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# 1

## Terror Financing Typologies and the Means of Combating Them<sup>1</sup>

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## Introduction

Time and again the old adage has proven true: by following the money, both governments and the private sector—from law enforcement and intelligence services to banks and other financial institutions—have helped thwart attacks, disrupt illicit networks, and constrict the environment within which terrorist operatives and groups operate. Of course, terrorist threats persist, and the nature of these strategic threats continues to evolve even in the face of tactical successes, such as those enabled by countering terrorist financing. Financial tools alone cannot solve the threat of terrorism, but they have proven to be especially effective at mitigating such threats by making it harder for terrorists to carry out their activities.<sup>2</sup>

Over the last decade, the terror finance landscape has changed dramatically. Sometimes a product of necessity, oftentimes of opportunity, terrorists have developed new ways to raise, store, move, and spend money. At the same time, they have also reverted to historically effective funding and transfer methods, including some—like abuse of charity—that authorities had effectively curtailed for a period of time, but later reemerged as global events enabled their return. Today, following the money takes investigators down many paths, some familiar and others entirely novel.

In part, this phenomenon is the product of globalization and the advent of new technologies that facilitate the mobilization and movement of people, goods, and ideas—as well as the raising and transfer of funds—around the world. But regarding terrorist financing, an even greater factor contributing to this phenomenon is localization. Terrorist groups today are much more likely to self-finance or fund-in-place than seek financial support from distant benefactors. When they seek far-flung donors, these are typically secondary or auxiliary, rather than primary, financing sources. Again, this phenomenon is both a factor of necessity (counterterrorism measures and intelligence tools that complicate international funding streams) and opportunity (control of territory and the ability to inspire followers to finance acts of individual or small-group terrorism of their own). Even groups that enjoy significant state-sponsorship, of the kind that Lebanese Hezbollah receives from Iran, sometimes find that events (the maximum pressure campaign targeting Iran, the drop in the price of oil, and the impact of the COVID-19 global pandemic) force them to diversify their financial portfolios and develop their own means of raising funds—in Hezbollah’s case, largely criminal enterprises.<sup>3</sup>

Nearly two decades after 9/11, jurisdictional distinction—the particular means of raising, storing, transferring, and accessing funds most easily available in any given location—may best help explain why terrorists engage in one type of terrorist financing scheme over another.

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<sup>2</sup> Katherine Bauer and Matthew Levitt, “Can Bankers Fight Terrorism?” *Foreign Affairs*, November/December 2017, <https://www.foreignaffairs.com/articles/2017-10-16/can-bankers-fight-terrorism>.

<sup>3</sup> Matthew Levitt “The Lebanese Hizbullah Financing Threat in Europe,” Research Briefing No. 1, Project CRAFT, Royal United Services Institute (RUSI), April 2020, <https://www.washingtoninstitute.org/policy-analysis/view/the-lebanese-hizbullah-financing-threat-in-europe>.

The breakdown of political systems and the proliferation of un- and under-governed spaces have allowed terrorist organizations to increasingly control territory, creating a unique funding opportunity based on taxing and extorting local populations, extracting and selling natural resources, and even selling rights to dig for antiquities in specific plots of land. Terrorist organizations also have capitalized on globalization.

As groups have moved propaganda online, the trend toward self-radicalized lone actors and self-financed individuals (or small cells) who are able to self-fund, or rely on small value transactions, has led some to call into question the value of combating the financing of terrorism (CFT). Many of these critiques focus on the difficulty that financial institutions face in identifying and flagging terror-related transactions, as well as ineffectiveness of financial sanctions against territory-controlling terrorist organization. However, the idea that the focus of counter-terrorist financing efforts is tracking the movement of funds through bank accounts and investigating reports of suspicious activity is a misconception. Rather, CFT broadly includes strategic efforts to protect the financial system from exploitation through standard setting, diplomatic outreach, identification of emerging threats and typologies, and international cooperation. Likewise, *financial intelligence*—a term used by policymakers, law enforcement, and intelligence authorities—extends well beyond bank-filed suspicious transaction reports.

The tools available to combat terrorist financing were never intended to defeat terrorism, but rather to disrupt terrorist networks and deny them the funding necessary to carry out their activities. Even here, such tools will always be more effective when employed as part of a larger strategy in tandem with other military, diplomatic, law enforcement and intelligence tools, rather than instead of these tools.

## International Legal Framework

CFT draws on many lines of effort, including the implementation of national-level and supranational (i.e., United Nations or European Union) sanctions; information sharing and other forms of bilateral or multilateral cooperation; as well as regulatory efforts aimed at enhancing the transparency and integrity of the international financial system. The international legal framework provides the basis for criminalization of terrorist financing, and relatedly money laundering, as well as mutual legal assistance and other forms of international cooperation, which are integrated in international standards propagated and monitored for compliance by the Financial Action Task Force (FATF), described here.

### Background

Current efforts to combat illicit financing broadly have their roots in counter-drug trafficking efforts in the 1980s and 1990s. In search of a more effective way to undermine cash-rich drug trafficking organizations, law enforcement and policymakers turned their attention to the organizations' financial footings. As such, many of the international legal standards governing anti-money laundering and countering the financing of terrorism (AML/CFT) efforts can be traced to anti-drug money initiatives. The United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, adopted in Vienna in 1988

(also known as the Vienna Convention), first introduced the concept of money laundering as a separate criminal offense under international law, providing the basis for international cooperation on confiscation, mutual legal assistance related to money laundering offenses and related extradition within counter-narcotics trafficking efforts.<sup>4</sup> The Convention Against Transnational Organized Crimes (Palermo Convention) adopted in 2000, expanded efforts to respond to organized crime, calling on countries to: (i) criminalize money laundering and include all major crimes as predicate offenses; (ii) establish regulatory regimes to detect such activity and financial intelligence units to collect, analyze and distribute such report of suspicious activity from banks and other non-bank financial entities.<sup>5</sup>

## Anti-Money Laundering (AML) Regime

This reflected a shift in the focus of law enforcement's approach to criminal activity, in particular international narcotics trafficking alongside other highly profitable transnational criminal activities, from the perpetrator to the proceeds.<sup>6</sup> Faced with a rotating cadre of leaders and members, the aim was to undermine the financial foundation of criminal organizations and make their activities more susceptible to detection and disruption, as well as lessen the appeal of such activities. Anti-money laundering regimes were, at first, tools of law enforcement, establishing requirements for banks and other financial and non-financial actors to report suspicions of criminal or illicit financial activity to a central repository—the Financial Intelligence Unit—for analysis, investigation, and referral to police and prosecutors. The obligation to establish the legal framework necessary to empower judicial and other competent authorities to compel the production of financial and commercial records is derived from the Vienna Convention of 1988.

However, the requirements imposed on financial institutions to execute suspicious transaction and other reporting requirements, such as verifying the identity of a client through know-your-customer (KYC) procedures, and applying a risk rating through customer due diligence (CDD) procedures, evolved to be the core principles of a push for increased transparency in the international financial system. Taken together, the new legal and regulatory framework's focus on transparency lowered the risk of handling such illicit financial activity, and served as the cornerstone of the preventative side of counter-threat finance efforts.

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<sup>4</sup> Koh, Jae-Myong, *Suppressing Terrorist Financing and Money Laundering*, Berlin: Springer-Verlag Berlin Heidelberg, 2006, pp. 43-44.

<sup>5</sup> World Bank, "Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism", 2nd ed, Washington D.C., 2006, [http://siteresources.worldbank.org/INTAML/1983064-1133906114980/20934619/RG\\_AML\\_en\\_Ch3.pdf](http://siteresources.worldbank.org/INTAML/1983064-1133906114980/20934619/RG_AML_en_Ch3.pdf).

<sup>6</sup> Koh, Jae-Myong, *Suppressing Terrorist Financing and Money Laundering*, Springer-Verlag Berlin Heidelberg, 2006, p. 39.

## Counter-Terrorist Financing

Until the September 11 attacks, combating terrorist financing was not a strategic priority for the U.S. government or the international community. But in the wake of those attacks, the United States dramatically heightened its focus on combating terrorist financing, employing an aggressive, multifaceted response in which it designated and froze the assets of numerous terrorist financiers and support networks, prosecuted individuals and entities for providing material support, and increased its focus on following the money as a means of collecting financial intelligence.

The United States was hardly alone in its new focus on terrorist financing; many other countries followed suit. The private sector's role—and its importance—in the global efforts to combat terrorist financing also increased. Although the United States led the international charge on these issues, two international organizations, the United Nations (UN) and the FATF, also deserve credit for the scale of the global response since September 11.

Beginning in 1998, following the attacks on the U.S. embassies in Kenya and Tanzania, the international community moved to adopt the International Convention for the Suppression of Terrorist Financing (ICSTF), although it did not enter into force until April 2002.<sup>7</sup> The ICSTF calls on countries to criminalize terrorism, terrorist organizations and the financing thereof. Notably, the convention calls for countries to criminalize the financing of terrorism, regardless of whether the financing directly supports a terrorist attack.<sup>8</sup>

The following year, the U.N. established a sanctions regime under Chapter VII of the UN Charter to cover individuals and entities associated with the Taliban—and later al-Qaeda (AQ) and Osama bin Laden.<sup>9</sup> U.N. Security Council Resolutions (UNSCR) 1267 (1999) and 1333 (2000) placed an asset freeze and travel ban on listed groups and individuals.

The so-called 1267 list represented the first time the international community reached a consensus on dealing with terrorism, in sharp contrast to the traditionally paralyzing debates at the UN about terrorists versus freedom fighters. The resolution was designed to pressure the Taliban to evict al-Qaeda from its country.<sup>10</sup> Although the resolution did not achieve its ultimate goal, the increased international scrutiny had some impact on bin Laden and al-Qaeda. The organization began altering how its members transferred money, moving away from the formal banking sector and turning more frequently to cash couriers and *hawala* transfers.<sup>11</sup>

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<sup>7</sup> Giraldo, Jeanne K. and Trinkunas, Harold A. ed., *Terrorism Financing and State Responses*, Stanford University Press, 2007, p. 21.

