevant department after obtaining an instruction from the public prosecutors. As mentioned before, while relevant departments

⁵⁴ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

⁵⁵ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

of Turkish National Police (TNP), General Command of the Gendarme, Coast Guard Command, and General Directorate of Customs Protection are authorized to conduct judicial investigations, 93% of the population resides in the jurisdiction of Turkish National Police and almost all financing systems exist within this zone. Therefore, Department of Counter Terrorism and its rural units, department of the TNP in charge of combatting terrorism judicially and administratively, conduct a significant portion of the investigations in terms of financing on behalf of judicial authorities.

Department of Counter Terrorism (TEM) and its rural units carried out important operations concerning efforts to counter financing of the terrorist organization DAESH. In an operation carried out in Gaziantep in 2015, money printing mold used by the organization to print money and other necessary materials were seized.⁵⁶ It is seen that the seized printing molds match the banknotes in *Konstantiniyye Magazine* belonging to the organization published in 2015, which are presented in (Figure 5) Figure 6.



Figure 5: Gaziantep DAESH Operation⁵⁷

⁵⁶ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.22022 and numbered 45599763-1010597-(91713)-98, s.7-10. Gaziantep'te IŞİD'in Para Kaynağına Baskın. (2015). Memohaber. <https://m.memohaber.com/haber/gaziantep-te-isis-in-para-kaynagina-baskin/4275/>

⁵⁷ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.22022 and numbered 45599763-1010597-(91713)-98, s.7-10. Gaziantep'te IŞİD'in Para Kaynağına Baskın. (2015). Memohaber. <https://m.memohaber.com/haber/gaziantep-te-isis-in-para-kaynagina-baskin/4275/>



Figure 6: DAESH Coins Issued in Konstantiniyye⁵⁸

In the operation carried out by TEM İstanbul Branch Directorate in 2021 in coordination with TEM and MASAK, transactions of an individual who demand money from other organization members and sympathizers through a Telegram account with the aim of purchasing weapon silencers were detected. In the operation conducted following this detection, 17 individuals, items belonging to the organization and an unregistered firearm was captured.⁵⁹

After the organization lost control of territories it had occupied in Iraq and Syria, the terrorist organization PKK/KCK captured and held families of DAESH members in Al-Hol camp⁶⁰, which they control. DAESH members organize campaigns on social media through anonymous accounts for their family members to be rescued from this camp. In the Gaziantep-centered operation carried out within this context by TEM in 2021 in coordination with MASAK, money transactions of sizeable amounts were determined, 37 individuals were arrested, and a grenade and firearm was seized in the search conducted.⁶¹

According to the data of TEM, 91 operations were carried out for financing of terrorism crimes, 463 individuals were arrested in such operations, TRY 235,491 and a sizeable amount of foreign currency was seized in the scope of combating organizations linked to Tahrir al-Sham and Al-Qaeda, namely DAESH, in 2020-mid-June 2022.⁶² Evidence of affiliation to organizations is key in the execution of such operations. In that context, each organization

⁵⁸ DAESH Terrorist Organization. (2015, September/October). Konstantiniyye, (3), 57.

⁵⁹ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.5.

⁶⁰ The nominal control of Al-Hol Camp is seemingly under the responsibility of the SDF/YPG/PYD. Türkiye maintains its assessment with the evidence that YPG/PYD is the offshoot of the terrorist organization PKK/KCK in Syria. The YPG/PYD have currently not been accepted as terrorist organizations within some NATO nations such as the United Kingdom and the United States..

⁶¹ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.4.

⁶² The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.2.

member uncovered judicially is an important element in revealing the financial link. 5395 individuals were arrested in 6829 operations aimed at the organization which were carried out from 2014 to mid-June 2022.⁶³

Another aspect of countering financing is seizing the ammunition of the organization such as equipment, weapons, cartridges, and explosives. With efforts made within this scope, suicide vests and explosive devices ready to detonate were captured once in Gaziantep in 2014, twice in Ankara in 2015, once in Antalya in 2016, twice in Gaziantep in 2016, 3 times in Şanlıurfa in 2016, twice in Gaziantep in 2017, once in Kilis in 2017, once in Hatay in 2017, once in Konya in 2017, once in Mersin in 2017, once in İstanbul in 2017, once in Hatay in 2018, and once in Adana in 2020. Images of such suicide vests are presented in Figure 7.⁶⁴



Figure 7: Suicide Vests Seized in Operations⁶⁵

In addition to the aforesaid operations, further financial damage was inflicted to terrorist organization through the confiscation of below-mentioned equipment: 108 suicide vests, 681.2 kg explosives, 202,28 tons of materials used in the making of explosives, 112 improvised explosive devices, 4 PK machine guns, 1 Flamethrower, 82 AK-47s, 3 long barreled rifles, 292 pistols, 231 rifles and 47.512 cartridges.⁶⁶

⁶³ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.11.

⁶⁴ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.12-40.

⁶⁵ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.13-15.

⁶⁶ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.11.

In line with the instruction of judicial authorities, individuals, money and goods captured as a result of works of TEM in coordination with intelligence departments and MASAK demonstrate that Türkiye conducts more extensive and successful combat against the organization compared to other countries. However, the effect of national efforts against an internationalized terrorist organization such as DAESH are limited. In that sense, we believe the contribution of Türkiye to international efforts against the organization should be examined.

4. Contribution of Türkiye to Countering Financing of the Organization on International Level

Operations carried out in coordination of TEM and MASAK have contributions to international efforts. For example, within the scope of the investigation carried out by the Office of Chief Public Prosecutor of Diyarbakır in 2018, TEM and MASAK conducted planned operations in coordination. As a result, 24 individuals (22 of which were foreign nationals) and USD 579,608, EUR 5,285, TRY 1,304,885 and SYP 124,800 were apprehended. It has been determined that the individuals transferred money to accounts in Indonesia, Lebanon, Libya, Syria and Iraq.⁶⁷ We believe that the structure and financial network of the organization in aforementioned countries can be uncovered through this investigation.

Meanwhile, following the findings of intelligence units during another case study, an operation was conducted in Düzce by TEM in coordination with MASAK in 2021, during which it was detected that DAESH members were using a device that is capable of transacting both domestic and offshore payments informally, in order to transfer money via hawala system⁶⁸ through a contact point located in Baghdad, whereby USD 20,000, EUR 4,800 TRY 2,000 were confiscated.⁶⁹ This sample case is sure to contribute to uncovering similar structures in other countries.

While MASAK requested information from foreign counterparts as presented in Diagram 11 in order to assist such coordinated efforts, it also contributes to the efforts against financing of the organization with information received from other countries, the annual distribution of which is presented in Diagram 10, on a national and international level.

⁶⁷ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.32. Diyarbakır merkezli 11 ilde DEAŞ operasyonu: 24 gözaltı. (2018, November 5). Anadolu Ajansı. [#1](https://www.aa.com.tr/tr/gunun-basliklari/diyarbakir-merkezli-11-ilde-deas-operasyonu-24-gozalti/1303371)

⁶⁸ "Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to traditional banking or financial channels. It was developed in India, before the introduction of Western banking practices, and is currently a major remittance system used around the world." (Jost, P. M., & Sandhu, H. S. (2000). The hawala alternative remittance system and its role in money laundering.)

⁶⁹ The document prepared in the context of the meetings held with the authorities of the Department of Counter Terrorism (TEM) and given to be used in the article, 49-pages document dated 4.06.2022 and numbered 45599763-1010597-(91713)-98, s.3.

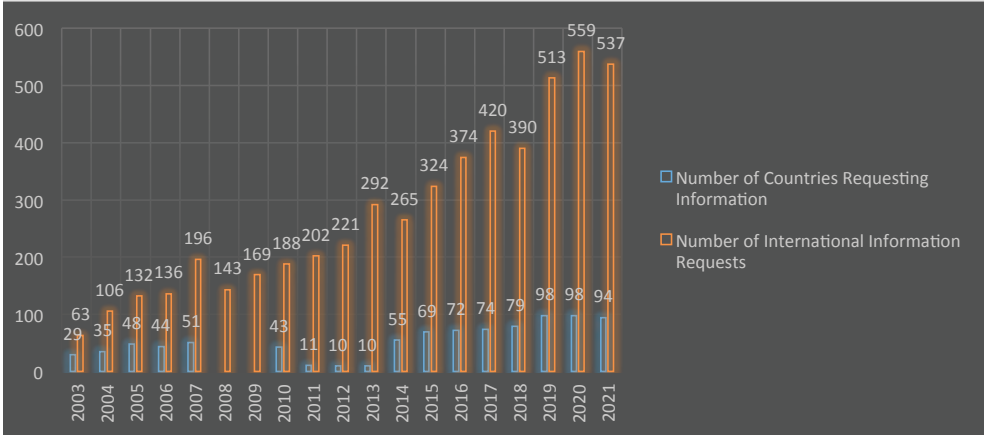


Diagram 10: Distribution of Transactions Regarding MASAK's International Information Requests by Years⁷⁰

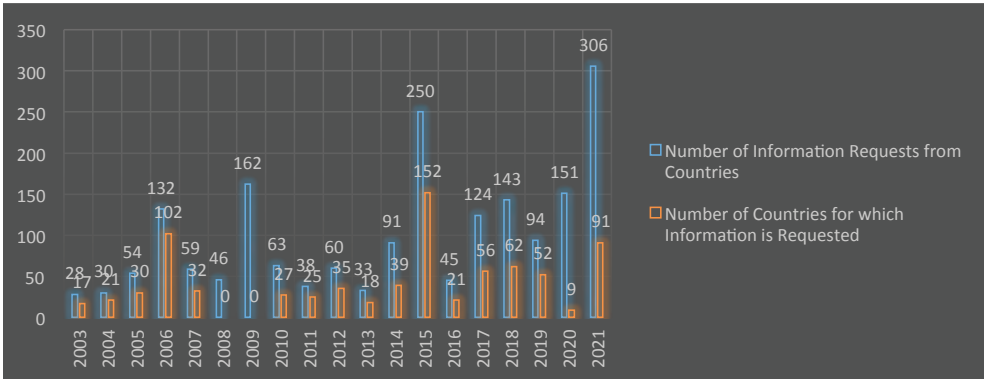


Diagram 11: Distribution of Transactions Regarding Information Requests by Foreign Countries from MASAK by Years⁷¹

It can be inferred from Diagrams 10-11 that information requests of MASAK and its counterparts started to increase following the Al-Qaeda attacks of September 11, 2001 and continued its upwards trend as of 2011. In addition to mutual information requests, the countries share information out of their own volitions to counter financing of terrorism, as seen in Diagram 12. It is seen that MASAK informs other countries, although not many, in light of the data it obtains.

⁷⁰ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

⁷¹ MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

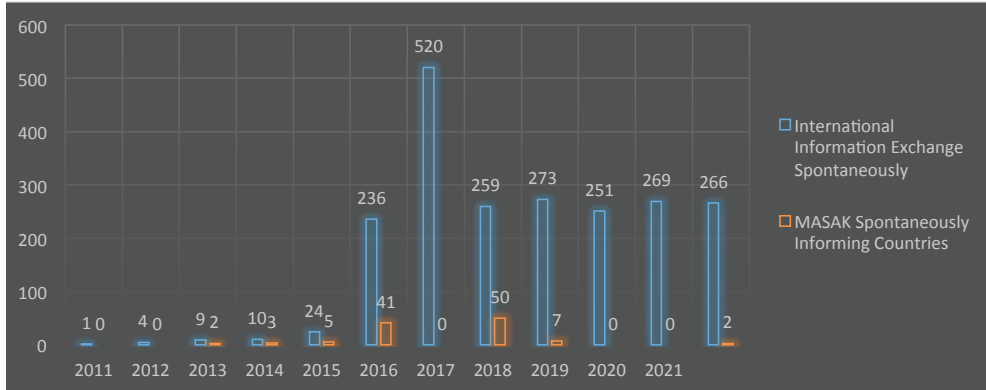


Diagram 12: Distribution of Transactions Regarding Spontaneously Within the Scope of International Information Exchange by Years⁷²

Besides this flow of information, Türkiye has signed a memorandum of understanding with financial intelligence institutions of 58 countries as of 2006. In addition to FATF, Türkiye also joined EGDMONT Group in 1998 to provide contribution to countering of financing of terrorism on an international level.⁷³ Türkiye acted as co-chair of Global Counter-Terrorism Forum (GCTF) initiative alongside the USA from 2011 to 2016 and is a member of The Global Coalition against DAESH.⁷⁴ Moreover, Türkiye provides its full support to the efforts against DAESH in the international field under UN. In line with the UNSC Resolution No. 2178, Türkiye has put into practice preventive measures against Foreign Terrorist Fighters (FTF) with intelligence and TEM personnel at 66 locations in Land, Air and Sea ports in 33 provinces according to the data from 2017. Within the scope of such measures, 4550 foreign INADs (Inadmissible Passenger)⁷⁵ had been deported until 2017.⁷⁶ 9000 FTFs, 1168 of which were from the USA and EU countries, from 102 countries were deported by the relevant authorities from the start of such measures until August 2022.⁷⁷ Ibrahim El Bakraoui, whom Türkiye deported, carried out Zaventem airport attack, in which 34 individuals have died

⁷² MASAK. (n.d.). Faaliyet Raporları. Retrieved September 16, 2022, from <https://masak.hmb.gov.tr/faaliyet-raporlari>

⁷³ MASAK. (2022). Faaliyet Raporları 2021. Retrieved September 17, 2022, 43. from <https://ms.hmb.gov.tr/uploads/sites/12/2022/03/Faaliyet-Raporu-2021.pdf>

⁷⁴ T.C. Dışişleri Bakanlığı. (n.d.). Türkiye'nin Uluslararası Toplumun Terörle Mücadele Çabalarına Katkıları. Retrieved September 30, 2022, from https://www.mfa.gov.tr/turkiye_nin-uluslararasi-toplumun-terorle-mucadele-cabalarina-katkilari.tr.mfa

⁷⁵ "INAD is a term used for passengers who are not allowed to enter the country that they want to travel. The term stands for the inadmissible passenger. This aviation term is used at international airports and, according to civil aviation laws, the INAD passenger should be taken back to their country by the airline (Retrieved from <https://www.flypgs.com/en/travel-glossary/inadmissible-passenger>)"

⁷⁶ T.C. İçişleri Bakanlığı. (2017). Türkiye'nin DEAŞ ile Mücadelesi. <https://www.icisleri.gov.tr/kurumlar/icisleri.gov.tr/IcSite/strateji/deneme/YAYINLAR/%C4%B0%C3%87ER%C4%B0K/deas%CC%A7%20frans%C4%B1zca.pdf> s.54-56.

⁷⁷ Türkiye deports 9,000 foreign terrorist fighters since 2011. (2022, August 2). Daily Sabah. <https://www.dailysabah.com/politics/war-on-terror/turkey-deports-9000-foreign-terrorist-fighters-since-2011>

and more than 130 were injured, although the authorities in Belgium and Netherlands were notified.⁷⁸

In order to eliminate both the recruiting and equipment procurement of DAESH, Turkish Armed Forces (TAF) has increased both the physical and other measures along the 911 kilometers long Syrian border.⁷⁹ Furthermore, within the context of UNSC resolutions, Turkish Armed Forces conducted Operation Euphrates Shield in August 2016,⁸⁰ Operation Olive Branch in January 2018,⁸¹ Operation Peace Spring in October 2019 against DAESH and other terrorist organizations operating in Syria.⁸²

These operations and the fight against foreign terrorist fighters constitute a significant portion of Türkiye's fight against the financing of the organization. Organizations' monetary and material transfers are mostly carried out by members of the organization outside the financial and trade systems. The organization also uses trade and other sources of wealth in the areas it controls to finance itself. Türkiye's aforementioned operations have caused major damage to the sources of financing for the organization.

Despite all these achievements, Türkiye was placed under increased monitoring (grey list) in the report published by FATF in November 2021. This grey list procedure is due to shortcomings related to the FATF's 11 immediate outcome criteria.⁸³ A review of MASAK's 2019, 2020, and 2021 reports reveals that the necessary measures have been taken in order to address these shortcomings.

Conclusion

It is evident that the contributions of FATF is invaluable for countries in the context of financing of terrorism. It is difficult for national efforts against terrorist organizations such as DAESH to achieve complete success. Supervising and supporting countries within this scope

⁷⁸ Özer, S., Güder, İ., & Kaplan, E. (2016, March 23). Cumhurbaşkanı Erdoğan: Uyarımıza rağmen Belçika teröristi serbest bırakmıştır. Anadolu Ajansı. <https://www.aa.com.tr/tr/turkiye/cumhurbaskani-erdogan-uyarimiza-ragmen-belcika-teroristi-serbest-birakmistir/542710>, T.C. İçişleri Bakanlığı. (2017). Türkiye'nin DEAŞ ile Mücadelesi. <https://www.icisleri.gov.tr/kurumlar/icisleri.gov.tr/IcSite/strateji/deneme/YAYINLAR/%C4%B0%C3%87ER%C4%B0K/deas%CC%A7%20frans%C4%B1zca.pdf> s.62.

⁷⁹ T.C. İçişleri Bakanlığı. (2017). Türkiye'nin DEAŞ ile Mücadelesi. <https://www.icisleri.gov.tr/kurumlar/icisleri.gov.tr/IcSite/strateji/deneme/YAYINLAR/%C4%B0%C3%87ER%C4%B0K/deas%CC%A7%20frans%C4%B1zca.pdf>, s.58.

⁸⁰ Polat, D. Ş. (2020). Türkiye'nin Suriye'nin Kuzeyindeki Askerî Harekâtının Amaçları ve Sonuçları. Güvenlik Stratejileri Dergisi, 16(33), 64. Retrieved from <https://dergipark.org.tr/tr/pub/guvenlikstrtrj/issue/53742/719968>

⁸¹ Polat, D. Ş. (2020). Türkiye'nin Suriye'nin Kuzeyindeki Askerî Harekâtının Amaçları ve Sonuçları. Güvenlik Stratejileri Dergisi, 16(33), 70. Retrieved from <https://dergipark.org.tr/tr/pub/guvenlikstrtrj/issue/53742/719968>

⁸² Polat, D. Ş. (2020). Türkiye'nin Suriye'nin Kuzeyindeki Askerî Harekâtının Amaçları ve Sonuçları. Güvenlik Stratejileri Dergisi, 16(33), 77. Retrieved from <https://dergipark.org.tr/tr/pub/guvenlikstrtrj/issue/53742/719968>

⁸³ See for detailed information. FATF. (2021, November). Anti-money laundering and counter-terrorist financing measures Turkey1st Enhanced Follow-up Report & Technical Compliance Re-Rating Report. Retrieved September 30, 2022, from <https://www.fatf-gafi.org/media/fatf/documents/reports/fur/Follow-Up-Report-Turkey-2021.pdf>

has immense contributions to the combat against DAESH. However, the addition of Türkiye to the FATF's monitoring list, is not considered as to be a weakness in terms of combating DAESH. It can be inferred from MASAK reports that Türkiye is making efforts to eliminate shortcomings concerning effectiveness stated in the criteria of FATF.

As can be seen in this study, Türkiye combats against financing of DAESH on a multi-dimensional level. It is observed that Türkiye is a member of all international organizations and initiatives combatting DAESH, and provides contribution in every field, including areas of conflict. The fact that Türkiye neighbors conflicts zones such as Iraq and Syria reveals the importance of its contributions to the international combat against the organization.

Türkiye also combats citizens of other countries, including developed western countries, who join or attempt to join the organization, as well as its own such citizens. Deported/INAD foreign terrorist fighters, arrested foreigners, materials and funds sent from other countries to contribute to financing of DAESH in areas of conflict are believed to constitute an evidence for this situation. The financing of the organization is countered nationally and internationally with the efforts of judicial bodies working in coordination with MASAK. The data obtained are shared by MASAK with the financial intelligence unit of the relevant country according to the principle of reciprocity.

In addition, the fact that despite being reported to countries, some Deported/INAD individuals carry out attacks for DAESH in these countries or others indicates that the practices of Türkiye against foreign terrorist fighters are the examples of best practices for other countries. Material contributions for the organization such as equipment and funds are also interrupted through such practices.

Besides such efforts, Euphrates Shield, Olive Branch and Peace Spring Operations carried out in areas of conflict in Syria disrupted the proceeds obtained by the organization from these regions through various methods. These operations have also resulted in casualties among the security forces of Türkiye which have engaged in close combat with the organization. As mentioned in the introduction, in addition to such casualties, hundreds of individuals have lost their lives as a result of attacks carried out in Türkiye by the organization.

Continuing its determined and heavy efforts of anti-terrorism on an international level, Türkiye provides contribution by establishing institutions and organizations that are competent about financing resources of terrorism and are cooperative, by keeping its legislation up-to-date in view of new developments, and by carrying out successful cross-border operations.

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CHAPTER VIII

TERRORISM FINANCING AND FRAUD - AN EMERGING THREAT?

Nicholas Ryder¹

Abstract

Terrorism financiers are able to obtain finances from a wide range of sources and it was not until the terrorist attacks in the United States of America in September 2001, that the international community instigated the 'Financial War on Terrorism'. The ensuing legislative provisions have forced terrorism financiers to adapt their funding mechanisms and move away from their traditional funding sources. This paper presents evidence that terrorism financiers have used fraud to obtain funding, often without detection, and it identifies a new terrorism financing fraud typology. Thus, the importance of a detailed comprehensive study of the association between terrorism financing and fraud cannot be emphasised enough due to the limited literature on the subject. This article fills this gap by identifying an authoritative terrorism financing fraud typology on how terrorists are financed rather than those typologies that have focused on identifying the victims of fraud. The use of this new typology will assist in improving our understanding of how terrorists raise and use money and so enable shedding a new light terrorism financing and its association with fraud.

Key words: *Counter-terrorism financing, fraud, case studies and typologies*

Introduction

Terrorism financiers have been able to obtain access to a wide range of funding avenues, yet it was not until the terrorist attacks in the United States of America (US) in September 2001 (9/11) that the international community responded by implementing the Financial War on Terrorism. This consisted of five counter-terrorism financing (CTF) mechanisms: criminalisation; confiscation and/or forfeiture; an asset freezing regime; a designated terrorism sanctions scheme; and the use of financial intelligence gathered by defence against

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terrorism financing suspicious activity reports (DATF SARs).² As a result of these CTF measures terrorism financiers have been forced to diversify their funding activities and this paper identifies fraud as their funding mechanism of choice.³

To assist in identifying the funding requirements of terrorist organisations and thus prevent and combat terrorism, international bodies such as the Financial Action Task Force (FATF) and the International Monetary Fund (IMF) established and now regularly use typologies.⁴ The definition of a typology according to the FATF and the IMF focuses on the way terrorists obtain and use the funds. For example, whilst the IMF explains that ‘in the counter-terrorism financing context, the term “typologies” refers to the various techniques used to ... finance terrorism’,⁵ the FATF adds that the ‘literature does suggest some common themes as to how terrorists actually use funds ... [these typologies] provide a contemporary snapshot of the ways in which terrorists raise, move and use funds’.⁶

Typologies in the United Kingdom (UK) have focused on identifying the different types of fraudulent activity, not on how terrorism financiers have obtained funding via fraud. For example, typologies by the Financial Conduct Authority (FCA),⁷ the National Fraud Authority (NFA)⁸ and the Home Office⁹ have concentrated on identifying the victims of fraud and the offenders.¹⁰ These typologies have been unable to identify how terrorists have obtained funds, that is, they do not pinpoint the link between terrorism financing and fraud. For instance, the Home Office acknowledged that fraud is associated with other types of crime, but it does not refer to terrorism. Academic literature in the UK has identified a brevity of terrorism financing fraud typologies. For example, Perri and Brody focus on the similarities between the funding models of organised criminal gangs and terrorists.¹¹ They identify a brief terrorism financing fraud typology, which includes mortgage fraud, non-profit organisations (NPO) fraud, identity fraud, insurance fraud and immigration fraud.¹² Freeman offers an interesting, but generic

² See generally Nicholas Ryder, *The Financial War on Terror: A review of counter-terrorist financing strategies since 2001* (Routledge, 2015) pp 30-62.