<sup>8</sup> United Nations General Assembly, “International Convention for the Suppression of Terrorist Financing”, A/RES/54/109, December 9, 1999, <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N00/251/28/PDF/N0025128.pdf?OpenElement>.

<sup>9</sup> UNSCRs 1989 (2011) split the Taliban and al-Qaeda lists. UNSCR 2253 (2015) added the Islamic State in Iraq and the Levant and associated groups.

<sup>10</sup> United Nations Security Council Resolution 1267, October 15, 1999, <https://www.un.org/securitycouncil/sanctions/1267>.

<sup>11</sup> Matthew Levitt and Michael Jacobson, “The Money Trail: Finding, Following, and Freezing Terrorist Finances, The Washington Institute for Near East Policy, November 2008, <https://www.washingtoninstitute.org/media/3441>.

On September 28, 2001, UNSCR 1373 was adopted, calling on member states to: (i) criminalize actions to finance terrorism in line with the ICSTF; (ii) deny all forms of support for terrorist groups; (iii) suppress the provision of safe haven or support for terrorists; and (iv) cooperate with other countries in criminal and other investigations.<sup>12</sup> Days earlier, on September 23, 2001, then-U.S. President George W. Bush issued Executive Order 13224, authorizing targeted blocking sanctions against those who commit, threaten to commit, or support terrorism.<sup>13,14</sup> Over the past two decades, many countries have adopted their own national targeted counterterrorism sanctions lists pursuant to UNSCR 1373. Generally, U.S. and other national counterterrorism sanctions authorities both implement UN-level designations and designate additional persons for national-level sanctions.

## Role of the FATF

International best practices related to AML/CFT are developed and propagated by the FATF, a technical, intergovernmental body established in 1989. The FATF sets standards and promotes “effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system,”<sup>15</sup> thereby making the international financial system less vulnerable to illicit financial activity.

Adoption and implementation of the FATF standards or recommendations by member states is assessed through public peer or mutual evaluations. The FATF also works to promote the adoption of best practices globally, as well as to develop policy responses to both preexisting and emerging systemic threats to the global financial system, such as the abuse of charitable organizations to move illicit funds, vulnerabilities of money service business to exploitation by bad actors, and regulatory challenges posed by new payment methods, such as cryptocurrencies.

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<sup>12</sup> World Bank, “Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism,” [http://sit-eresources.worldbank.org/INTAML/1983064-1133906114980/20934619/RG\\_AML\\_en\\_Ch3.pdf](http://sit-eresources.worldbank.org/INTAML/1983064-1133906114980/20934619/RG_AML_en_Ch3.pdf).

<sup>13</sup> Executive Office of the President, “Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism,” Executive Order 13224, September 25, 2001, <https://www.federal-register.gov/documents/2001/09/25/01-24205/blocking-property-and-prohibiting-transactions-with-persons-who-commit-threaten-to-commit-or-support>.

<sup>14</sup> On September 10, 2019, U.S. President Donald J. Trump amended E.O. 13224 to consolidate U.S. counterterrorism financing sanctions authorities; allow the U.S. Government to more efficiently target leaders of terrorist organizations; and apply secondary sanctions provisions, *e.g.*, authorize the Treasury Department to prohibit foreign financial institutions that engage in significant transactions with persons listed pursuant to E.O. 13224 from establishing or maintaining correspondent or payable through accounts in the United States. See: U.S. Department of the Treasury, “Treasury Targets Wide Range of Terrorists and Their Supporters Using Enhanced Counterterrorism Sanctions Authorities,” Press Release, September 10, 2019, <https://home.treasury.gov/news/press-releases/sm772>.

<sup>15</sup> “Who we are,” *FATF, Financial Action Task Force*, 2018, <http://www.fatf-gafi.org/about/>.

Broadly, the FATF recommendations, and therefore assessments of compliance, focus on three key areas: (1) international obligations; (2) transparency of the financial system; and (3) accountability. In sum, this incorporates:

- criminalization of money laundering, terrorist and proliferation financing in line with international obligations derived from international treaties and UNSCRs, including development of domestic targeted sanctions capabilities and facilitating international cooperation;
- application of preventative measure to protect the integrity of the financial system, including the availability of information on natural and legal persons and arrangements; and
- implementation of an adequate legal structure to identify, investigate and prosecute illicit finance, as well as apply appropriate and dissuasive criminal, civil or administrative penalties.

As a result of the evolving nature of both illicit finance and the international financial system, the FATF recommendations, first issued in 1990, were revised in 1996, 2001, 2003, and 2012. In 2001, the FATF broadened its mission beyond AML to encompass CTF by adopting eight additional special recommendations. With the 2012 revision, those eight special recommendations were reincorporated largely into the 40 recommendations, pulling out specifically the requirement to criminalize TF, and to develop and implement national-level targeted financial sanctions regimes. National-level regimes should both implement UN-level sanctions lists, and be able to identify targets for domestic designation and referral to the United Nations, as well as assess and respond to requests from other countries to freeze terrorist assets in their own jurisdiction. Under the 2012 revision, the FATF incorporated a risk-based approach, calling on countries to identify, assess, and understand the risks posed by ML and TF in their jurisdiction and allocate resources accordingly, allowing for a more flexible approach and permitting countries to dedicate resources in the most effective manner.

FATF mutual evaluations conducted under the revised standards likewise focus not only on members' implementation of technical requirements, but also the efficacy of such measures. Effectiveness is measured against eleven so-called immediate outcomes (IOs), two of which—IO 9 and IO 10—directly implicate CTF efforts, such as effective investigation, prosecution, and application of dissuasive sanctions for terrorist financing offense (IO 9) and use of a risk-based approach to the application of targeted financial sanctions and other measures against methods most likely to be employed by terrorist financiers to raise and move funds (IO 10).<sup>16</sup>

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<sup>16</sup> Financial Action Task Force (FATF), "Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems," FATF, February 22, 2013, p. 122-124, <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%202022%20Feb%202013.pdf>.



Jurisdictions found to have strategic AML/CFT deficiencies that pose a risk to the international financial system—whether FATF members or not—are included in a FATF public statement released following its plenary meetings in February, October, and June of each year. The public statement includes two lists, referred to colloquially as the “grey list” and the “black list,” reflecting different levels of risk. The FATF’s International Cooperative Review Group (ICRG) oversees countries’ progress to remedy deficiencies, in most cases, in line with a mutually agreed upon action plan. Considering that required reforms often face political obstacles, the FATF requires that countries on the public statement make a “high-level political commitment” to implement the action plan.<sup>17</sup>

As terrorist financing typologies evolve, as detailed below, responses from the international community to counter such threats also must adapt. In the decade following the 9/11 attacks, CTF efforts focused on identifying and disrupting so-called deep-pocket donors, primarily located in the Arab Sunni states in the Gulf, and protecting charitable organizations from exploitation and diversion of funds to support terrorist causes. Considerable efforts have been made to establish and gain adoption of international best practices designed to make the international financial system an unfavorable environment for terrorist support and other forms of illicit finance. Part of this effort has involved raising awareness of the risks of terrorist financing and facilitation; convincing governments in high-risk jurisdictions to implement such standards, despite concerns of retaliation. Furthermore, by sharing actionable information—either confidentially or through public notification of sanctions actions—governments strive to disrupt terrorists’ means to raise, store, and move funds. Likewise, the private sector’s role—and its importance—in the global efforts to combat terrorist financing also increased. However, the rise of the Islamic State (IS or ISIS), and its almost complete reliance on funding derived locally, has highlighted the need not just to disrupt terrorist access to the financial system, but also to find ways to cut them off from their means of raising funds. Together, with the trend toward criminal sources of funds, the need for international cooperation, public-private exchanges of information, and an all-of-government approach to combating the financing of transnational threats is even greater.

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<sup>17</sup> Financial Action Task Force (FATF), “High-risk and other monitored jurisdictions,” FATF, 2018, [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/more/more-on-high-risk-and-non-cooperative-jurisdictions.html?hf=10&b=0&cs=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/more/more-on-high-risk-and-non-cooperative-jurisdictions.html?hf=10&b=0&cs=desc(fatf_releasedate)).

## From Shifting Directional Flows to Funding in Place

Post 9/11 CTF efforts were predicated on two principles. First, although the cost of an individual attack may be small, terrorist organizations rely on a steady flow of funds to support operational costs, such as salaries, training, transportation, and even recruitment. Second, understanding how a terrorist organization manages its assets is critical to depriving the organization of funds and disrupting its activities in the long term.<sup>18</sup>

Although these principles remain valid, the CFT regime established after 9/11 was designed primarily to counter an organization—al-Qaeda—that largely relied on external donations and exploiting charitable organizations and the formal financial system to raise and move funds.<sup>19</sup> For terrorist groups, this dependence represented a considerable vulnerability to detection and disruption by law enforcement and intelligence agencies. Targeted financial sanctions were deployed to block assets, publicly expose financiers and facilitators, and deter potential deep pocket donors. Furthermore, these targeted measures were demonstrations of multilateral and international resolve. Although other tools in the counterterrorism toolkit, such as counter-radicalization, are generational and operations are most often clandestine, targeted financial sanctions represented an immediate and public response to the terrorist threat.

They were also largely effective. Although al-Qaeda’s annual budget was estimated to be roughly \$30 million prior to 9/11, by 2004, it had fallen to a few million dollars a year. By 2010, al-Qaeda core’s annual budget was estimated to be less than one million dollars.<sup>20</sup> Indeed, in 2005 the deputy leader of al-Qaeda, Ayman al-Zawahiri, sent a letter to the leader of al-Qaeda in Iraq (AQI), Abu Musab al-Zarqawi, asking for money and noting that “many of the lines [of financing] had been cut off. Because of this we need a payment ...”<sup>21</sup>

The rise of a reverse-directional flow of money, going from al-Qaeda affiliates toward the increasingly impoverished core, precipitated decentralization within al-Qaeda.<sup>22</sup> Along with the decline in funding came a “general weakening of the hierarchical relationship between the core and the affiliates,” according to former Treasury Undersecretary David Cohen. “The ability of Al-Qaida’s core to direct the activities and attacks of its affiliates has diminished, with those affiliates increasingly setting their own goals, specifying their own

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<sup>18</sup> The Financial Action Task Force (FATF), “FATF Report: Emerging Terrorist Financing Risks,” FATF, October 2015, p. 5, <https://www.fatf-gafi.org/media/fatf/documents/reports/Emerging-Terrorist-Financing-Risks.pdf>.