³ Fraud is committed for making a dishonest representation for your own advantage, dishonestly neglecting to disclose information where there is a legal duty to do so or by abuse of position.

⁴ See generally Financial Action Task Force, “Terrorist Financing” (Financial Action Task Force, 2008) and “Anti-Money Laundering/Combating the Financing of Terrorism – Topics”, International Monetary Fund, at <https://www.imf.org/external/np/leg/amlcft/eng/aml1.htm> (accessed 5 August 2022)

⁵ *Ibid.*

⁶ Financial Action Task Force “Financing of the Terrorist Organisation Islamic State in Iraq and the Levant” (Financial Action Task Force, 2015) p 5.

⁷ Financial Conduct Authority “Understanding victims of financial crime A qualitative study with people affected by investment fraud” (Financial Conduct Authority, 2014) p 36-45.

⁸ The National Fraud Authority “Fraud typologies and victims of fraud Literature review” (National Fraud Authority, 2009).

⁹ Home Office “The scale and nature of fraud: a review of the evidence” (Home Office: n/d).

¹⁰ See M Button, C Lewis and J Tapley ‘Not a victimless crime: The impact of fraud on individual victims and their families’, (2014) 27(1) *Security Journal* 36 and M Levi ‘Organized Frauds and Organising Frauds: Unpacking the Research on Networks and Organisation’ (2008) 8 *Criminology and Criminal Justice* 389.

¹¹ F Perri and R Brody ‘The dark triad: organized crime, terror and fraud’ (2011) 14(1) *Journal of Money Laundering Control* 44.

¹² *Ibid.*, at 53-56.

terrorism financing typology, which focuses on state sponsorship, illegal activities, legal activities and popular support.¹³ Irwin *et al.* identify typologies for money laundering and terrorism financing, but the study largely focuses on the three stages of money laundering.¹⁴ Whilst Irwin *et al.* conclude that terrorism financiers use comparable mechanisms as money launderers, the study did not identify a terrorism financing fraud typology. Vittori divided terrorism financing into a typology of seven categories: lone wolf, state sponsored, franchise, bundles support, state sponsoring, shell state and transnational corporations.¹⁵ The final study, by Wood *et al.* identifies a terrorism financing fraud typology that is divided into three parts: fraud against individuals, fraud against the state and fraud against the private sector.¹⁶ Collectively, these typologies are narrow and their contribution to knowledge is limited.

Thus, the importance of a detailed comprehensive study of the association between terrorism financing and fraud cannot be emphasised enough due to the limited literature on the subject. This article fills this gap by identifying an authoritative terrorism financing fraud typology on how terrorists are financed rather than those typologies that have focused on identifying the victims and offenders of fraud. What is more, the literature has only provided a cursory glance towards the association between terrorism financing and fraud, with no policy analysis of the challenges presented by fraud. The use of this new typology will assist in improving our understanding of how terrorists raise and use money.

The Terrorism Financing Fraud Typology

Terrorists have relied on two forms of financial support – state sponsorship and funding from private individuals.¹⁷ Terrorism financiers are also able to acquire funding via a multitude of other sources including, the proceeds of drug trafficking,¹⁸ kidnapping for ransom,¹⁹ counterfeit currencies,²⁰ oil refining,²¹ natural resources,²² piracy²³

¹³ M Freeman ‘The sources of terrorist financing: theory and typology’ (2011) 34(6) *Studies in Conflict & Terrorism* 461.

¹⁴ A Irwin, K Choo and L Liu ‘An analysis of money laundering and terrorism financing typologies’ (2012) 15(1) *Journal of Money Laundering Control* 85. Hereinafter ‘Irwin *et al.*’.

¹⁵ Jodi Vittori, *Terrorist financing and resourcing* (Palgrave MacMillan, 2011) p 7.

¹⁶ Helena Wood, T Keatinge, K Ditcham and A Janjeva, “The Silent Threat: The Impact of Fraud on UK National Security” (RUSI, 2021) p 29-38.

¹⁷ A Chase ‘Legal mechanisms of the international community and the United States concerning state sponsored terrorism’ (2004) 45 *Virginia Journal of International Law*, 41 and A Acharya *Targeting terrorist financing – international cooperation and new regimes* (London: Routledge Cavendish, 2009).

¹⁸ Federal Research Division Library of Congress “A global overview of narcotics-funded terrorist and other extremist groups” (Library of Congress, 2002).

¹⁹ Financial Action Task Force “Emerging Terrorist Financing Risks” (Financial Action Task Force, 2015) p 18.

²⁰ Financial Action Task Force “Money laundering and terrorist financing related to counterfeiting of currency” (Financial Action Task Force, 2013).

²¹ Above n 5, p 5.

²² Above n 18, p 39-42.

²³ Financial Action Task Force “Organised Maritime Piracy and Related Kidnapping for Ransom” (Financial Action Task Force, 2011).

and cryptocurrencies.²⁴ As the Financial War on Terrorism has been able to limit some of the funding avenues terrorism financiers have turned towards alternative sources, such as fraud.²⁵ This part of the paper identifies a terrorism financing fraud typology that includes passport fraud, immigration fraud, identity fraud, financial fraud, tax fraud, benefit fraud, student loan fraud, insurance fraud, NPO fraud, mortgage fraud, counterfeiting and trade based fraud.

Passport Fraud

Terrorism financiers have used passport fraud to facilitate acts of terrorism.²⁶ The al Qaeda Encyclopaedia of the Afghani Jihad ‘provided explicit instructions for the procurement and handling of fraudulent passports ... by operatives traveling on operational missions’.²⁷ As part of the planning stage for the 9/11, al Qaeda officials played a crucial role in ‘facilitating travel for its operatives’.²⁸ In fact, al Qaeda had a passport office located at the Kandahar airport.²⁹ The importance of passport fraud towards the typology is illustrated by a number of related terrorism financing convictions. This includes for example, Ahmed Ressam,³⁰ Shivam Patel,³¹ Sajmir Alimehmeti,³² Amine Mezbar,³³ Slimane Khalfaoui,³⁴ and Tarek Ben Habib Maaroufi.³⁵

Daesh have been able to ‘print legitimate-looking Syrian passports ... since taking over the city of Deir ez-Zour, home to a passport office with boxes of blank passports’.³⁶ This was confirmed by the then French Interior Minister who said, ‘Daesh have acquired blank

²⁴ Financial Action Task Force “Virtual assets and virtual asset service providers” (Financial Action Task Force: 2019).

²⁵ C Michaelsen ‘The Security Council’s Al Qaeda and Taliban Sanctions Regime: “Essential Tool” or Increasing Liability for the UN’s Counterterrorism Efforts?’ (2010) 33(5) *Studies in Conflict and Terrorism* 448.

²⁶ Financial Action Task Force “Financing of Recruitment for Terrorist Purposes” (Financial Action Task Force, 2018) p 21.

²⁷ Unknown author “Encyclopaedia of the Afghani Jihad” (Unknown publisher, n/d) pp 24–25.

²⁸ National Commission on Terrorist Attacks “The 9/11 Commission Report--Final Report of the National Commission on Terrorist Attacks upon the United States” (Norton & Company, 2004) p 97.

²⁹ *Ibid*, p 177-178.

³⁰ “Ahmed Ressam, Millennium Bomber, sentenced to 22 year in prison” United States Attorney’s Office, available at <https://www.justice.gov/archive/usao/waw/press/2005/jul/ressam.html> (accessed 4 July 2022).

³¹ “ISIS supporter sentenced for lying in attempt to join military” United States Department of Justice, available at <https://www.justice.gov/usao-edva/pr/isis-supporter-sentenced-lying-attempt-join-military> (accessed January 13 2022).

³² “Bronx man sentenced in Manhattan federal court to 22 year in prison for attempting to provide materials support to ISIS”, United States Department of Justice, available at <https://www.justice.gov/opa/pr/bronx-man-sentenced-manhattan-federal-court-22-years-prison-attempting-provide-material> (accessed July 6 2022).

³³ “Dutch court convicts nine for terror offences” BBC News, <https://www.bbc.co.uk/news/world-europe-35064597> (accessed 6 Feb 2022).

³⁴ “Jail for Strasbourg bomb plotters” BBC News, available at <http://news.bbc.co.uk/1/hi/4102023.stm> (accessed 13 January 2022).

³⁵ “Men jailed over Al Qaeda anti-NATO plot” ABC News, available at <https://mobile.abc.net.au/news/2003-09-30/men-jailed-over-al-qaeda-anti-nato-plot/1486058?pfmredir=sm&pfm=sm> (accessed 6 February 2022).

³⁶ “US Intel: ISIS May Have Passport Printing Machine, Blank Passports” ABC News, available at <https://abcnews.go.com/International/us-intel-isis-passport-printing-machine-blank-passports/story?id=35700681> (accessed 6 February 2022)

passports and has now set up a real fake document industry'.³⁷ In fact, German investigators estimated that Daesh holds 11,000 blank Syrian passports,³⁸ which can be purchased for between \$250 and \$2000.³⁹ One of the suicide bombers involved in the 2015 terrorist attacks in Paris entered Europe with a Syrian passport via the Greek Island of Leros.⁴⁰ The UK has experienced similar problems with passport fraud. For example, between 2005 and 2006, 'an estimated 10,000 British passports were issued after fraudulent applications ... [and] al-Qaida have successfully faked applications'.⁴¹ Unsurprisingly, there have been a number of convictions for passport fraud in the UK including Dhiren Barot,⁴² Salah Abdeslam,⁴³ Hedi Ben Youseff Boudhiba⁴⁴ and Javed Hussain.⁴⁵

Identity Fraud

Identity fraud enables terrorists to acquire documents which allow them to avoid no fly lists, detection by intelligence agencies, gain employment, obtaining a driver's licence, accessing bank accounts and credit cards.⁴⁶ The Federal Bureau of Investigation (FBI) described identity fraud as the 'key catalyst fuelling many terrorism financing methods'.⁴⁷ For example, Ahmad Ajaj and Ramzi Yousef, who were both convicted of participating in the 1993 terrorist attack on the World Trade Centre, entered the US using falsified documents.⁴⁸ Furthermore, the 9/11 Commission concluded that 'all but one of the [19] hijackers acquired [by fraud] some form of identification'.⁴⁹ They added that terrorists frequently use evasive

³⁷ "ISIS Has Whole Fake Passport 'Industry,' Official Says" ABC News, available at <https://abcnews.go.com/International/isis-fake-passport-industry-official/story?id=36505984> (accessed 8 February 2022)

³⁸ "ISIL holds 11,100 blank Syrian passports: report" Aljazeera, available at <https://www.aljazeera.com/news/2017/9/10/isil-holds-11100-blank-syrian-passports-report> (accessed February 13 2022),

³⁹ "How easy is it to buy a fake Syrian passport?" The Guardian, available at <https://www.theguardian.com/world/2015/nov/17/how-easy-is-it-to-buy-fake-syrian-passport> (accessed March 15 2022).

⁴⁰ "Paris attacks: Who were the attackers?" BBC News, available at <https://www.bbc.co.uk/news/world-europe-34832512> (accessed March 16 2022)

⁴¹ "Al-Qaida gets fake papers as Home Office issues 10,000 passports to fraudsters" The Guardian, available at <https://www.theguardian.com/uk/2007/mar/20/terrorism.alqaida> (March 10 2022).

⁴² D Carlisle 'Dhiren Barot: Was He an Al Qaeda Mastermind or Merely a Hapless Plotter?' (2007) 30(12) *Studies in Conflict & Terrorism* 1057.

⁴³ Above n 32.

⁴⁴ M Rudner 'Misuse of Passports: Identity Fraud, the Propensity to Travel, and International Terrorism' (2008) 31(2) *Studies in Conflict & Terrorism* 95, 102.

⁴⁵ "West London man who plotted to fake passport and join ISIS in Syria is jailed for nine years" The Standard, available at <https://www.standard.co.uk/news/crime/west-london-man-who-plotted-to-fake-passport-and-join-isis-in-syria-is-jailed-for-nine-years-a3486991.html> (accessed March 20 2022).

⁴⁶ "John S. Pistole, Assistant Director, Counterterrorism Division, FBI, Testimony Before the House Select Committee On Homeland Security" Federal Bureau Investigation, available at <https://archives.fbi.gov/archives/news/testimony/fraudulent-identification-documents-and-the-implications-for-homeland-security> (accessed March 19 2022).

⁴⁷ "Dennis M. Lormel Chief, Terrorist Financial Review Group, FBI, Before the Senate Judiciary Committee, Subcommittee on Technology, Terrorism, and Government Information" Federal Bureau of Investigation, available at <https://archives.fbi.gov/archives/news/testimony/the-fbis-support-of-the-identity-theft-penalty-enhancement-act> (accessed 15 April 2022).

⁴⁸ Above n 27, p 72.

⁴⁹ *Ibid.*, at 390.

methods ‘such as altered and counterfeit visas, supportive travel agencies, immigration and identity fraud’.⁵⁰ Writing in 2005, Kane and Wall concluded that out of 100 US terrorist indictments, 54% related to identity fraud.⁵¹ Consequently, there have been numerous convictions for terrorism financing involving identify fraud in the US and UK. For example, Colleen LaRose and Jamie Paulin Ramirez,⁵² Barry Walter Bujol Jr.,⁵³ Ali Charah Damache,⁵⁴ Abderrahman Bouanane,⁵⁵ Amer Sinan Alhaggai,⁵⁶ Ardit Ferizi,⁵⁷ Younes Tsouli⁵⁸ and Ciaran Maxwell.⁵⁹

Immigration Fraud

The fraudulently obtained identity documents have enabled terrorists, frequently posing as immigrants, to illegally enter a country. The only documented al Qaeda sleeper agent in the US, Iyman Faris, entered the country on a student visa and passport that belonged to another person.⁶⁰ Ibrahim El-gab-rowny, the al Qaeda messenger during the 1993 World Trade Centre attack, was convicted for using false immigration documents.⁶¹ Similarly, Ahmad Ajaj was convicted of immigration fraud,⁶² as was his travelling companion, Ramzi

⁵⁰ Above n 27, p 384.

⁵¹ United States Department of Justice, “Identifying the Links between White-Collar Crime and Terrorism” (United States Department of Justice, 2005) p 9.

⁵² “Federal Judge Sentences “Jihad Jane” To 10 Years In Prison For Role In Plot To Commit Murder Overseas” United States Department of Justice, available at <https://www.justice.gov/usao-edpa/pr/federal-judge-sentences-jihad-jane-10-years-prison-role-plot-commit-murder-overseas> (accessed 3 June 2022).

⁵³ “Texas Man Gets Max for Attempting to Provide Material Support to Al Qaeda” United States Department of Justice, available at https://www.justice.gov/archive/usao/txs/1News/Releases/2012%20May/120524%20Bujol_print.html#:~:text=HOUSTON%20%E2%80%93%20Barry%20Walter%20Bujol%20Jr.,Attorney%20General%20for%20National%20Security (accessed June 11 2022)

⁵⁴ “Algerian man is sentenced to 15 years imprisonment for conspiring with Pennsylvania Woman and other to provide material support to terrorists” United States Department of Justice, available at <https://www.justice.gov/opa/pr/algerian-man-sentenced-15-years-imprisonment-conspiring-pennsylvania-woman-and-others-provide> (accessed June 10 2022).

⁵⁵ Eurojust “Terrorism Convictions Monitor” (Eurojust, 2018) p 10.

⁵⁶ “ISIS supporter sentenced to almost 16 years for attempting to provide materials support to foreign terrorist organisation and identity theft” United States Department of Justice, available at <https://www.justice.gov/opa/pr/isis-supporter-sentenced-almost-16-years-attempting-provide-material-support-foreign> (accessed June 10 2022).

⁵⁷ “Convicted Hacker Charged With Fraud And Identity Theft Committed While Incarcerated In Federal Prison” United States Department of Justice, available at <https://www.justice.gov/usao-ndca/pr/convicted-hacker-charged-fraud-and-identity-theft-committed-while-incarcerated-federal> (accessed April 2 2022).

⁵⁸ *R v. Tsouli* [2007] EWCA (Crim) 3300.

⁵⁹ The *Queen v. Ciaran Maxwell*, ‘Sentencing Remarks of Mr Justice Sweeney’, available at <https://www.judiciary.uk/wp-content/uploads/2017/07/r-v-ciaran-maxwell-sentencing.pdf> (accessed April 3 2022).

⁶⁰ *United States of America v. Iyman Faris*, ‘Complaint to Revoke Naturalization’ available at <https://www.justice.gov/opa/press-release/file/949946/download> (accessed April 2 2022).

⁶¹ *Elgabrownny v. U.S.*, S5 S7 93 Cr. 181 (MBM) 01 Civ. 162, ‘169, ‘175, ‘176, 222, 596, 1988; 00 Civ. 7981 (S.D.N.Y. Oct. 21, 2003).

⁶² “Trade Center Bombers Get Prison Terms of 240 Years” New York Times, available at <https://www.nytimes.com/1994/05/25/nyregion/trade-center-bombers-get-prison-terms-of-240-years.html?m>, accessed 11 June 2022)

Yousef.⁶³ Other immigration fraud convictions include Mahmoud Youssef Kourani,⁶⁴ Khalid Abu Al-Dahab,⁶⁵ Mohamad Youssef Hammoud,⁶⁶ Khalid Abu Al-Dahab,⁶⁷ Enrique Marquez Jr.⁶⁸ and Naif Abdulaziz M. Afallaj.⁶⁹

Financial Fraud

Financial fraud is associated with identity and immigration fraud. Once terrorists have illegally entered a country, they will seek to fraudulently obtain finance via a loan from a financial institution or credit provider. For example, the terrorist attack in San Bernardino was financed by a \$28,000 loan from an online lender.⁷⁰ Related fraud convictions in the US include Nader Elhuzayel,⁷¹ Khalid Ouazzani,⁷² Khalid Awan,⁷³ Yahya Farooq Mohammad⁷⁴ and Zoobia Shahnaz.⁷⁵ Terrorist attacks in Europe have also been financed by financial fraud. For example, Amédý Coulibaly funded a terrorist attack in Paris after fraudulently securing a bank loan.⁷⁶ Additionally, Amédý fraudulently obtained ‘three consumer loans’ totalling

⁶³ Simon Reeve “The New Jackals: Ramzi Yousef, Osama Bin Laden and the Future of Terrorism” (Northeastern University Press, 1999).

⁶⁴ *United States v. Mahmoud Youssef Kourani* (2006) Case number 03CR81030-1.

⁶⁵ Above n 27, p 52.

⁶⁶ “Mohamad Youssef Hammoud sentenced to 30 years in terrorism financing case” United States Immigration and Customs Enforcement available at <https://www.ice.gov/news/releases/mohamad-youssef-hammoud-sentenced-30-years-terrorism-financing-case> (accessed March 12 2022)

⁶⁷ “Justice Department Secures the Denaturalization of a Senior Jihadist Operative Who Was Convicted of Terrorism in Egypt” United States Department of Justice, available at <https://www.justice.gov/opa/pr/justice-department-secures-denaturalization-senior-jihadist-operative-who-was-convicted> (accessed 11 February 2022).

⁶⁸ “Enrique Marquez Jr. Agrees to Plead Guilty to Plotting Violent Attacks and Buying Firearms for Shooter in San Bernardino Terrorist Attack” United States Department of Justice, available at <https://www.justice.gov/usao-cd-ca/pr/enrique-marquez-jr-agrees-plead-guilty-plotting-violent-attacks-and-buying-firearms> (accessed January 5 2022).

⁶⁹ “Saudi citizen sentenced to more than 12 years in prison for concealing attendance at al Qaeda training camp and visa fraud” United States Department of Justice, available at <https://www.justice.gov/opa/pr/saudi-citizen-sentenced-more-12-years-prison-concealing-attendance-al-qaeda-training-camp-and> (accessed January 8 2022).

⁷⁰ “California shooters borrowed £28,000 before attack: source” Reuters, available at <https://www.reuters.com/article/us-california-shooting-account-idUSKBN0TR27P20151209> (accessed January 20 2022).

⁷¹ “California man sentenced to 30 years for conspiring to join ISIL and engaging in fraud” United States Department of Justice, available at <https://www.justice.gov/opa/pr/california-man-sentenced-30-years-conspiring-join-isil-and-engaging-fraud> (accessed 2 March 2022).

⁷² *United States v. Khaled Ouazzani*, Case No. 10-00025-01-CR-W-HFS (Indictment) (W.D. Mo. February 2010).

⁷³ “Khalid Awan re-sentenced to 14 years imprisonment for providing material support and resources to Indian terrorist organisation” United States Department of Justice, available from <https://archives.fbi.gov/archives/newyork/press-releases/2012/khalid-awan-re-sentenced-to-14-years-imprisonment-for-providing-material-support-and-resources-to-indian-terrorist-organization> (accessed 2 March 2022).

⁷⁴ “Man Sentenced to Over 27 Years for Conspiring to Provide Material Support to Terrorists and Soliciting the Murder of a Federal Judge” United States Department of Justice, available at <https://www.justice.gov/opa/pr/man-sentenced-over-27-years-conspiring-provide-material-support-terrorists-and-soliciting> (accessed 6 February 2022).

⁷⁵ “Long Island Woman Sentenced to 13 Years’ Imprisonment for Providing Material Support to ISIS” United States Department of Justice, available at [https://www.justice.gov/opa/pr/long-island-woman-sentenced-13-years-imprisonment-providing-material-support-isis#:~:text=Earlier%20today%2C%20in%20federal%20court,\(ISIS\)%2C%20and%20attempting%20to](https://www.justice.gov/opa/pr/long-island-woman-sentenced-13-years-imprisonment-providing-material-support-isis#:~:text=Earlier%20today%2C%20in%20federal%20court,(ISIS)%2C%20and%20attempting%20to) (accessed 5 May 2022)

⁷⁶ “Paris attacks: Investigators turn up new leads” BBC News, available at <https://www.bbc.co.uk/news/world-europe-30832444> (accessed 10 June 2022).

€60,200.⁷⁷ The terrorist attack at the offices of Charlie Hebdo and Jewish Supermarket were financed by ‘a consumer loan obtained with forged documents’.⁷⁸

The use of financial fraud in the UK to fund acts of terrorism was illustrated following the convictions of Brahim Benmerzouga and Baghdad Meziane.⁷⁹ The 2005 terrorist attack in London was partly financed by fraud.⁸⁰ Similarly, Mohammed Rehman and Sana Ahmed Khan were convicted of terrorism offences that were financed by payday loans.⁸¹ Furthermore, Ghulam Hussain pleaded guilty to two terrorism offences after he discussed his intention with an undercover police officer to travel to Syria to fight for the Daesh, and how he had ‘fraudulently applying for credit cards’.⁸² The ability of terrorism financiers to obtain access to finance in the UK is exacerbated by convenient credit, ‘credit that is granted ... with little or no reference to the credit worthiness of the debtor’.⁸³ Examples of convenient credit which terrorism financiers have exploited include commercial cash loans, non-commercial cash loans, credit tied to the purchase of goods and pay-day lenders.⁸⁴ Therefore, terrorism financiers with good credit ratings are ideally positioned to defraud credit institutions.

Tax Fraud

One of the first tax fraud related terrorism cases in the US was the Hezbollah cigarette fraud. Here, Mohammed and Chawki Hammoud transported cigarettes from North Carolina to Michigan where they would be sold for a higher price. The cigarettes were subjected to a 5 cent tax per pack in North Carolina, the tax in Michigan was 75 cents per pack. Over an 18 month period, the brothers profited \$8m.⁸⁵ Other tax fraud convictions associated

⁷⁷ European Commission “Study on an EU initiative for a restriction on payments in cash” (European Commission, 2017) p 42.

⁷⁸ “Forgery or administrative documents and trafficking therein” Europol, available at <https://www.europol.europa.eu/crime-areas-and-trends/crime-areas/forgery-of-administrative-documents-and-trafficking-therein> (accessed 5 August 2022).