<sup>19</sup> Regarding al-Qaeda’s reliance on abuse of charity, see John Roth, Douglas Greenberg and Serena Wille, “National Commission on Terrorist Attacks on the United States: Monograph on Terrorist Financing, Staff Report to the Commission,” National Commission on Terrorist Attacks Upon the United States, 2004, p. 4, [https://govinfo.library.unt.edu/911/staff\\_statements/911\\_TerrFin\\_Monograph.pdf](https://govinfo.library.unt.edu/911/staff_statements/911_TerrFin_Monograph.pdf).

<sup>20</sup> Greg Bruno, “Al-Qaeda’s Financial Pressures,” Council on Foreign Relations, February 1, 2020. Available at: <https://www.cfr.org/backgrounder/al-qaedas-financial-pressures>; Roth et. al, “Monograph on Terrorist Financing,” p. 28.

<sup>21</sup> Letter from Ayman al-Zawahiri to Abu Musab al-Zarqawi, July 9, 2005. English translation available at: [https://fas.org/irp/news/2005/10/letter\\_in\\_english.pdf](https://fas.org/irp/news/2005/10/letter_in_english.pdf).

<sup>22</sup> Matthew Levitt, “Al-Qa’ida’s Finances,” CTC Sentinel, Vol. 1 Issue 5, (April 2008), <https://www.ctc.usma.edu/al-qaidas-finances-evidence-of-organizational-decline/>.

targets, and providing jihadist expertise,” Cohen said.<sup>23</sup> In fact, documents recovered from AQI in 2009 revealed that in the intervening years (since that 2005 letter), al-Zarqawi’s organization, then-called the Islamic State in Iraq, took the strategic decision to derive revenues locally, largely to avoid foreign dependence and direction, as well as disruption.<sup>24</sup>

By the late 2000s, many al-Qaeda affiliates had diversified their funding streams, most prominently engaging in such criminal tactics as kidnapping for ransom and extortion. In northwest Africa, al-Qaeda in the Islamic Maghreb (AQIM) received roughly \$100 million in ransom payments between 2008 and 2014.<sup>25</sup> In 2015, al-Qaeda in the Arabian Peninsula (AQAP) took advantage of the ongoing conflict in Yemen to take control of areas of the Hadramawt governorate, seizing as much as \$100 million from a Central Bank branch,<sup>26</sup> extorting funds from the national oil company, and raising as much as \$2 million per day in taxes on goods and fuel entering the port of al-Mukalla.<sup>27</sup> In Somalia, al-Qaeda-affiliated al-Shabaab generated as much as \$25 million in revenue from the illicit charcoal trade alone, when it controlled the Kismayo port from 2009–2012, according to the UN Monitoring Group on Somalia and Eritrea.<sup>28</sup> The group continues to generate significant revenue through extortion, even in areas that it no longer controls: it is estimated to have made as much as \$13 million during the first half of 2020 from checkpoints and mafia-style protection rackets targeting merchants and traders in Southern Somalia, including at Kismayo port.<sup>29</sup> “It’s no longer an insurgency but an economic power,” Rashid Abdi, an analyst specializing in the Horn of Africa, told *The New York Times*: “It’s a shadow state that’s out-taxing the government even in areas it doesn’t control.”<sup>30</sup>

<sup>23</sup> Press Center, “Remarks of Under Secretary David Cohen at Chatham House on “Kidnapping for Ransom: The Growing Terrorist Financing Challenge,”” *U.S. Department of the Treasury*, October 5, 2012, <https://www.treasury.gov/press-center/press-releases/Pages/tg1726.aspx>.

<sup>24</sup> Patrick B. Johnston et al., “Foundations of the Islamic State: Management, Money, and Terror in Iraq, 2005–2010,” RAND Corporation, Santa Monica, Calif, 2016, pp. xxiv. Available at: [http://www.rand.org/content/dam/rand/pubs/research\\_reports/RR1100/RR1192/RAND\\_RR1192.pdf](http://www.rand.org/content/dam/rand/pubs/research_reports/RR1100/RR1192/RAND_RR1192.pdf).

<sup>25</sup> Rukmini Callimachi, “Paying Ransoms, Europe Bankrolls Qaeda Terror,” *The New York Times*, July 29, 2014. Available at: <https://www.nytimes.com/2014/07/30/world/africa/ransoming-citizens-europe-becomes-al-qaedas-patron.html>.

<sup>26</sup> Kairat Umarov, “Letter dated 16 July 2018 from the Chair of the Security Council Committee pursuant to resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning Islamic State in Iraq and the Levant (Da’esh), Al-Qaida and associated individuals, groups, undertakings and entities addressed to the President of the Security Council,” Security Council Committee pursuant to resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning Islamic State in Iraq and the Levant (Da’esh), Al-Qaida and associated individuals, groups, undertakings and entities, July 16, 2018. Available at: <http://undocs.org/S/2018/705>.

<sup>27</sup> Yara Bayoumy et al., “How Saudi Arabia’s War in Yemen Has Made al Qaeda Strong—and Richer,” *Reuters*, April 8, 2016. Available at: <http://www.reuters.com/investigates/special-report/yemen-aqap/>.

<sup>28</sup> Kim Sook, Letter exchange between the Chair and the President of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea, United Nations Security Council, July 12, 2013. Available at [http://www.un.org/ga/search/view\\_doc.asp?symbol=S/2013/413](http://www.un.org/ga/search/view_doc.asp?symbol=S/2013/413).

<sup>29</sup> Abdi Latif Daher, “Feared Shabab Exploit Somali Banking and Invest in Real Estate, U.N. Says,” *The New York Times*, October 11, 2020. Available at: [https://www.nytimes.com/2020/10/11/world/africa/feared-shabab-exploit-somali-banking-and-invest-in-real-estate-un-says.html?fbclid=IwAR2I8vFB5TKPwJhRyO2PHt4HEMYxRstY-sYAz5vDb9Ine9\\_0btajg6Vow](https://www.nytimes.com/2020/10/11/world/africa/feared-shabab-exploit-somali-banking-and-invest-in-real-estate-un-says.html?fbclid=IwAR2I8vFB5TKPwJhRyO2PHt4HEMYxRstY-sYAz5vDb9Ine9_0btajg6Vow). See also: Marc Pecsteen de Buytswerve, Letter exchange between the Chair and the President of the Security Council Committee pursuant to resolution 751 (1992) concerning Somalia, November 1, 2019. Available at <https://undocs.org/S/2019/858>.

<sup>30</sup> Daher, “Feared Shabab Exploit Somali Banking and Invest in Real Estate, U.N. Says,” 2020.

Today, observers note more such terrorist economies,<sup>31</sup> where groups take advantage of weak, corrupt states, lacking rule of law or full territorial control, to tax, extort, and exploit local resources. Within such illicit economies, trade-based money laundering presents a particular problem because instead of transferring potentially suspicious funds, a group can send otherwise legitimate products that can then be sold to benefit the group's operatives on the ground. In one case, Israeli authorities confiscated twenty-three tons of chocolate bars shipped to Hamas in the Gaza Strip as an alternative means of sending material support to the group.<sup>32</sup> Also consider Iran's illicit shipment of oil to Syria for sale by the Assad regime or transfer to Lebanon for the ultimate benefit of Hamas and Hezbollah."<sup>33</sup>

Speaking in 2016, former U.S. Deputy National Security Advisor Juan Zarate noted some of the challenges such terrorist economies presented:

The constraints on our financial game plan have been twofold: a lack of good information about the specifics of the ISIS economy and its continued control of territory that allows them access to populations and resources, like oil, antiquities, and granaries. There is also the problem that ISIS—in occupying major urban centers—has created economic defensive shields, understanding that we are not going to bomb all the banks in Mosul or starve the economy of millions of people. There are material constraints to what we can do while ISIS controls real territory and populations.<sup>34</sup>

Likewise, the collapse of the Islamic State's territorial caliphate fundamentally altered its financial structure and its relationship with global affiliates. Despite the Islamic State's early prosperity, its considerable expenses created vulnerabilities that the U.S.-led Global Coalition to Defeat ISIS, along with the government of Iraq, effectively exploited. For example, in August 2015, the Iraqi government ceased paying salaries to employees in IS-controlled territories, thereby cutting the group's revenue from the taxation of salaries, and reducing liquidity in those territories.<sup>35</sup> In late 2015, the Coalition also began to use air strikes to target and degrade Islamic State-controlled oil extraction, refining, and transportation.<sup>36</sup> Coalition airstrikes also targeted IS cash storehouses, destroying

<sup>31</sup> Bryan Price, "A View from the CT Foxhole: The Honorable Juan C. Zarate, former Deputy National Security Advisor for Combating Terrorism," *CTC Sentinel*, Vol. 9, Issue 4 (April 2016). Available at: <https://www.ctc.usma.edu/a-view-from-the-ct-foxhole-the-honorable-juan-c-zarate-former-deputy-national-security-advisor-for-combating-terrorism/>.

<sup>32</sup> "Israel Seizes 23 Tons of Chocolate Intended for Hamas Funding," *The Jerusalem Post*, August 16, 2021, <https://www.jpost.com/israel-news/israel-seizes-23-tons-of-chocolate-intended-for-hamas-funding-676847>

<sup>33</sup> Matthew Levitt, "Iran and Israel's Undeclared War at Sea (part 1): IRGC-Hezbollah Financing Schemes," *PolicyWatch* 3466, The Washington Institute for Near East Policy, April 6, 2021, <https://www.washingtoninstitute.org/policy-analysis/iran-and-israels-undeclared-war-sea-part-1-irgc-hezbollah-financing-schemes>

<sup>34</sup> Bryan Price, "A View from the CT Foxhole: The Honorable Juan C. Zarate, former Deputy National Security Advisor for Combating Terrorism," *CTC Sentinel*, Vol. 9, Issue 4 (April 2016). Available at: <https://www.ctc.usma.edu/a-view-from-the-ct-foxhole-the-honorable-juan-c-zarate-former-deputy-national-security-advisor-for-combating-terrorism/>.

<sup>35</sup> Daniel Glaser, "The Evolution of Terrorism Financing: Disrupting the Islamic State," *The Washington Institute for Near East Policy*, October 21, 2016. Available at: <https://www.washingtoninstitute.org/policy-analysis/view/the-evolution-of-terrorism-financing-disrupting-the-islamic-state>.

<sup>36</sup> *Id.*

millions of dollars in cash currency—an especially effective tactic in traditionally cash-heavy terrorist economies where credit cards do not function.<sup>37</sup>

As such, the greatest impact on IS's bottom line has been the loss of territory, which deprived the organization of local resources—including people—to tax and extort. Nonetheless, IS has continued to provide some financial support to its branches, as well as to empower them to raise funds locally.<sup>38</sup> As IS has reverted to an insurgency, it has returned to many of the fundraising methodologies deployed by AQI, including kidnapping for ransom (KFR), extortion of individuals and businesses, as well as some commercial activity.<sup>39</sup> It is worth noting, the cost of financing an insurgency is considerably less than holding and administering territory. The UN Monitoring Team for AQ and IS estimated that, as of February 2021, IS in Syria and Iraq continued to have access to roughly \$100 million in reserves—sufficient funds to support its current activities—and that it continued to receive funds from abroad.<sup>40</sup>

But funding in place is not just a function of terrorist group control of territory. It is also a function of the ability of terrorist groups to leverage social media and other platforms, as well as often-encrypted communication applications, to reach across borders to like-minded followers who can fund their own activities, whether local attacks or their travel to join militants abroad.

## Foreign Inspiration, Local Funding

Beyond its insurgent activities, IS remains a global terrorist concern largely due to the threat posed by inspired home-grown violent extremists (HVEs) who, acting alone or in small groups, present a particularly challenging terror-financing problem set. The same holds true for inspired networks of white supremacist or other racially and ethnically motivated violent extremist (REMVE) groups. Once an individual or small group has become radicalized and is determined to launch a terrorist attack, there are many ways to fund an attack. Lone offender and small group attacks can be carried out quickly, with minimal funding and preparation. As a result, authorities lose both the lag time within which they can run an effective investigation and the benefit of key tripwires—like the ability to follow travel, communications, and financial trails—that previously proved productive to investigative inquiry.

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<sup>37</sup> Katherine Bauer, Lori Plotkin Boghardt, and Matthew Levitt, “Defeating the Islamic State: The Economic Campaign,” The Washington Institute for Near East Policy, February 24, 2016. Available at: <https://www.washingtoninstitute.org/policy-analysis/view/defeating-the-islamic-state-the-economic-campaign>

<sup>38</sup> FATF, “FATF Actions to Identify and Disrupt ISIL, Al-Qaeda and Affiliates’ Financing,” FATF, June 21, 2019. Available at: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/fatf-action-against-terrorist-financing-june-2019.html>.

<sup>39</sup> Dian Triansyah Djani, “Twenty-sixth report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2368 (2017) concerning ISIL (Da’esh), Al-Qaida and associated individuals and entities,” United Nations Security Council, July 23, 2020, p.17. Available at: <https://undocs.org/S/2020/717>.

<sup>40</sup> “Monitoring Team’s Twenty-seventh report,” February 2, 2021, p.17, <https://undocs.org/S/2021/68>.

The 2015 U.S. National Terrorist Financing Risk Assessment notes the case of Michael Todd Wolfe, from Houston, who planned to fund his travel abroad to fight for radical groups in Syria by using an expected tax refund of \$45,000 to cover his expenses. The same type of simple self-funding could also underwrite attacks at home. “Of particular concern,” the assessment bluntly concluded, “is that these homegrown violent extremists may use this type of activity to fund domestic terrorist activity in support of extremist ideology espoused by a terrorist group, but without direct assistance from the terrorist group.”<sup>41</sup> According to an October 2020 U.S. Department of Homeland Security assessment, the most likely terrorist threat comes from “ideologically motivated lone offenders and small groups,” with domestic violent extremists posing the “primary terrorist threat” inside the United States.<sup>42</sup>

HVEs may raise funds for several purposes, including to carry out attacks at home, to fund their own or others’ travel to foreign conflict zones, or to provide material support to a terrorist organization at home or abroad. Looking back at home-grown plots in the West—including both homegrown networks and lone offenders—several key patterns emerge.

## Low-cost Attacks

As large, complex terror plots are becoming increasingly difficult to carry out, many terrorists are setting their sights lower and are planning smaller, cheaper attacks. Lone offender and small terror cells are able to keep costs low for their plots because they: (i) have few members to train and equip; (ii) rely on simple weapons; and (iii) in contrast to larger terrorist organizations, are not subject to the high and indirect costs of developing and maintaining a terrorist organization and sustaining its activities and ideology.<sup>43</sup> According to a 2015 Norwegian Defense Research Establishment report, 75 percent of the forty jihadi plots studied in Europe between 1994 and 2013 cost less than \$10,000 to execute.<sup>44</sup>

For example, in 2013, Michael Adebolajo murdered Lee Rigby, a British soldier in London. Adebolajo first ran Rigby over with his car and then stabbed him to death with a machete and a knife. Adebolajo purchased the knives the day before the attack, likely for no more than £20 or £30.<sup>45</sup> In another case, in September 2014, Ahmad Numan Haider used a knife to attack two counterterrorism police officers in Melbourne, Australia.<sup>46</sup> In December

<sup>41</sup> “2015 National Terrorist Financing Risk Assessment,” U.S. Department of the Treasury, 2015, p. 44. Available at: <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Terrorist%20Financing%20Risk%20Assessment%20%0E2%80%93%2006-12-2015.pdf>.

<sup>42</sup> Catherine Herridge and Victoria Albert, “China, Russia and white supremacy top DHS’ first public threat assessment,” CBS News, October 5, 2020. Available at: [https://www.cbsnews.com/news/china-russia-and-white-supremacy-top-dhs-first-public-threat-assessment/?utm\\_source=iterable&utm\\_medium=email&utm\\_campaign=1587190\\_](https://www.cbsnews.com/news/china-russia-and-white-supremacy-top-dhs-first-public-threat-assessment/?utm_source=iterable&utm_medium=email&utm_campaign=1587190_).

<sup>43</sup> Emilie Oftedal, “The financing of jihadi terrorist cells in Europe,” Norwegian Defence Research Establishment (FFI), January 6, 2015, p. 7. Available at: <http://www.ffi.no/no/Rapporter/14-02234.pdf>.

<sup>44</sup> *Id.*, p. 3.

<sup>45</sup> Laura Smith-Spark and Kellie Morgan, “What led Michael Abdebolajo and Michael Adebowale to murder Rigby?” CNN, December 19, 2013. Available at: <http://www.cnn.com/2013/12/19/world/europe/uk-soldier-killing-profiles/index.html>.

<sup>46</sup> James Dowling, “Inquest finding into the death of radicalized teen Numan Haider,” Herald Sun, July 31, 2017. Available at: <http://www.heraldsun.com.au/news/law-order/inquest-finding-into-the-death-of-radicalised-teen-numan-haider/news-story/2e7b7bb84e585b41433f06ee21bf5c51>.



that same year, Haron Monis held eighteen people hostage in a café in Melbourne, and ultimately killed one person, using an unregistered sawed-off shotgun in the attack that is thought to have been purchased for a low-price on Australia's grey market.<sup>47</sup>

## Self-financing

In many cases, lone offenders or small groups may self-finance their activities through legal means, such as accessing their own bank accounts, taking out a loan, or receiving welfare payments. In Europe, since 2001, the proportion of cells that are self-financed through licit activities is higher than those cells that receive external funding.<sup>48</sup> The Program on Extremism at George Washington University reviewed 209 individuals charged for Islamic State-related offenses in the United States between 2013 and 2020 and concluded that the vast majority of U.S.-based IS supporters relied on self-financing.<sup>49</sup>

As demonstrated above, self-financed attacks tend to be cheaper, less sophisticated, and smaller-scale than more expensive attacks. But because they are less likely to raise suspicions, self-financed attacks are more likely to be successful than attacks that receive external funding. According to the Norwegian Defense Research Establishment report, “among entirely self-financed cells, 53 percent have managed to carry out their plans, compared to only 21 percent among those that receive some external support.”<sup>50</sup>

In several cases, home-grown violent extremists in the United States also have used their own salaries to fund attacks. For example, Christopher Lee Cornell saved his own money to buy supplies for his plot to set off bombs near the U.S. Capitol. In 2015, Cornell had enough money to purchase two semiautomatic weapons and 600 rounds of ammunition with the intention of building, planting, and bombing the U.S. Capitol, and shooting people as they ran away.<sup>51</sup> The FBI caught Cornell before he was able to execute his plan; however, he still managed to raise enough money to carry out his attack.

Some lone offenders and small cells that do not have sufficient salaries accept money from their families, or take money without their knowledge.<sup>52</sup> In other cases, self-financed

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<sup>47</sup> Tom Keatinge and Florence Keen, “Lone-Actor and Small Cell Terrorist Attacks: A New Front in Counter-Terrorist Finance,” Royal United Services Institute Centre for Defence and Security Studies, January 24, 2017. Available at: <https://rusi.org/publication/occasional-papers/lone-actor-and-small-cell-terrorist-attacks-new-front-counter>; Australian Associated Press, “Sydney siege inquest: Man Haron Monis was a ‘psychopathic lone wolf terrorist,’” The Guardian, May 2, 2016. Available at: <https://www.theguardian.com/australia-news/2016/may/02/sydney-siege-inquest-man-haron-monis-was-a-psychopathic-lone-wolf-terrorist>.