⁷⁹ “Al-Qaida terrorists jailed for 11 years” The Guardian, available at <https://www.theguardian.com/uk/2003/apr/01/terrorism.alqaida> (accessed 4 August 2022).

⁸⁰ Intelligence and Security Committee “Report into the London Terrorist Attacks on 7 July 2005” (Intelligence and Security Committee, 2006) p 23.

⁸¹ “Silent bomber Mohammed Rehman and wife Sana Ahmed Khan sentenced to life in prison for London terror plot” The Independent, available at <https://www.independent.co.uk/news/uk/crime/silent-bomber-mohammed-rehman-and-wife-sana-ahmed-khan-sentenced-to-life-in-prison-for-london-terror-a6790741.html> (accessed 3 August 2022).

⁸² Crown Prosecution Service, ‘*R v. Ghulam Hussain*’ available at <https://www.cps.gov.uk/counter-terrorism-division-crown-prosecution-service-cps-successful-prosecutions-2016> (accessed 3 March 2022).

⁸³ R Thomas and N Ryder ‘Convenient credit and consumer protection – a critical review of the responses of labour and coalition government’ (2011) 33(1) Journal of Social Welfare and Family Law 85.

⁸⁴ See for example the ‘Birmingham rucksack bomb plot’ as discussed in David Anderson “Independent Reviewer The Terrorism Acts in 2012 Report of the Independent Reviewer on the Operation of the terrorism Act 2000 and Part I of the Terrorism Act 2006” (HM Government, 2013) p 26.

⁸⁵ “Mohamad Youssef Hammoud sentenced to 30 years in terrorism financing case” United States Immigration and Customs Enforcement, available at <https://www.ice.gov/news/releases/mohamad-youssef-hammoud-sentenced-30-years-terrorism-financing-case> (accessed August 3 2022).

with terrorism include Pedrouz Sedaghaty and Soliman Hamd Al-Buthe,⁸⁶ Emadeddin Muntasser, Muhammed Mubayyid and Samir al-Monla,⁸⁷ Johnathan Paul Jimenez,⁸⁸ Michael Todd Wolfe,⁸⁹ Hossein Lahiji and Najmeh Vahid Dasterjerdi⁹⁰ and Houcine Becher Ghoul.⁹¹ Terrorism financiers in Europe have used tax fraud. For example, Europol stated, ‘members of a terrorist cell were engaged in value-added tax and other fraud in different parts of the EU to fund the cost of travelling to conflict areas’.⁹² Additionally, tax fraud has been used by terrorism financiers in Sweden, Denmark and Spain.⁹³ Europol provided three examples of how tax fraud has been used by terrorists.⁹⁴ Firstly, in Sweden and Denmark a tax fraud scheme worth £8.5m was believed to have funded al-Qaeda. Secondly, law enforcement agencies in Germany disrupted a £54m VAT fraud scheme for terrorists. Finally, information found in Pakistan led investigators to a criminal network based in Italy that stole £0.9bn through VAT fraud on CO2 certificates.⁹⁵

Tax fraud is an important funding avenue for terrorists in the UK.⁹⁶ The Ulster Volunteer Force (UVF), the Ulster Defence Association (UDA) and the Irish Republican Army (IRA) consistently exploited loopholes relating to tax exemption status. For example, the then Inland Revenue lost £7m in tax revenue, the UVF and UDA each earned £1.5m, whilst the IRA accrued £28.5m.⁹⁷ In 2015, Thomas Murphy, who is regarded as a key terrorism

⁸⁶ *United States v. Mubayyid*, 658 F.3d 35 (1st Cir. 2011).

⁸⁷ “Former Officers of a Muslim Charity, Care International, Inc., Convicted” United States Department of Justice, available at https://www.justice.gov/archive/opa/pr/2008/January/08_nsd_021.html (accessed June 1 2022)

⁸⁸ “Man Sentenced to 10 Years in Federal Prison for Lying in Terrorism Investigation and False Claim Conspiracy” Federal Bureau of Investigation, available at <https://archives.fbi.gov/archives/tampa/press-releases/2013/man-sentenced-to-10-years-in-federal-prison-for-lying-in-terrorism-investigation-and-false-claim-conspiracy> (accessed 4 May 2022).

⁸⁹ “Texas man sentenced to 82 months in prison for attempting to travel to Syria to join ISIL” United States Department of Justice, available at <https://www.justice.gov/opa/pr/texas-man-sentenced-82-months-prison-attempting-travel-syria-join-isil> (accessed 6 June 2022).

⁹⁰ “Texas Couple Sentenced to Prison for Conspiracy to Defraud the U.S. and to Engage in Money Laundering” United States Department of Justice, available at <https://www.justice.gov/usao-or/pr/texas-couple-sentenced-prison-conspiracy-defraud-us-and-engage-money-laundering> (accessed 3 March 2022)

⁹¹ “North Carolina Man Sentenced for Immigration Fraud and Tax Charges” Federal Bureau of Investigation, available at <https://www.justice.gov/usao-ednc/pr/north-carolina-man-sentenced-immigration-fraud-and-tax-charges> (accessed 6 March 2022).

⁹² Europol “European Union Terrorism Situation and Trend Report 2016” (Europol, 2017) p 12.

⁹³ “Counter-terrorist operation: Spanish national police disrupts criminal organisation which finances al-Qaeda” Europol, available at <https://www.europol.europa.eu/newsroom/news/counter-terrorist-operation-spanish-national-police-disrupts-criminal-organisation-which-financed-al-qaeda> (accessed 11 April 2022).

⁹⁴ “Special committee on financial crimes, tax evasion and tax avoidance Ordinary meeting - TAX3 PUBLIC HEARING Special committee on financial crimes, tax evasion and tax avoidance Special Committee on Terrorism Joint meeting – the use of tax frauds – including VAT or carousel fraud - to finance terrorism” European Parliament, available at https://multimedia.europarl.europa.eu/en/special-committee-on-financial-crimes-tax-evasion-and-tax-avoidance-ordinary-meeting-tax3-public-hea_20180628-0900-COMMITTEE-TAX3_vd (accessed 6 July 2022).

⁹⁵ *Ibid.*

⁹⁶ M Horgan and M Taylor ‘Playing the ‘Green Card’ -financing the provisional IRA: Part 1 (1999) 11(2) Terrorism and Political Violence 1 and J Horgan and M Taylor ‘Playing the ‘green card’ – financing the provisional IRA: part 2’ (2003) 15(2) Terrorism and Political Violence 1.

⁹⁷ A Silke ‘In defense of the realm: Financing loyalist terrorism in Northern Ireland—part one: Extortion and blackmail’ (1998) 21(4) *Studies in Conflict & Terrorism* 331, 349.

financier for the IRA, was convicted of tax fraud.⁹⁸ Al Qaeda and Daesh have secured funding via tax fraud in the UK. For example, in March 2019 it was reported that UK taxpayer money had been used to fund the London terrorist attacks in July 2005.⁹⁹ The Times reported that ‘a network [of terrorists] mounted VAT and frauds ... and netted an estimated £8bn in public money’.¹⁰⁰ The report suggests that one percent of this figure (£80m) was funnelled to al Qaeda representatives in Pakistan and Afghanistan.¹⁰¹

Benefit Fraud

Terrorism financiers have used benefit fraud and this part of the typology is referred to in the Daesh manual ‘How to Survive in the West’, which contains a part entitled ‘Easy money ideas’. The manual stated that ‘if you can claim extra benefits from a government, then do so’.¹⁰² In 2016, Muhanad Badawi was found guilty of financial aid fraud that he intended to use to fund his trip to join Daesh.¹⁰³ Similarly, Guled Omar was convicted for conspiring to provide material support to Daesh by benefit fraud.¹⁰⁴ The FATF noted that benefit fraud is strongly associated with foreign terrorist fighters.¹⁰⁵ The Norwegian Defence Research Establishment noted that a ‘majority of European [terrorist] cells derive some income from legal sources such as ... [state] benefits’.¹⁰⁶ The association between terrorism financing and benefit fraud in Denmark was identified by the FATF¹⁰⁷ and its Security and Intelligence Service.¹⁰⁸ Similarly, a link has also been established in Sweden¹⁰⁹ and France.¹¹⁰ The Swedish Defence University stated that several citizens who travelled to join Daesh

⁹⁸ *Director of Public Prosecutions v. Murphy* [2017] IECA 6.

⁹⁹ “80m of British taxpayers’ money ‘funnelled to al-Qaeda’ in decades-long scam” The Telegraph, available at <https://www.telegraph.co.uk/news/2019/03/31/80m-british-taxpayers-money-funnelled-al-qaeda-decades-long/> (accessed April 18 2022).

¹⁰⁰ “Taxman kept quiet while £8bn fraud helped fund Osama bin Laden” The Times, available at <https://www.thetimes.co.uk/article/taxman-kept-quiet-while-8bn-fraud-helped-fund-bin-laden-gmvj0b7gs> (accessed 11 April 2022)

¹⁰¹ Above n 98.

¹⁰² Unknown author “How to Survive in the West: A Mujahid Guide” (Unknown, 2015).

¹⁰³ “Two Orange County Men Convicted of Conspiring to Join ISIL; They also Engaged in Fraud to Finance One’s Trip to Syria” (June 21 2016), available at <https://www.justice.gov/usao-cdca/pr/two-orange-county-men-convicted-conspiring-join-isil-they-also-engaged-fraud-finance>.

¹⁰⁴ “Nine Twin Cities Men Sentenced For Providing Material Support To ISIL” United States Justice Department, available at <https://www.justice.gov/usao-mn/pr/nine-twin-cities-men-sentenced-providing-material-support-isil> (accessed 18 April 2022).

¹⁰⁵ Above n 18, p 26.

¹⁰⁶ Norwegian Defence Research Establishment “The financing of jihadi terrorist cells in Europe” (Norwegian Defence Research Establishment, 2015) p 23.

¹⁰⁷ Above n 5, p 26.

¹⁰⁸ Statsadvokaten “Money laundering in Denmark – National Risk Assessment 2015” (Statsadvokaten: 2015).

¹⁰⁹ The Swedish Companies Registration “National Risk Assessment of Money Laundering and Terrorist Financing in Sweden” (Swedish Companies Registration Office, 2019) p 26.

¹¹⁰ “French jihadists regularly received welfare payments after joining Isil, police reveal” The Telegraph, available at <https://www.telegraph.co.uk/news/2017/10/26/french-jihadists-regularly-received-welfare-payments-joining/> (accessed 12 January 2022) (accessed 4 August 2022).

financed their trips ‘through the use and misuse of social welfare allowance and other state benefits’.¹¹¹ In June 2012, Munir Awad was convicted of planning to commit a terrorist attack in Denmark,¹¹² the funding for the terrorist attack was obtained from sickness benefits.¹¹³ It has also been suggested that Mohammed Merah, a terrorist who killed seven people in France, financed the attack by state benefits.¹¹⁴ Between 2012 and 2017, over 200 Danish citizens have travelled to Syria or Iraq to join Daesh, during which time, the government has continued to make benefit payments.¹¹⁵ Anis Amri, who was participated in the Berlin Christmas market terrorist attack, committed welfare fraud.¹¹⁶ In 2016, Mohammed Ali Ahmed and Zakaria Boufassil were convicted of terrorism financing after they gave £3,000 to Mohamed Abrini, who was involved in the 2015 Paris and 2016 Brussels terrorist attacks.¹¹⁷ They were given the money by a foreign terrorist fighter, who had obtained it through housing benefit payments.¹¹⁸ Furthermore, it has also been suggested that Salah Abdeslam, the architect of the 2016 terrorist attacks in Paris, had received payments totalling \$21,000 prior to the attacks.¹¹⁹ Khalid and Ibrahim el-Bakraoui, suicide bombers in the coordinated Brussels terrorist attacks, together received \$34,700 in unemployment benefits between 2014 and 2015. The Belgium social welfare system provided these terrorist with the ‘livelihoods and indirect support for their terrorist activities’.¹²⁰ It has been suggested that Anis Amri used multiple identities to claim social welfare benefits in Germany, leading to a likely monthly income of €135, which was used to fund a terrorist attack in 2016.¹²¹ Within the UK, Salman Abedi partly funded the terrorist attack in Manchester.¹²²

¹¹¹ Swedish Defence University “Financial activities linked to personas from Sweden and Denmark who joined terrorist groups in Syria and Iraq during the period 2013-2016” (Swedish Defence University, 2017).