<sup>48</sup> Emilie Oftedal, “The financing of jihadi terrorist cells in Europe,” Norwegian Defence Research Establishment (FFI), January 6, 2015, p. 7, <https://publications.ffi.no/nb/item/asset/dspace:2469/14-02234.pdf>.

<sup>49</sup> Lorenzo Vidino, John Lewis, Andrew Mines, “Dollars for Daesh: Analyzing the Finances of American ISIS Supporters,” Program on Extremism at George Washington University, September 2020. Available at: <https://extremism.gwu.edu/sites/g/files/zaxdzs2191/f/Dollars%20for%20Daesh%20final%20report.pdf>.

<sup>50</sup> Emilie Oftedal, “The financing of jihadi terrorist cells in Europe,” Norwegian Defence Research Establishment (FFI), January 6, 2015, p. 21, <https://publications.ffi.no/nb/item/asset/dspace:2469/14-02234.pdf>.

<sup>51</sup> United States of America v. Christopher Lee Cornell, Criminal Complaint, United States District Court for the Southern District of Ohio, January 14, 2015. Available at: [https://www.justice.gov/sites/default/files/opa/press-releases/attachments/2015/01/15/cornell\\_complaint.pdf](https://www.justice.gov/sites/default/files/opa/press-releases/attachments/2015/01/15/cornell_complaint.pdf).

<sup>52</sup> Oftedal, 2015.

terrorists ask to borrow money from friends and families without disclosing its usage.<sup>53</sup> Mohammed Merah received some financial and material support from his family before carrying out a series of shootings in France in 2012. For example, his sister bought him cell phones, allowed him to use her internet access while planning his attack, and purchased plane tickets for him.<sup>54</sup> In an interview, she admitted to giving him her credit card to buy plane tickets from France to Damascus, although she said he repaid her afterwards.

## Criminal Activities

Crime has the potential to raise sufficient funds for a home-grown attack as well. While criminal groups, lone offenders, and small cells may differ ideologically, they often cooperate and collaborate in criminal ventures to raise money for attacks.<sup>55</sup> In Europe, petty crime appears to be the second largest source of funding for lone offenders and small cell groups.<sup>56</sup> In Southeast Asia, particularly in the Philippines and Indonesia, terrorists have raised funds for attacks by theft, smuggling, kidnapping, and extortion.<sup>57</sup>

Although he received help from his family, Mohammed Merah, who carried out three attacks in France in 2012, relied on criminal activities as his main source of funding (namely theft, robbery, and drug trafficking).<sup>58</sup> Merah earned \$58,000 by acting as a drug courier between Spain and France, and was heavily involved in a criminal network in France.<sup>59</sup> He had at least eighteen convictions from French courts for his involvement in burglaries, thefts, robberies, and other petty crimes.<sup>60</sup> Merah used this money to fund his travel to Pakistan in 2011, where he received training at a camp controlled by Tehrik Taliban Pakistan and al-Qaeda in Waziristan. When he returned to France in November 2011, he had approximately \$24,500, but wanted to raise additional money.<sup>61</sup> Merah refused to admit to the exact crime, but he said he reconnected with his criminal networks and “did some work with them,” earning him a little over \$12,000.<sup>62</sup>

<sup>53</sup> Gerald Roberts, “Money Flow in the Age of ISIS,” Washington Institute for Near East Policy, May 15, 2015. Available at: <http://www.washingtoninstitute.org/policy-analysis/view/money-flow-in-the-age-of-isis>.

<sup>54</sup> Nicola Hebden, “Intel agency monitored gunman’s sister: report,” *The Local*, September 3, 2012. Available at: <https://www.thelocal.fr/20120903/intel-agency-monitored-gunmans-sister-report>.

<sup>55</sup> Roberts, 2015.

<sup>56</sup> Emilie Oftedal, “The financing of jihadi terrorist cells in Europe,” Norwegian Defence Research Establishment (FFI), January 6, 2015, p. 7, <https://publications.ffi.no/nb/item/asset/dspace:2469/14-02234.pdf>.

<sup>57</sup> AUSTRAC, “Terrorist Financing Regional Risk Assessment 2016: South-East Asia and Australia,” AUSTRAC, 2016. Available at: <https://www.un.org/sc/ctc/wp-content/uploads/2016/12/2016-12-12-Session-III-1500-1630-Claudine-Lamond-AUSTRAC.pdf>.

<sup>58</sup> Associated Press, “Exclusif - Transcription Des Conversations Entre Mohamed Merah et Les Négociateurs,” *Liberation FR*, July 17, 2012. Available at: [http://www.liberation.fr/societe/2012/07/17/transcription-des-conversations-entremohamed-merah-et-les-negociateurs\\_833784](http://www.liberation.fr/societe/2012/07/17/transcription-des-conversations-entremohamed-merah-et-les-negociateurs_833784).

<sup>59</sup> Tamara Makarenko, “Europe’s Crime-Terror Nexus: Links between Terrorists and Organized Crime Groups in the European Union,” European Parliament Directorate-General for Internal Policies, 2012, p. 45. Available at: [https://www.europarl.europa.eu/RegData/etudes/etudes/join/2012/462503/IPOL-LIBE\\_ET\(2012\)462503\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/etudes/join/2012/462503/IPOL-LIBE_ET(2012)462503_EN.pdf).

<sup>60</sup> Paul Cruickshank and Tim Lister, “How Did Mohammed Merah Become a Jihadist?” *CNN*, March 26, 2012. Available at: <http://www.cnn.com/2012/03/26/world/europe/france-shooting-suspect/index.html>.

<sup>61</sup> Thibault Raisse, “Le Pacte Secret de Merah Avec Un Lieutenant de Ben Laden,” *Le Parisien*, March 21, 2014. Available at: <https://www.leparisien.fr/faits-divers/le-pacte-secret-de-merah-avec-un-lieutenant-de-ben-lad-en-21-03-2014-3693621.php>

<sup>62</sup> Associated Press (*Liberation FR*), 2012.



Merah claims that al-Qaeda offered to finance his attacks, but he refused, claiming it was “easy to get money in France.”<sup>63</sup> By March 2012, he had purchased the weapons he would use in his attack, as well as additional firearms and ingredients for petrol bombs that were later found in his apartment.<sup>64</sup>

## Licit Financial Loans

Lone offenders and small cells around the world have exploited loans to fund attacks. For example, Ahmedy Coulibaly, one of the three terrorists in the 2015 Paris attacks, funded his plot by taking out a £6,000 loan from the Cofidis credit agency.<sup>65</sup> He provided the agency with a phone bill, pay slips, and identification to obtain the loan and finance his operation.<sup>66</sup> The San Bernardino shooter, Syed Rizwan Farook, who killed fourteen people in the 2015 shooting, borrowed \$28,500 from Prosper Marketplace, a San Francisco online lender, just two weeks before their December attack.<sup>67</sup> Officials believe that this loan may have financed the ammunition, pipe-bomb parts, and shooting practice at local gun ranges.<sup>68</sup>

Online loans are an easy way to gain fast access to large sums of cash. Although banks and money lenders are required to check customers’ names against a federal database of known terrorists and criminals, lone offenders and home-grown violent extremists often are unknown to law enforcement authorities and may slip under the radar.

Ironically, the challenges posed by lone offender and small group terrorism should not have surprised practitioners. Indeed, the 9/11 Commission Report forecasted that increasingly self-sufficient terrorists would likely emerge:

Though progress has apparently been made, terrorists have shown considerable creativity in their methods of moving money. If al Qaeda is replaced by smaller, decentralized terrorist groups, the premise behind the government’s efforts—that terrorists need a financial support network—may become outdated. Moreover, some terrorist operations do not rely on outside sources of money and may now be self-funding, either through legitimate employment or low-level criminal activity.<sup>69</sup>

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<sup>63</sup> Virginie Andre and Shandon Harris-Hogan, “Mohamed Merah: From Petty Criminal to Neojihadist,” *Politics, Religion & Ideology*, Vol. 13, No. 2, 2013, p. 309. Available at: <https://doi.org/10.1080/21567689.2013.792655>.

<sup>64</sup> *Id.*

<sup>65</sup> Rukmini Callimachi and Jim Yardley, “From Amateur to Ruthless Jihadist in France: Chérif and Saïd Kouachi’s Path to Paris Attack at Charlie Hebdo,” *The New York Times*, January 17, 2015. Available at: <http://www.nytimes.com/2015/01/18/world/europe/paris-terrorism-brothers-said-cherif-kouachi-charliehebdo.html>

<sup>66</sup> *Id.*

<sup>67</sup> James Rufus Koren and Jim Puzzanghera, “Loan to San Bernardino shooter draws scrutiny to online lending industry,” *Los Angeles Times*, December 11, 2015. Available at: <http://www.latimes.com/business/la-fi-prosper-regulation-20151210-story.html>.

<sup>68</sup> *Id.*

<sup>69</sup> Thomas H. Kean and Lee Hamilton, “The 9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks Upon the United States,” National Commission on Terrorist Attacks Upon the United States, 2004, p. 383. Available at: <https://govinfo.library.unt.edu/911/report/911Report.pdf>.

## Right Wing Extremist and White Supremacist Funding

The January 6, 2021, insurrectionist attacks on the U.S. Capitol have brought the issue of domestic right-wing extremism to the fore. Such groups and associated individuals employ various methods to raise and move funds to finance their activities. U.S.-based actors have traditionally relied on conventional criminal activity, such as drug trafficking and armed robbery to raise funds. Timothy McVeigh, who was responsible for the 1995 Oklahoma City bombing, was allegedly involved in multiple bank robberies prior to the attack.<sup>70</sup> Such methods continue in the present day. In February 2020, Texas sentenced 64 members or affiliates of white supremacist gangs, including the Aryan Circle, Aryan Brotherhood, the Peckerwoods, Soldiers of Aryan Culture, and the Dirty White Boys, for a vast range of drugs and arms trafficking crimes.<sup>71</sup> Over time, however, violent right-wing extremist groups have diversified their methods of fundraising. Today, right-wing extremist groups engage in several different activities to obtain money to support their activities, such as branded merchandise sales and membership fees; exploiting online platforms for payment and crowdfunding, as well as radicalization activities; and self-funding travel, training and even operational activities, not unlike other homegrown violent extremists (HVEs). Countering these fundraising activities is a priority in the National Strategy for Countering Domestic Terrorism, issued by the Biden administration in June 2021. The strategy notes that “the Department of the Treasury, in coordination with law enforcement and other interagency partners, is exploring ways to enhance the identification and analysis of financial activity associated with domestic terrorists and their foreign counterparts, as well as enhancing engagement with financial institutions on domestic terrorist financing, including through existing provisions of the Bank Secrecy Act.”<sup>72</sup>

### Fundraising Through Merchandise Sales, Membership Dues and Event Fees

Fundraising is an important tool to U.S.-based right-wing extremist groups, a number of which are registered as tax exempt organizations under the Internal Revenue Code.<sup>73</sup> During a February 25, 2021, hearing on “Dollars Against Democracy,” Chairman of the House Financial Service Subcommittee on National Security, Representative Jim Haines noted, “An online fundraising drive for a legitimate charity and one that helps support an extremist group can look very similar.” Indeed, many U.S.-based right-wing extremists groups charge membership dues, sell merchandise, and collect revenue from ticket sales to concerts and other events as means to raise funds.

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<sup>70</sup> Pierre Thomas, “McVeigh kind has told FBI of robbery,” *The Washington Post*, July 19, 1955, <https://www.washingtonpost.com/archive/politics/1995/07/19/mcveigh-kin-has-told-fbi-of-robbery/dd12695c-25cd-4bd1-9298-87fd76d999e6/>.

<sup>71</sup> U.S. Department of Justice, “64 White Supremacists Sentenced to a Combined 820 Years in Federal Prison,” U.S. Department of Justice, February 14, 2020, <https://www.justice.gov/usao-ndtx/pr/64-white-supremacists-sentenced-combined-820-years-federal-prison>

<sup>72</sup> National Strategy for Countering Domestic Terrorism, National Security Council, The White House, June 2021, <https://www.whitehouse.gov/wp-content/uploads/2021/06/National-Strategy-for-Countering-Domestic-Terrorism.pdf>.

<sup>73</sup> Dr. Daniel J. Rogers, “Testimony before the Subcommittee on National Security, International Development and Monetary Policy,” February 25, 2021, <https://financialservices.house.gov/uploadedfiles/hhrg-117-ba10-wstate-rogersd-20210225.pdf>, p. 5.

QAnon, for example, has sold shirts, flags, coffee mugs, and other branded goods on major retailer websites, such as Amazon, Etsy, and eBay, although a number of groups and individuals extremists have been removed for online retail and payment platforms leading up to and following the assault on the U.S. Capitol on January 6, 2021.<sup>74</sup> Consider the case of prominent QAnon follower Dustin Krieger, who sold his own books to support the QAnon movement before being de-platformed by PayPal, Amazon, and Spotify. Krieger estimates that because of this, he has lost up to \$2 million in revenue.<sup>75</sup> The Proud Boys, a far-right group self-described as “Western chauvinists,”<sup>76</sup> also has used the same platforms to sell merchandise. Amazon, Etsy, and eBay began removing Proud Boys merchandise from their websites in September and October 2020.<sup>77</sup> The Atomwaffen Division (AWD), a U.S.-based neo-Nazi group with international ties, sold Nazi-themed clothing on Teespring and Inktale, two merchandise market platforms.<sup>78</sup> Blood & Honour, a UK-based, neo-Nazi group, raised funds through event fees and merchandise by organizing up to fifteen concerts each year across the United Kingdom and by selling magazines.<sup>79</sup>

Far-right extremist groups also collect membership fees as a means of raising funds. In one case, a Connecticut police officer was found to have been making monthly payments (publicly visible online) for membership in the Proud Boys. A civil rights group that brought attention to the payments said the membership payments helped fund the Proud Boys’ “violent or otherwise illegal” activities.<sup>80</sup> The U.S.-based, neo-Nazi group National Socialist Movement (NSM) also charges a \$10 monthly membership fee, with a membership base of 300–350 active supporters as of 2017, according to the Southern Poverty Law Center.<sup>81</sup>

<sup>74</sup> Katie Way, “Etsy Is Full of QAnon and Insurrection Merch,” *Vice News*, January 13, 2021, <https://www.vice.com/en/article/93wznd/etsy-is-full-of-qanon-and-insurrection-merch>; Jeffrey Dastin, Sheila Dang, and Anna Irrera, “Online merchants linked to QAnon down, but not out, following platform bans,” *Reuters*, January 25, 2021, <https://www.reuters.com/article/us-usa-trump-qanon-financing/online-merchants-linked-to-qanon-down-but-not-out-following-platform-bans-idUSKBN29U193>; Jay Greene, “Amazon begins removing QAnon goods for sale, after booting pro-Trump Parler from its cloud service,” *The Washington Post*, January 11, 2021, <https://www.washingtonpost.com/technology/2021/01/11/amazon-qanon-products-parler/>.

<sup>75</sup> Jeffrey Dastin, Sheila Dang, Anna Irrera, “Online merchants linked to QAnon down, but not out, following platform bans,” *Reuters*, January 25, 2021, <https://www.reuters.com/article/us-usa-trump-qanon-financing/online-merchants-linked-to-qanon-down-but-not-out-following-platform-bans-idUSKBN29U193>

<sup>76</sup> Joel Shannon, “Who are the Proud Boys? Far-right group has concerned experts for years,” *USA Today*, September 30, 2020, <https://www.usatoday.com/story/news/nation/2020/09/30/who-proud-boys-group-mentioned-debate-has-violent-history/5868406002/>.

<sup>77</sup> Trone Dowd, “Retailers Are Already Pulling ‘Stand Back and Stand By’ Merch From Online Shelves,” *Vice*, October 1, 2020, <https://www.vice.com/en/article/g5p4vj/retailers-are-already-pulling-stand-back-and-stand-by-merch-from-online-shelves>; James Vincent, “Etsy removes Proud Boy merchandise,” *The Verge*, October 6, 2020, <https://www.theverge.com/2020/10/6/21503847/proud-boy-merchandise-stand-back-stand-by-removed-etsy-amazon-teespring>

<sup>78</sup> Daniel Malmer, “Teespring Is (Still) Selling Extremist Merchandise,” *Medium*, August 8, 2020, <https://medium.com/center-for-the-study-of-internet-extremism/teespring-is-still-selling-extremist-merchandise-9ba39f2377d3>; A.C. Thompson and Ali Winston, “Atomwaffen, Extremist Group Whose Members Have Been Charged in Five Murders, Loses Some of Its Platforms,” *Pro Publica*, March 6, 2018, <https://www.propublica.org/article/atomwaffen-extremist-group-whose-members-have-been-charged-in-five-murders-loses-some-of-its-platforms>.

<sup>79</sup> Blood & Honour, “B&H Calendar,” *B&H Worldwide*, <https://www.bloodandhonourworldwide.co.uk/bhww/b-h-calendar/>.

<sup>80</sup> Michael Kunzelman, “Chief: Officer’s Proud Boys membership didn’t break policy,” *Associated Press*, October 15, 2019, <https://apnews.com/article/12ece8cedbf045259dcddebf619141e7>.

<sup>81</sup> Southern Poverty Law Center (SPLC), “Funding Hate: How White Supremacists Raise Their Money,” SPLC, 2017, p. 3-4, <https://www.adl.org/sites/default/files/documents/adl-report-funding-hate-how-white-supremacists-raise-their-money.pdf>.

Members of Combat 18, a neo-Nazi network in Germany, are also required to pay a monthly fee of \$17, described by the group as “emergency money.”<sup>82</sup>

## Donations and Crowdfunding

Donations also are a key mechanism for right-wing extremist financing, as there is significant overlap between social media and crowdfunding websites for extremists to solicit funds. Twitter, YouTube, and Facebook are all used to attract funding by linking potential donors to crowdfunding websites like GoFundMe and Patreon. Prior to 2017, these platforms were frequently used by right-wing extremists, until the platforms began to curb their access following the “Unite the Right” rally in Charlottesville, Virginia.<sup>83</sup> Following the attack on the U.S. Capitol, GoFundMe announced it would ban fundraisers for travel expenses to violent political protests.<sup>84</sup> As of early 2021 however, QAnon members continued to use Patreon, a membership-based platform that allows influencers to offer content to subscribers for a monthly fee, as well as to receive regular donations from followers.<sup>85</sup> Even as right-wing extremists were removed from online platforms, they have found or created new ones, most notably Hatreon. According to a *Bloomberg* report, Hatreon was collecting \$25,000 per month for white supremacy extremism initiatives at its peak in 2017.<sup>86</sup>

Right-wing extremists have also crowdfunded to pay for legal fees. Nick Ochs, a Proud Boys member who was arrested and charged in connection with the attack on the U.S. Capitol, raised \$300 on the Christian-oriented website GiveSendGo.com to help him travel to Washington, D.C.<sup>87</sup> Following Ochs’s arrest, a supporter used GiveSendGo to raise \$20,000 for his legal defense fees.<sup>88</sup> Supporters of Enrique Tarrio, the leader of the Proud Boys, have used GoSendGo for his legal defense, in an effort that saw them raise \$113,000.<sup>89</sup> Furthermore, Tommy Robinson, a British right-wing activist, used the crowdfunding platform Donorbox to raise funds for his legal defense, claiming he was harassed by the Cambridgeshire Police.<sup>90</sup>

<sup>82</sup> Ben Knight, “Combat 18: The neo-Nazi network facing a ban in Germany,” *Deutsche Welle*, May 7, 2019, <https://www.dw.com/en/combat-18-the-neo-nazi-network-facing-a-ban-in-germany/a-49493000>.