¹¹² “Four guilty of Danish plot over Muhammad cartoons” BBC News, available at <https://www.bbc.co.uk/news/world-europe-18321160> (accessed June 2 2022).

¹¹³ Above n 105, p 23.

¹¹⁴ *Ibid*, p 37.

¹¹⁵ “Danes Fighting for ISIS Were Paid Welfare Benefits, Government Says” New York Times, available at <https://www.nytimes.com/2017/02/21/world/europe/danes-fighting-for-isis-were-paid-welfare-benefits-government-says.html> (accessed 5 August 2021).

¹¹⁶ Above n 76, p 48.

¹¹⁷ “The ‘Man in the Hat’ Spills Terror Gang’s Secrets” NBC News, available from <https://www.nbcnews.com/storyline/brussels-attacks/man-hat-spills-terror-gang-s-secrets-n693046> (accessed 6 June 2022)

¹¹⁸ Financial Action Task Force “Anti-money laundering and counter-terrorist financing measures United Kingdom Mutual Evaluation Report” (Financial Action Task Force, 2018) p 88.

¹¹⁹ “Terrorist Suspects in Europe Got Welfare Benefits While Plotting Attacks” Wall Street Journal, available from <https://www.wsj.com/articles/terrorist-suspects-in-europe-got-welfare-benefits-while-plotting-attacks-1470350251> (accessed 4 July 2022)

¹²⁰ *Ibid*.

¹²¹ “European Welfare Systems’ Inadvertent Support for Terrorists” L Roemer, available from <https://www.counterextremism.com/blog/european-welfare-systems%E2%80%99-inadvertent-support-terrorists> (accessed 18 April 2022)

¹²² United Nations Office on Drugs and Crime “Training Manual for Law Enforcement Agencies” (United Nations Office on Drugs and Crime, n/d) p 13.

Student Loan Fraud

Terrorism financiers have acquired funding from student loans.¹²³ For example, the Stockholm suicide bomber, Abdelwahab al-Abdaly, received \$119,000 from the Swedish National Board for Student Aid.¹²⁴ Furthermore, Naj Ahmed, Hanad Mustafe Musse and Guled Ali Omar used student loans in an attempt to join Daesh.¹²⁵ Student loans are a perfect financial mechanism for terrorists to exploit in the UK. For example, any new full-time student can apply for a Maintenance Loan, up to £10,866, which is paid directly into the student's bank account at the start of the new academic term.¹²⁶ This was exploited by Yahya Rashid, who after fraudulently obtaining a place at Middlesex University, used his student loan to fund travel for himself and associates to Türkiye to join Daesh.¹²⁷ Salman Abedi funded the terrorist attack in the Manchester Arena with student loans.¹²⁸ An investigation estimated that Abedi had received \$18,000 in student loans and other benefit payments.¹²⁹ The Student Loan Company paid £1,000 in to Abedi's account at the start of January 2017 and a further £2,258 at the end of that month. The money from the student loan was withdrawn in regular amounts of up to £300.¹³⁰

Non-Profit Organisation Fraud

Terrorism financiers are able to obtain funding by defrauding NPOs. There are three different classifications of NPO related fraud – bogus charities, re-routing of funds for terrorist purposes and the manipulation of charities for the recruitment and payment of terrorists.¹³¹ The FATF reported that al Qaeda, the Liberation of Tamil Eelam and Daesh have targeted NPOs in several different countries.¹³² The Council of Foreign Relations noted, 'al-Shabaab has benefited from ... revenue from ... charities'.¹³³ In response to 9/11, the US Treasury

¹²³ Above n 18, p 25.

¹²⁴ "Suicide bomber lived off Swedish student aid" The Local, available at <https://www.thelocal.se/20130218/46250> (accessed 4 May 2022)

¹²⁵ "Seven Minnesota Men Indicted For Conspiracy To Provide Material Support To The Islamic State Of Iraq And The Levant" United States Department of Justice, available at <https://www.justice.gov/usao-mn/pr/seven-minnesota-men-indicted-conspiracy-to-provide-material-support-islamic-state-iraq-and> (accessed 4 July 2022).

¹²⁶ "Student Finance" HM Government, available at <https://www.gov.uk/student-finance/new-fulltime-students> (accessed 1 August 2022)

¹²⁷ R v. Yahya Rashid [2016] EWCA Crim 568.

¹²⁸ "Manchester suicide bomber used student loan and benefits to fund terror plot" The Telegraph, available from <https://www.telegraph.co.uk/news/2017/05/26/exclusive-manchester-suicide-bomber-used-student-loan-benefits/> (accessed 2 August 2022).

¹²⁹ Above n 76, p 48.

¹³⁰ "Hashem Abedi trial: Benefits claimed by Manchester bomber's family were used in terror plot, jury hears" The Independent, available at <https://www.independent.co.uk/news/uk/crime/manchester-arena-bombing-benefits-family-samia-abedi-hashem-trial-a9327816.html> (accessed 13 February 2021)

¹³¹ The Financial Action Task Force "Risk of Terrorist Abuse in Non-Profit Organisations" (Financial Action Task Force, 2014).

¹³² *Ibid.*, at 18.

¹³³ "Al-shabab" J Masters, available from www.cfr.org/somalia/al-shabab/p18650 (accessed 5 May 2022)

Department designated 40 charities as terrorist supporters.¹³⁴ The first three charities to be closed were the Global Relief Foundation,¹³⁵ Benevolence International Foundation¹³⁶ and the Islamic American Relief Agency.¹³⁷ In 2007, the US Treasury Department designated the Tamils Rehabilitation Organization ‘for serving as a front to facilitate fundraising and procurement for the designated terrorist group Liberation Tigers of Tamil Eelam’.¹³⁸ In 2008, five directors of the Holy Land Foundation, were convicted of directing more than \$12m to Hamas.¹³⁹ Furthermore, four people were convicted of terrorism financing offences after defrauding people by claiming they were raising funds for a charity.¹⁴⁰

The link between terrorism financing and NPOs was illustrated in the UK following an investigation into Irfan Naseer and Irffan Khalid, who had volunteered as fundraisers for Muslim Aid.¹⁴¹ Here, Nasser and Khalid diverted over £20,000 from their collections to finance terrorism. The defendants also defrauded another charity, Madrasah-e-Ashrafal Uloom, of £900.¹⁴² Similarly, Mohammed and Shafiq Ali were convicted of raising £3,000 to fund terrorism,¹⁴³ after posing as street charity collectors.¹⁴⁴ In 2016, Adeel Ul-Haq, was convicted of a terrorism financing after defrauding charities.¹⁴⁵ Syed Hoque and Mashoud

¹³⁴ US Treasury Department Office of Terrorism and Financial Intelligence “*US Department of Treasury Fact Sheet*” (US Department of Treasury, 2006) p 5.

¹³⁵ “Treasury Department Statement Regarding the Designation of the Global Relief Foundation” United States Treasury Department, available at <https://www.treasury.gov/press-center/press-releases/Pages/po3553.aspx> (accessed 19 November 2021).

¹³⁶ “Treasury designates Benevolence International Foundation and Related Entities as Financiers of Terrorism” United States Treasury Department, available at <https://www.treasury.gov/press-center/press-releases/Pages/po3632.aspx> (accessed 19 November 2022).

¹³⁷ “Treasury designates Global Network, Senior Officials of the IARA for Supporting bin Laden, Others” United States Treasury Department, available at <https://www.treasury.gov/press-center/press-releases/Pages/js2025.aspx> (accessed 20 March 2022).

¹³⁸ “Treasury Designates Three Key Supporters of Terrorists in Syria and Iraq” United States Treasury Department, available at www.treasury.gov/press-center/press-releases/Pages/jl2605.aspx (accessed 13 March 2022).

¹³⁹ “Federal judge hands down sentences in Holy Land Foundation Case” United States Department of Justice, available at <https://www.justice.gov/opa/pr/federal-judge-hands-down-sentences-holy-land-foundation-case> (accessed 6 June 2022). It is important to note that Hamas is not regarded as a terrorist organisation in Türkiye. See statement of Prime Minister Erdogan as cited in Joint Hearing before the Subcommittee on the Middle East and North Africa and the Subcommittee on Terrorism, Non-proliferation, and Trade of the Committee on Foreign Affairs, House of Representatives, Second Session, available from – HAMAS’ BENEFACTORS: A NETWORK OF TERROR (govinfo.gov), accessed October 3 2022.

¹⁴⁰ “San Diego Jury Convicts Four Somali Immigrants Of Providing Support To Foreign Terrorists” United States Department of Justice, available at <https://www.justice.gov/usao-sdca/pr/san-diego-jury-convicts-four-somali-immigrants-providing-support-foreign-terrorists#:~:text=The%20jury%20found%20that%20the,Ahmed%20Nasiri%20Taali%20Mohamud%2C%20a> (accessed 6 July 2022).

¹⁴¹ Above n 127, p 29.

¹⁴² “Charity Commission condemns ‘abhorrent’ abuse of Muslim Aid by terror plotters” N Young (February 22 2013), available at <https://www.civilsociety.co.uk/news/charity-commission-condemns--abhorrent--abuse-of-muslim-aid-by-terror-plotters.html#sthash.C8yr4aEf.dpuf> (accessed September 18 2020).

¹⁴³ HM Government “UK national risk assessment of money laundering and terrorist financing” (HM Government, 2015) p 94.

¹⁴⁴ “Ali twins jailed for funding terrorism abroad” BBC News, available at <https://www.bbc.co.uk/news/uk-england-london-19079802> (accessed 4 April 2022).

¹⁴⁵ “Charity Commission today welcomes conviction of individual for terrorist offences” The Charity Commission, available at <https://www.gov.uk/government/news/charity-commission-today-welcomes-conviction-of-individual-for-terrorist-offences> (accessed 4 June 2022).

Miah were convicted of entering into a funding arrangements that were connected to charities.¹⁴⁶ Furthermore, the Anatolia People's Cultural Centre was being used to promote the actions of the proscribed terrorist group 'Revolutionary Peoples' Liberation Party Front'¹⁴⁷ and Secondly, the Charity Commission became aware of an organisation which was not registered as a charity, yet appealed for funds. Consequently, £8,000 was seized and two people were convicted of terrorism financing offences.¹⁴⁸

Counterfeiting

Several terrorist organisations have raised finances via counterfeiting.¹⁴⁹ Counterfeiting is attractive for terrorists due to limited entry barriers, the demand from consumers for counterfeited goods, the low priority given to counterfeiting by law enforcement agencies and that counterfeiting is a cash only business.¹⁵⁰ Terrorists have gained finance from counterfeiting, *inter alia*, cigarettes,¹⁵¹ branded clothes,¹⁵² medicines,¹⁵³ personal protective equipment¹⁵⁴ and tax stamps.¹⁵⁵ The FBI concluded that the 1993 terrorist attack on the World Trade Centre was partly financed by sale of counterfeit goods.¹⁵⁶ Gale Nettles was convicted for his role in an attempt to bomb the Dirksen Federal Building in Chicago and was 'found guilty however of selling, exchanging, transferring and delivering false, forged, counterfeited and altered U.S. Federal Reserve notes'.¹⁵⁷ Furthermore, Imad Hammoud was convicted for counterfeiting cigarettes, stolen goods and toilet paper.¹⁵⁸ In 2007, US law enforcement agencies broke up an international counterfeiting group which had links to

¹⁴⁶ "Regulator publishes reports of cases involving individuals convicted of terrorism offences" The Charity Commission, available at <https://www.gov.uk/government/news/regulator-publishes-reports-of-cases-involving-individuals-convicted-of-terrorism-offences> (accessed 13 May 2022).

¹⁴⁷ "Decision – Anatolia People's Cultural Centre" The Charity Commission, available at <https://www.gov.uk/government/publications/charity-inquiry-anatolia-peoples-cultural-centre/anatolia-peoples-cultural-centre> (accessed 7 July 2022).

¹⁴⁸ HM Government "National Risk Assessment of money laundering and terrorist financing" (HM Government, 2020) p 130.

¹⁴⁹ Organisation for Economic Co-Operation and Development "The Economic Impact of Counterfeiting and Piracy" (Paris: Organisation for Economic Co-Operation and Development, 2008).

¹⁵⁰ B Sullivan, S Chermaka, J Wilsona and J Freilich 'The nexus between terrorism and product counterfeiting in the United States' (2014) 15(3-4) *Global Crime* 357, 360.

¹⁵¹ United States Department of State "The global illicit trade in tobacco: a threat to national security" (United States Department of State, 2017).

¹⁵² "IPO counterfeit good research" Intellectual Property Office, available at <https://www.gov.uk/government/publications/ipo-counterfeit-goods-research/ipo-counterfeit-goods-research> (accessed 4 June 2022).

¹⁵³ D Cannon 'War Through Pharmaceuticals: How Terrorist Organizations Are Turning to Counterfeit Medicine to Fund Their Illicit Activity' (2015) 47 *Case Western Reserve Journal of International Law*, 343.

¹⁵⁴ "ISIS accused of selling fake PPE online to finance terrorism" CBS News, available at <https://www.cbsnews.com/news/isis-accused-of-selling-fake-ppe-online-to-finance-terrorism/> (accessed 7 April 2022).

¹⁵⁵ Above n 146, p 360.

¹⁵⁶ Federal Bureau of Investigation "Famous Cases by Category, World Trade Center Bombing 1993, FBI 100 - First Strike - Global Terror in America" (Federal Bureau of Investigation, n/d).

¹⁵⁷ *United States v. Nettles*, 400 F. Supp. 2d 1084, (N.D. Ill. November 2005).

¹⁵⁸ *United States v. Imad Mohamad-Musbah Hammoud, et al.*, (E.D. Mich. March 2006).

Jamaat ul Fuqra. Saifullah Anjum Ranjha, who operated as a money remitter, was involved in ‘large scale international drug trafficking, international smuggling of counterfeit cigarettes and weapons’.¹⁵⁹ Counterfeiting was used to partly finance the terrorist attacks in Mumbai 2008 and one of the terrorists was provided with ‘high quality fake Indian currency notes’.¹⁶⁰ In January 2021, the senior leader of the terrorist group Laskkar-e-Taiba, Zakiur Rehman Lakhvi, was sentenced to 15 years imprisonment for financing this terrorist attack.¹⁶¹

Insurance Fraud

Insurance fraud is another mechanism used by terrorists. In 2005 members of the US domestic terrorist group, Jamaat Ul Fuqra, were convicted of insurance fraud.¹⁶² In December 2007, three terrorism financiers were convicted in Germany of attempting to raise funds for al Qaeda through life insurance fraud estimated at €4m.¹⁶³ Some of these fraudulent schemes used by terrorism financiers are referred to as crash for cash and often involve fraudsters deliberately crashing into vehicles of innocent motorists or submit false claims for accidents. Crash for cash schemes are one of the most popular motor insurance frauds and other examples include ‘fronting, failing to declare changes in circumstance, failing to declare modifications, vehicle dumping, ghost broking, phantom hire, flash for cash and slam on’.¹⁶⁴ It has been suggested by the Insurance Fraud Bureau that such schemes cost UK based insurers approximately £340m per year.¹⁶⁵ The Association of British Insurers estimated that the average insurance fraud in the UK exceeds £12,000 and that over 1,300 insurance frauds are committed every day.¹⁶⁶ The FATF highlighted several instances of terrorism financiers in Spain where terrorism financiers committed frauds by faking traffic accidents and hiring bogus policies. The FATF stated that terrorism financiers ‘needed to obtain funds quickly through ... by faking numerous and rough traffic accidents which exposed them to detection’.¹⁶⁷

¹⁵⁹ “Money remitter pleads guilty to money laundering conspiracy and concealing terrorist financing” Office of the United States Attorney’s, available at <https://www.justice.gov/archive/usao/md/news/archive/MoneyRemitterPleadsGuiltytoMoneyLaunderingConspiracyandConcealingTerroristFinancing.html> (accessed 5 February 2022).

¹⁶⁰ Above n 19, p 35.

¹⁶¹ “Zakiur Rehman Lakhvi, suspected Mumbai attack leader, jailed in Pakistan” BBC News, available at <https://www.bbc.co.uk/news/world-asia-55545519> (accessed 5 January 2022).

¹⁶² Above n 50.

¹⁶³ OLG Düsseldorf “Urteil vom 5. Dezember 2007 – III/IV 10/05 – nicht veröffentlicht (ie not published) and BGH (Bundesgerichtshof)” BGH, Urteil vom 14. August 2009 - 3 StR 552/08.

¹⁶⁴ “Car insurance scams and fraud” RAC, available at <https://www.rac.co.uk/drive/advice/legal/car-insurance-scams-and-frauds/> (accessed 15 February 2022).

¹⁶⁵ “Fraud” Association of British Insurers, available at <https://www.abi.org.uk/products-and-issues/topics-and-issues/fraud/#:~:text=In%202016%2C%20insurers%20detected%20125%2C000,across%20every%20type%20of%20insurance> (accessed 6 January 2022).

¹⁶⁶ “Detected insurance frauds in 2018” Association of British Insurers, available at <https://www.abi.org.uk/news/news-articles/2019/08/detected-insurance-frauds-in-2018/> (accessed 6 March 2022).

¹⁶⁷ Above n 18, p 16.

Mortgage Fraud

Mortgage fraud has been associated with terrorism financing. For example, in the US Ahmad Jebril¹⁶⁸ and Nemr Ali Rahal, were convicted of mortgage fraud.¹⁶⁹ The FATF were able to provide a number of instances where mortgage fraud was used by terrorism financiers in Belgium¹⁷⁰ and Spain.¹⁷¹ There are no reported convictions for mortgage fraud and terrorism funding in the UK. However, Bob Ferguson, the then head of financial crime policy and intelligence at the Financial Services Authority (FSA) stated that ‘valuers, are helping mortgage fraud rings ... a criminal may buy a property and rent it out to illegal immigrants or terrorists ... mortgage fraud is being used ... to provide safe housing for ... terrorists’.¹⁷² The Association of Chief Police Officers reported that there was no evidence of mortgage fraud directly funding acts of terrorism, but that mortgage fraud could be used to fund safe houses.¹⁷³ Indeed, the FATF stated that as a result of an investigation by the UK Financial Intelligence Unit, terrorism financiers have engaged in mortgage fraud.¹⁷⁴

Trade Based Terrorism Financing

The final part of the typology is trade based terrorism financing (TBFT) which involves terrorists and the physical movement of good through the trade system.¹⁷⁵ The FATF warned that TBFT ‘schemes attractive in moving value, offered the same opportunities to terrorist financiers’.¹⁷⁶ TBFT has been defined as ‘disguising the movement of value through the use of trade transactions in an attempt to finance terrorism, whether from legitimate and illegitimate sources’.¹⁷⁷ The international trade system is subjected to a wide range of risks and vulnerabilities that are exploited by terrorism financiers.¹⁷⁸ Examples of how terrorism financiers would use the international trade system include multiple invoicing of good and services, over the under shipment of good and services and falsely described good and

¹⁶⁸ Above n 10, p 53.

¹⁶⁹ *USA v. Nemr Ali Rahal* (2006) Case No. 05-CR-80476.

¹⁷⁰ Financial Action Task Force “Money laundering and terrorist financing through the real estate sector” (Financial Action Task Force, 2007) p 9

¹⁷¹ *Ibid.*, at 22-24.

¹⁷² “Mortgage fraud is funding terrorism” Mortgage Strategy, available at <https://www.mortgagestrategy.co.uk/news/mortgage-expo-2008-mortgage-fraud-is-funding-terrorism/> (accessed 6 May 2022).

¹⁷³ “Mortgage fraud is funding crime” BBC News, available at <http://news.bbc.co.uk/1/hi/business/7279043.stm>, accessed 5 August 2022).

¹⁷⁴ Above n 127, p 30.

¹⁷⁵ Financial Action Task Force “Trade based money laundering” (Financial Action Task Force, 2006) p 3-6.

¹⁷⁶ Financial Action Task Force “Trade-Based Money Laundering Trends and Developments” (Financial Action Task Force, 2020) p 32.

¹⁷⁷ *Ibid.*, at 12.

¹⁷⁸ “Treasury Identifies Lebanese Canadian Bank Sal as a Primary Money Laundering Concern” United States Department of Treasury, available at <https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx> (accessed 2 February 2022).

services.¹⁷⁹ Hezbollah,¹⁸⁰ the Taliban,¹⁸¹ have used TBTF to fund their operations.¹⁸² The FATF stated that ‘suspected terrorists used the false invoicing technique to facilitate the transfer of funds to terrorists’.¹⁸³

Conclusion

Fraud is a popular method for financing terrorist attacks and this paper has identified a terrorism financing fraud typology. Frequently used methods in Europe are benefit fraud, credit card/personal loan/bank fraud, NPO fraud and tax fraud. It is difficult to determine which type of fraud within the typology is the most frequently used, which are declining in usage and which are becoming more popular. What is not in doubt is that fraud continues. to be used to support terrorist groups and autonomous terrorist entities across Europe. Terrorists have exploited the benefits afforded by the EU to its citizens, including access to credit, manipulated welfare payments and exposed loopholes in the funding of higher education. Furthermore, one recent study has illustrated the connections between cryptoassets, social media platforms and fraud. Fraud has become a common and easy funding mechanism for disparate terrorist entities. The approach towards investigating and prosecuting suspected instances of fraud and terrorism financing varies between countries.

¹⁷⁹ Above n 171, p 12.

¹⁸⁰ Unknown Author “Trade-Based Money Laundering: Overview and Policy Issues” (Congressional Library Research, 2016) p 5.

¹⁸¹ United States Treasury Department “2003 Money Laundering Strategy” (United States Treasury Department: 2003) p 16.

¹⁸² Above n 172, p 16.

¹⁸³ *Ibid*, at 34.

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ANNEX A**BIOGRAPHIES OF THE CONTRIBUTORS** (*in alphabetical order*)**ALEJANDRA CERÓN RINCÓN**

Alejandra Cerón Rincón is a sociologist, mastered in Organizational Management at UQAC Canada, PhD Political Studies and International Relations at the National University of Colombia. She is a researcher in public policies for the defence sector, education and the Science & Technology system.



She works as a University Professor of undergraduate and postgraduate courses in the areas of Geopolitics, Research Methodology, Public Policy, International Relations and Law.

In addition, she is a writer and content editor, with experience and participation in the administrative academic management.

FİLİZ KATMAN

Asst. Prof. Dr Filiz Katman holds a BA in Economics from Istanbul University, an MA in Political Science and International Relations from Marmara University, a Ph.D. in International Security and Terrorism from National Defence University, certificates from Harvard University Humanitarian Assistance in Conflict and Disaster Program, Oxford University Pembroke College Changing Character of War Programme, Yale University Program on War, Conflict and Order, NATO International School, and NATO Centre of Excellence on Defence Against Terrorism. Currently, she is Executive Board President at the Energy Politics and Markets Research Centre (EPPAM) since 2010, Editor-in-Chief at EPPAM Policy Brief, and Deputy Head of Department of Political Science and International Relations at Istanbul Aydin University.



She is Senior Fellow at Centre for Syrian Studies and peer reviewer at Journal for Terrorism Research at University of St Andrews and also Management Committee Member of CA18228-Global Atrocity Justice Constellations COST Action representing Türkiye. She is regularly consulted by BBC World News due to her expertise.