<sup>83</sup> Will Carless, “Crowdfunding hate: How white supremacists and other extremists raise money from legions of online followers,” February 5, 2021, [https://www.usatoday.com/story/news/nation/2021/02/05/bitcoin-crowdfunding-used-white-supremacists-far-right-extremists/4300688001/?utm\\_source=iterable&utm\\_medium=email&utm\\_campaign=1979106\\_](https://www.usatoday.com/story/news/nation/2021/02/05/bitcoin-crowdfunding-used-white-supremacists-far-right-extremists/4300688001/?utm_source=iterable&utm_medium=email&utm_campaign=1979106_)

<sup>84</sup> Coral Murphy Marcos, “GoFundMe to ban fundraisers for travel expenses to violent political events,” *USA Today*, January 12, 2021, <https://www.usatoday.com/story/tech/2021/01/12/gofundme-bans-fundraisers-cost-travel-violent-political-events/6636094002/>

<sup>85</sup> EJ Dickson, “Patreon Claimed They Kicked Conspiracy Theorists Off. QAnon Still Flourishes,” *Rolling Stone*, January 13, 2021, <https://www.rollingstone.com/culture/culture-news/qanon-patreon-conspiracy-theories-deplatforming-1113458/>; “The story of Patreon,” Patreon, about, <https://www.patreon.com/about>

<sup>86</sup> Adam Popescu, “This Crowdfunding Site Runs on Hate,” *Bloomberg*, December 4, 2017, <https://www.bloomberg.com/news/articles/2017-12-04/this-crowdfunding-site-runs-on-hate>.

<sup>87</sup> Majlie de Puy Kamp and Scott Glover, “Right-wing extremists and their supporters use Christian website to raise funds,” *CNN*, January 20, 2021, <https://www.cnn.com/2021/01/19/us/give-send-go-extremism-invs/index.html>.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> Mark Di Stefano, “Tommy Robinson Is Now Reliant On This U.S. Crowdfunding Platform,” *Buzzfeed News*, April 6, 2019, <https://www.buzzfeed.com/markdistefano/heres-how-the-british-far-right-is-relying-on-a-us>.

## Cryptocurrency

Right-wing extremist actors also have shown a propensity for cryptocurrencies under the mistaken belief that cryptocurrency transactions are less traceable, as well as the preference for a decentralized platform that they view as outside the jurisdiction of the traditional oversight mechanisms.<sup>91</sup> In 2017, prominent alt-right figure Richard Spencer tweeted, “Bitcoin is the currency of the alt right.”<sup>92</sup> Cryptocurrency may be attractive to right extremist groups for its perceived anonymity. Furthermore, as sites are de-platformed from traditional payment processors, cryptocurrencies offer another route to move funds.

In fact, cryptocurrency-tracking firm, Chainalysis, published details of a large transfer in Bitcoin donations to far-right groups and individuals one month before the January 6 attack on the U.S. Capitol.<sup>93</sup> In December 2020, a French computer programmer sent Bitcoins to at least a dozen far-right groups and individuals in a single transaction, valued at approximately \$522,000. The recipients included Nick Fuentes, a 22-year-old far-right internet personality who was present at the U.S. Capitol when it was attacked on January 6, and who promoted the rally that preceded the violence that occurred.<sup>94</sup> Among the other recipients, the Daily Stormer, a neo-Nazi website, and a French Holocaust denier also received some of the money.<sup>95</sup> The Daily Stormer has been vocal in its support for Bitcoin. The site’s publisher, Andrew Anglin, received a \$60,000 donation of Bitcoin following the “Unite the Right” rally in Charlottesville to keep his site running.<sup>96</sup> Recently, however, the Daily Stormer stopped asking supporters for Bitcoin and shifted to Monero, a different kind of cryptocurrency with more privacy features that make transactions harder for law enforcement to trace.<sup>97</sup> The Southern Poverty Law Center (SPLC), has tracked Bitcoin transfers of various right-wing extremist groups, such as the AWD, the Daily Stormer, and Defend Evropa.<sup>98</sup>

<sup>91</sup> Cryptocurrencies are best described as a pseudo anonymous form of currency, even though many believe them to be fully anonymous. In fact, cryptocurrency transactions take place on a public ledger of accounts and transactions, which means every transaction can be observed. Law enforcement is able to analyze transaction patterns in order to link account names to real-life identities. For more see: David W. Perkins, “Cryptocurrency: The Economics of Money and Selected Policy Issues,” Congressional Research Service, April 9, 2020, <https://fas.org/sgp/crs/misc/R45427.pdf>.

<sup>92</sup> @RichardBSpencer, “Bitcoin is the currency of the alt right.” Twitter, March 18, 2017, <https://twitter.com/richardbspencer/status/843206485794471937?lang=en>.

<sup>93</sup> Chainalysis, “Alt-Right Groups and Personalities Involved In the January 2021 Capitol Riot Received Over \$500K In Bitcoin From French Donor One Month Prior,” Chainalysis, January 14, 2021, <https://blog.chainalysis.com/reports/capitol-riot-bitcoin-donation-alt-right-domestic-extremism>.

<sup>94</sup> *Id.*

<sup>95</sup> Will Carless, “Crowdfunding hate: How white supremacists and other extremists raise money from legions of online followers,” USA Today, February 5, 2021, [https://www.usatoday.com/story/news/nation/2021/02/05/bitcoin-crowdfunding-used-white-supremacists-far-right-extremists/4300688001/?utm\\_source=iterable&utm\\_medium=email&utm\\_campaign=1979106](https://www.usatoday.com/story/news/nation/2021/02/05/bitcoin-crowdfunding-used-white-supremacists-far-right-extremists/4300688001/?utm_source=iterable&utm_medium=email&utm_campaign=1979106).

<sup>96</sup> Luke O’Brien, “Who Gave Neo-Nazi Publisher Andrew Anglin A Large Bitcoin Donation After Charlottesville?,” Huffington Post, June 12, 2019, [https://www.huffpost.com/entry/andrew-anglin-bitcoin-mysterious-donor\\_n\\_5d011cc6e4b0304a12087e0c?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce\\_referrer\\_sig=AQAAADYykvs3lSKjGw7gcAXr1GmiGMKrh7nZxGTExwyoHf4-SW7\\_xDZmLDDQBE57g-s8m5TxAJ9iWdP9lQtAFoHam9l9WDZGY67vRQrfQQcp-vHZdNkvEEX73ucMa-1KzStb5s\\_8wPXtqqbKbfB\\_krAyMjwl\\_VwvoknCe8cUFGgCDWu](https://www.huffpost.com/entry/andrew-anglin-bitcoin-mysterious-donor_n_5d011cc6e4b0304a12087e0c?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAADYykvs3lSKjGw7gcAXr1GmiGMKrh7nZxGTExwyoHf4-SW7_xDZmLDDQBE57g-s8m5TxAJ9iWdP9lQtAFoHam9l9WDZGY67vRQrfQQcp-vHZdNkvEEX73ucMa-1KzStb5s_8wPXtqqbKbfB_krAyMjwl_VwvoknCe8cUFGgCDWu).

<sup>97</sup> Will Carless, “Crowdfunding hate: How white supremacists and other extremists raise money from legions of online followers,” USA Today, February 5, 2021, [https://www.usatoday.com/story/news/nation/2021/02/05/bitcoin-crowdfunding-used-white-supremacists-far-right-extremists/4300688001/?utm\\_source=iterable&utm\\_medium=email&utm\\_campaign=1979106](https://www.usatoday.com/story/news/nation/2021/02/05/bitcoin-crowdfunding-used-white-supremacists-far-right-extremists/4300688001/?utm_source=iterable&utm_medium=email&utm_campaign=1979106).

<sup>98</sup> Southern Poverty Law Center, “Bitcoin and the Alt-right,” SPLC, <https://www.splcenter.org/bitcoin-and-alt-right>

In a July 2019 SPLC report, The Daily Stormer was operating at least 13 Bitcoin wallets that had received over 106 Bitcoins and had been involved in more than 1,255 total transactions.<sup>99</sup>

## Self-financing

Self-financing is another method of right-wing extremist funding. Bill White, a neo-Nazi based in Virginia, owned a company called White Homes and Land that had rental property worth more than a million dollars in the 2000s.<sup>100</sup> Although there is little information on groups like the AWD, their members may have self-funded travel to Charlottesville in 2017, as well as other activities. According to a ProPublica report, the leader of AWD, John Cameron Denton, said that members should pool money and purchase land in rural areas, so they could get “off the grid.”<sup>101</sup>

## DVE Financing and Transnational Links

U.S. officials have been increasingly concerned about ties between U.S. domestic and foreign-based far-right extremist groups. In his October 2019 testimony, FBI Director Christopher Wray warned Congress that there had been an uptick in U.S. neo-Nazis in the United States communicating with like-minded individuals abroad, and that some American white supremacists had received training overseas.<sup>102</sup>

Matthew Heimbach, founder of the neo-Nazi Traditionalist Workers Party (TWP), which co-sponsored the August 2017 “Unite the Right” rally in Charlottesville, Virginia, has reportedly received funds from, and maintains ties with, the U.S.-designated Russian Imperial Movement (RIM).<sup>103</sup> According to an September 2017 interview with *Think Progress*, Heimbach claimed to have met with RIM representatives in Washington, D.C. in 2017 to formalize TWP’s role as “the representative of America at the future gatherings of the Russian Imperial Movement.”<sup>104</sup> The State Department designation of the RIM and three of its leaders as specially designated global terrorists was the first time such a designation has been applied to a transnational right-wing extremist organization. According to the State Department, RIM provided paramilitary-style training to white supremacists and neo-Nazis in Europe, including two Swedish individuals who went on to commit a series of bombings targeting a refugee shelter, a shelter for asylum seekers, and a café in Gothenburg, Sweden.<sup>105</sup>

<sup>99</sup> *Id.*

<sup>100</sup> Southern Poverty Law Center, “Bill White,” SPLC, <https://www.splcenter.org/fighting-hate/extremist-files/individual/bill-white>.

<sup>101</sup> A.C. Thompson, Ali Winston, and Jake Hanrahan, “Inside Atomwaffen As It Celebrates a Member for Allegedly Killing a Gay Jewish College Student,” Pro Publica, February 23, 2018, <https://www.propublica.org/article/atomwaffen-division-inside-white-hate-group>.