IVICA SIMONOVSKI

Ivica SIMONOVSKI received his PhD in International Politics at the Faculty of Law, Ss. Cyril and Methodius of Skopje. He is a financial analyst within the Financial Intelligence Office of the Republic of North Macedonia, with 15 years experience in financial investigation and financial analysis. Since 2018, he is a certified AML/CFT evaluator by Moneyval Committee - Council of Europe. He is a Lecturer at the Academy of Banking and Information Technology in Skopje and Defense Institute for International Legal Studies in New Port, USA. His research areas are money laundering, corruption, serious and organized crime, financing of terrorism and cyber crime. He is the author and co-author of many scientific papers published in international journals, journals and conference books. His first book, “Countering the Financing of Terrorism in the International Community” was published in 2018. The second book “How To Become A Financial Investigator” was published in April 2022. Also, he is the Co-Founder of the Cyber Security, Corporate Security and Crisis Management Initiative (C3I). This non-governmental organization focuses on raising public awareness of phenomena which are related to cyber and human security and privacy, among others money laundering as well as corruption. Since 2021, he is part of the Roster of Experts in Regional Anti-Corruption Initiative in Sarajevo and Council of Europe. He is a member of the regional network of Global Initiative against Transnational Organized Crime.



LIAT SHETRET

Liat Shetret is a crypto enthusiast and Director of Regulatory Affairs & Compliance Policy at Solidus Labs. For more than 15 years, she has led global capacity-building and technical assistance programs on anti-money laundering (AML), countering the financing of terrorism (CFT), financial inclusion, and countering violent extremism. She has formerly worked as the Senior Advisor for Crypto-Policy and Regulation at blockchain analytics company Elliptic, at the Egmont Group of Financial Intelligence Units, Citigroup Bank, the Global Center on Cooperative Security, and the U.S. House of Representatives Committee for Homeland Security. She has extensive experience implementing technical assistance programs, particularly in emerging markets and developing countries across Africa, the Americas, Europe, and the Middle East. Liat is an Adjunct Instructor at New York University, and holds a Master of International Affairs degree from Columbia University's School of International and Public Affairs (SIPA) and a BA in political science and psychology from the University of Illinois. She is also a Certified Anti-Money Laundering Specialist (CAMS).



NICHOLAS RYDER

Nicholas Ryder has played advisory roles both nationally (Home Office, Law Commission, the Nationwide, Security Intelligence Services, Transparency International) and internationally (NATO, United Nations, Cepol, Europol, EUROMED Police, the Dutch Police, the France Telecom Group, the Law Reform Commission of Ireland and the Foreign and Commonwealth Office) with an international reputation for excellence in policy-oriented research in financial crime. His research has attracted funding (£1.61m)



from Innovate UK, Economic and Social Research Council (ESRC), LexisNexis Risk Solutions, the City of London Police Force, the Royal United Services Limited, The Alan Turing Institute, ICT Wilmington Risk & Compliance, the France Telecom Group and the European Social Fund. I have created, and edit Routledge's Law of Financial Crime Series. Collectively, he has published 5 monographs, edited books and over 50 articles in internationally recognised journals including Legal Studies, the Cambridge Law Journal, and the Journal of Business Law, Studies in Conflict and Terrorism and Contemporary Issues in Law. He has contributed towards two REF Impact Case Studies in 2014 and 2021.

Beyond academia, He has delivered numerous counter-terrorism financing training seminars for multiple financial crime stakeholders including Cepol, Europol, EUROMED Police, NATO and several multinational telecommunication and financial services companies. The seminars have helped inform professional practice through the delivering training to practitioners including law enforcement agencies from Europe, Jordan, Lebanon, Tunisia, Algeria, Morocco, Egypt, Israel, Libya and the Palestinian Authority.

He was invited by NATO Centre of Excellence Defence Against Terrorism to deliver counter-terrorism financing training to delegates from 24 countries. He has submitted written evidence to the House of Commons Treasury Select Committee (2019 and 2021), the House of Lords Select Committee on the Bribery Act 2010 (2019), HM Revenue and Customs (2021) and the Law Commission's Review on Corporate Criminal Liability (2021). He has been invited to consult by the media including Bloomberg News, the BBC, CNBC, the Sunday Times, the Independent, the Wall Street Journal, the Telegraph and the Financial Times.

NORMAN REY TORRES

Norman Rey Torres (OF -5) is Colombian Army Military Attaché in the Kingdom of Belgium – NATO Partnership National Military representative- shape HQ.

He served as platoon leader; company, battalion for 16 years. He joined the Captain Maneuver career course, USA in 2003, Military Overseas Deployment, Middle East in 2012 and Joint Military Operations, UK in 2015. He got a specialization degree in security management and master degree in project management.



SHEELAGH BRADY

Sheelagh Brady is the Chief Security Analyst with SAR Consultancy, working with forward thinking clients to develop deep insights and high level security forecasting.

She has previously held the position of Mission Security Analyst, EUBAM Libya, Senior Security Information Analyst, with UNDSS in Abuja Nigeria, and was previously an Analyst in the Mission Analytical Capability Unit of the European Union Police Mission in Bosnia Herzegovina, having been seconded from An Garda Síochána (Irish Police Force).



Prior to this, Sheelagh had over 13 years service with the Irish police, attached to regular policing units, and more specialist units, such as the National Air Support Unit, and Community Relations and Community Policing. Sheelagh holds a number of qualifications, among which, a PhD from Dublin City University, titled Shared Cues, Different Violence Organisations Comparing Visual Recruitment Strategies of extremists, gangs, PMC/Mercenaries, and militaries. She also has a MA in Criminal Justice Studies and an MSc in Crime Science.

SIMPLICE A. ASONGU

Simplice Asongu holds a PhD from Oxford Brookes University and is currently the Lead Economist and Director of the African Governance and Development Institute (Yaoundé, Cameroon) and Adjunct Professor at the University of Cape Town.

He is also a: Senior Research Fellow at the Africa Growth Institute (Cape Town, South Africa); PhD Supervisor at Covenant University (Ota, Nigeria), the University of Ghana (Accra, Ghana) and Midlands State University (Gweru, Zimbabwe); DBA Supervisor at Management College of Southern Africa (Durban, South Africa) and Research Associate at the University of South Africa (Pretoria, South Africa), University of Buea (Buea, Cameroon) and Oxford Brookes University (Oxford, UK).

Moreover, he is an Associate Editor in some journals including the Journal of Economic Surveys, the Journal of African Business and the International Journal of Education Economics and Development.



OĞUZHAN PEHLİVAN

Colonel Oğuzhan PEHLİVAN (PhD) is the Director and Turkish senior national representative at the NATO Centre of Excellence for the Defence Against Terrorism (COE-DAT) in Ankara, Türkiye. As the Director, Colonel PEHLİVAN leads all aspects supporting the Supreme Allied Commander Transformation in his effort to transform NATO in the field of counterterrorism.

Colonel PEHLİVAN graduated from the Turkish Military Academy as an Infantry Officer in 1996 and from the Infantry School in 1997. He served as platoon leader; company, battalion and deputy brigade commander prior to his assignment at COE-DAT. He also got PhD in Sociology at Hacettepe University in 2017. His studies mainly focus on family sociology, culture, immigration, terrorism, counter terrorism, military decision models. Colonel PEHLİVAN is married to Serpil PEHLİVAN, with a son named Burak Kağan PEHLİVAN.



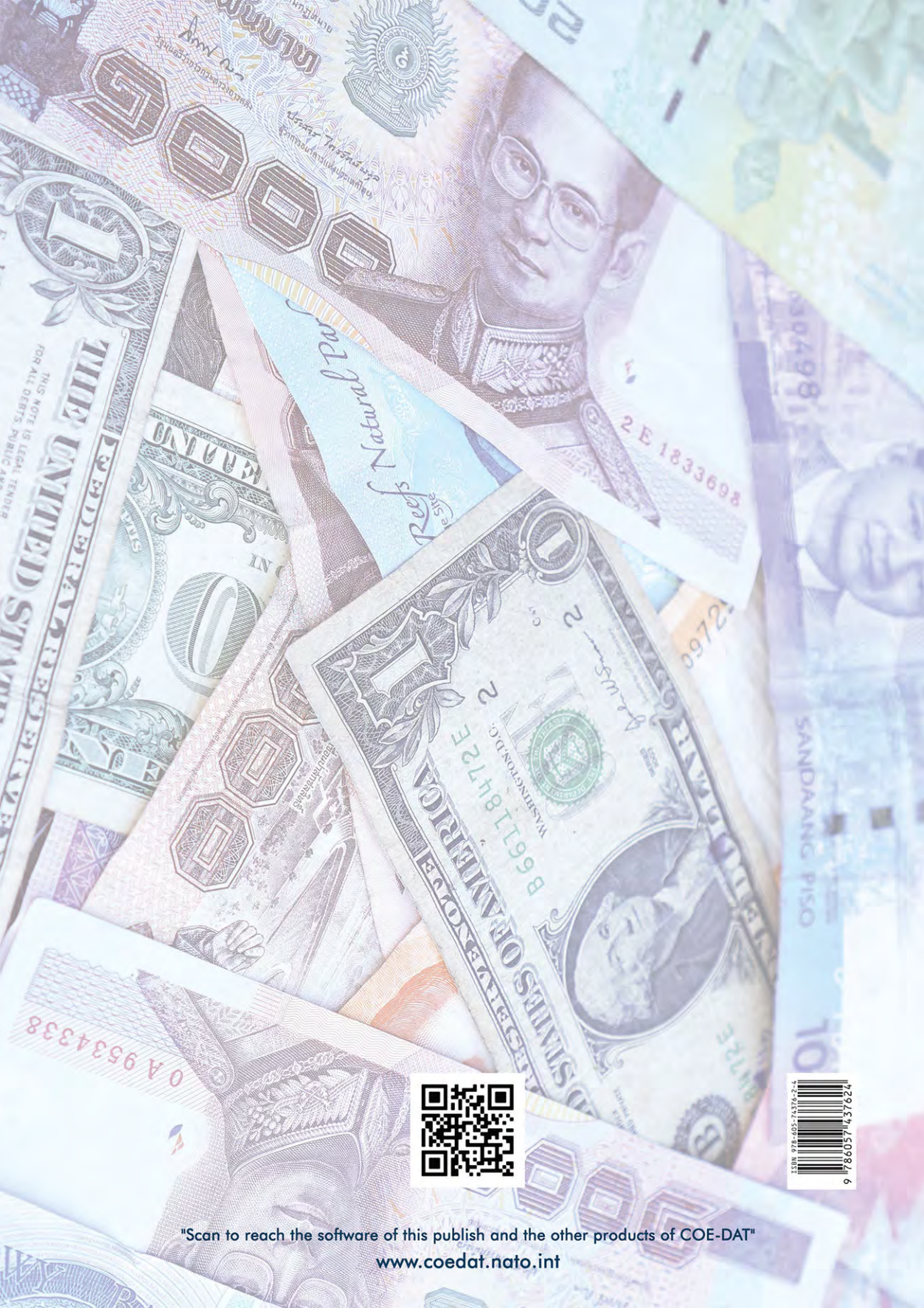
OSMAN ŞEN

Assoc. Prof. Dr. Osman ŞEN, is a 3rd Degree Chief Superintendent in the Turkish National Police. He is currently the Director of Civil Law Enforcement Policy in Center of Excellence Defence Against Terrorism. He served as the Chief of the Fight Against Terrorist Organizations that abuse religion in the Counter-Terrorism Department between 2017-2021. He attended national and international meetings as a speaker on Türkiye's fight against DAESH.



He completed International Relations master and PhD programmes at Gazi University (Ankara/Türkiye). He wrote the thesis titled "Al-Qaeda's Place within the Context of the Religious Terrorism and Assessment of its Incidents" for his master's degree. He wrote the thesis titled "The Effects of Changing Security Paradigms of 21th Century on Counterterrorism Strategies" for his PhD's degree. He gave the International Security undergraduate course at the National Defense University and the GUC 505 Terrorism, Organizational Psychology and Radicalization Process master's courses at TOBB University.

The titles of the author's articles published on various dates are: "The Review of Al-Shebab Organization Within the Context of Changing Paradigms in 21st Century", "Terrorist Use of Unmanned Aerial Vehicles: Türkiye's Example", "Miscalculation in Proxy War: The United States and Russia in Syrian Civil War from the Neoclassical Realist Perspective", "The Ideological and Practical Comparison of Hezbollah in Lebanon and HAMAS", "Use of Blockchain Technology in the Financing of DEASH", "A Realist Appraisal to the Foreign Policy of Iran: The Case of Syria", "The Impact of Civil Wars on Women: Somalia Sample". In addition, he has published books on terrorism, presented papers and taught courses.



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