<sup>102</sup> “House Homeland Security Hearing on Global Threats,” C-SPAN video, 58:20, October 20, 2019, <https://www.c-span.org/video/?465777-1/fbi-director-wray-acting-dhs-secretary-mcaleenan-testify-global-threats>.

<sup>103</sup> The Soufan Center, “Inside the Russian Imperial Movement: Practical Implications of U.S. Sanctions,” April 2020, pp. 22-23, <https://thesoufancenter.org/wp-content/uploads/2020/06/TSC-Report-Inside-the-Russian-Imperial-Movement-Practical-Implications-of-U.S.-Sanctions.pdf>.

<sup>104</sup> Casey Michel, “Russian, American white nationalists raise their flags in Washington,” Think Progress, September 17, 2017, <https://archive.thinkprogress.org/russian-american-nationalists-washington-5bd15fd18eaf/>.

<sup>105</sup> <https://mr.usembassy.gov/united-states-designates-russian-imperial-movement-and-leaders-as-global-terrorists/>.



The U.S.-based white supremacist group AWD has branches in more than a dozen countries across Europe, according to the Soufan Center, including the United Kingdom, Germany, Russia, Ukraine, and the Baltic States.<sup>106</sup>

For example, in February, 2021, Canada designated the U.S.-based Proud Boys, a self-proclaimed Western chauvinist group, as a terrorist organization, adding it to Canada's list of prohibited entities subject to an asset freeze.<sup>107</sup> Although Canadian officials said that the designation was not driven by the events of January 6, they assessed that the Proud Boys played a pivotal role in the Capitol insurrection.<sup>108</sup> Canada also designated AWD, the Base (another U.S. based neo-Nazi group whose American leadership is believed to be running the group from Russia),<sup>109</sup> as well as the RIM, as terrorist organizations.

Americans who engage in domestic terrorism in the United States create vulnerabilities that actors like Russia can amplify through influence operations. At a highly polarizing political and social moment in American history, opportunities abound for competitors to cut wedges into American society. The transnational nature of the white supremacist, accelerationist anti-government, and other right-wing extremist movements create opportunities for state adversaries. According to the Soufan Center, "the emerging epicenter of [white supremacist extremists] seems to be in Ukraine and Russia," with some 17,000 people from more than fifty countries traveling to fight in the conflict in Ukraine. "Just as jihadists have used conflicts in Afghanistan, Chechnya, the Balkans, Iraq, and Syria to swap tactics, techniques, and procedures and to solidify transnational networks, so too are [white supremacist extremists] using Ukraine as a battlefield laboratory."<sup>110</sup> Not surprisingly, UN member states alerted the UN's Counterterrorism Executive Directorate to their "increasing concern at the growing and increasingly transnational threat posed by extreme right-wing terrorism."<sup>111</sup>

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<sup>106</sup> The Soufan Center, "The Atomwaffen Division: The Evolution of the White Supremacy Threat," The Soufan Center, August 10, 2020, p. 13, <https://thesoufancenter.org/wp-content/uploads/2020/08/The-Atomwaffen-Division-The-Evolution-of-the-White-Supremacy-Threat-August-2020-.pdf>.

<sup>107</sup> Amanda Coletta, "Canada declares the Proud Boys a terrorist group," The Washington Post, February 3, 2021, [https://www.washingtonpost.com/world/the\\_americas/canada-proud-boys-terrorist-capitol-siege/2021/02/03/546b1d5c-6628-11eb-8468-21bc48f07fe5\\_story.html](https://www.washingtonpost.com/world/the_americas/canada-proud-boys-terrorist-capitol-siege/2021/02/03/546b1d5c-6628-11eb-8468-21bc48f07fe5_story.html).

<sup>108</sup> *Id.*

<sup>109</sup> Daniel De Simone, Andrei Soshnikov and Ali Winston, "Neo-Nazi Rinaldo Nazzaro running U.S. militant group The Base from Russia," BBC News, January 24, 2020, <https://www.bbc.com/news/world-51236915>.

<sup>110</sup> The Soufan Center, "White Supremacy Extremism: The Transnational Rise of the Violent White Supremacist Movement," September 2019, p. 31, <https://thesoufancenter.org/wp-content/uploads/2019/09/Report-by-The-Soufan-Center-White-Supremacy-Extremism-The-Transnational-Rise-of-The-Violent-White-Supremacist-Movement.pdf>.

<sup>111</sup> Counter-Terrorism Committee Executive Directorate, "Member States Concerned by the Growing and Increasingly Transnational Threat of Extreme Right-Wing Terrorism," UN Security Council, April 2020, p. 3, [https://www.un.org/sc/ctc/wp-content/uploads/2020/04/CTED\\_Trends\\_Alert\\_Extreme\\_Right-Wing\\_Terrorism.pdf](https://www.un.org/sc/ctc/wp-content/uploads/2020/04/CTED_Trends_Alert_Extreme_Right-Wing_Terrorism.pdf).

## Roles of Ideology, Geography, and Other Practical Concerns

A number of factors influence decisions by terrorist organizations on how and where to raise funds, including ideology and geography, but none more than prosaic and practical concerns. The amount of money that an organization requires is determined by its size and objectives. Organizations that control territory, engage in insurgency, or provide social services require additional resources. The larger and more complex an organization's mission, the greater need it has for specialized procedures and personnel to handle financial matters. For example, IS recruited "an army of accountants";<sup>112</sup> al-Qaeda is known for requiring receipts<sup>113</sup>; and the 9/11 hijackers even reportedly returned their remaining funds days before the attacks.<sup>114</sup> Such financial operations may create vulnerabilities to detection and serve as key nodes for disruption.

As such, while IS may today present a more limited global threat as an organized institution, and a less reliable financial backer of its affiliates and operatives, its changed objective means that it remains dangerous. IS has pivoted from its organized, global model of terror operations to one that encourages small, cheap, and decentralized cells. In other words, the group has lost access to much of its revenues, but no longer needs as much money as previously. Unlike large attacks orchestrated over time by large groups, lone offender and small group attacks can be carried out very quickly, with minimal funding and preparation.<sup>115</sup>

Ideology can also play a significant role in financing decisions. An organization's desire for autonomy of action may make state sponsorship untenable. Those averse to donors' conditioning aid on the exercise of restraint, moderation, or participation in a political track will face a problem set different from proxies like Lebanese Hezbollah or Islamic Jihad. Syrian affiliate Jabhat al-Nusra's break from al-Qaeda in mid-2016 was likely as much a ploy to retain Gulf donors who viewed it as the "moderate extremists"<sup>116</sup> of the Syrian conflict, and an effort to evade international sanctions, as its stated desire to declare its ideological and operational independence as a Syrian organization (as opposed to a transnational one).<sup>117</sup>

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<sup>112</sup> Harriet Alexander and Alastair Beach, "How Isis is funded, trained and operating in Iraq and Syria," *The Telegraph*, August 23, 2014, <https://www.telegraph.co.uk/news/worldnews/middleeast/iraq/11052919/How-Isis-is-funded-trained-and-operating-in-Iraq-and-Syria.html>.

<sup>113</sup> Conner Simpson, "Al Qaeda Are Strict About Keeping Track of Their Receipts," *The Atlantic*, December 29, 2013, <https://www.theatlantic.com/international/archive/2013/12/al-qaeda-are-strict-about-keeping-track-their-receipts/356552/>.

<sup>114</sup> John Roth, Douglas Greenberg, and Serena Wille, "Appendix A: The Financing of the 9/11 Plot," National Commission on Terrorist Attacks Upon the United States 9/11 Commission, 2004, p. 133, [https://govinfo.library.unt.edu/911/staff\\_statements/911\\_TerrFin\\_App.pdf](https://govinfo.library.unt.edu/911/staff_statements/911_TerrFin_App.pdf).

<sup>115</sup> Matthew Levitt, "Targeting the Dematerialized Caliphate," NATO Defense College Foundation, December 6, 2018, <https://www.washingtoninstitute.org/policy-analysis/view/targeting-the-dematerialized-caliphate>.

<sup>116</sup> Katherine Bauer and Matthew Levitt, "Al-Qaeda Financing: Selected Issues," in Aaron Zelin "How Al-Qaeda Survived Drones, Uprisings, and the Islamic State," *The Washington Institute for Near East Policy*, June 28, 2017, p. 101, <https://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyFocus153-Zelin.pdf>.

<sup>117</sup> Colin P. Clarke, "Al Qaeda in Syria Can Change Its Name, but Not Its Stripes," RAND Corporation, March 23, 2017, <https://www.rand.org/blog/2017/03/al-qaeda-in-syria-can-change-its-name-but-not-its-stripes.html>.



Geography also has a significant influence on an organization's ability to self-fund. AQIM targeted the European extractive industry operations in the Sahel because it thought it was likely to recover sizable ransoms for kidnapping Europeans there.<sup>118</sup> IS benefitted from established smuggling networks to move and sell oil and other resources from the territory it controlled, as well as sizable populations under its control to tax and extort.<sup>119</sup> However, because of differences in the nature of oil production between the Sahel and Levant, and lower population density in Libya, IS's Libyan province did not have similar successes.<sup>120</sup>

Sophisticated terrorist organizations will look to diversify sources of funding, perhaps to help mitigate dependence on a foreign or state donor, supplement such support, or fund local operations without risking transnational funds transfers. Although organizations such as Hezbollah and Shia militia in Iraq primarily have been funded by Iran, they too have sought to complement that state sponsorship with a broader stream of funding from supporters and criminal activity, both locally and abroad, mostly to contend with the effect of sanctions targeting Iran and the fall in the price of oil.<sup>121</sup> Organizations that are reportedly self sufficient in terms of financing, such as Hayat Tahrir al-Sham (HTS),<sup>122</sup> are likely to continue to receive external support, but they are no longer reliant on it.

Even where organizations are able to mobilize sufficient funds locally, they rely on external financial networks to procure goods, support foreign fighter travel or other operational activity, send financial support to affiliates abroad, and store or hide financial reserves. Indeed, IS's external financial and logistics networks have undoubtedly become more important since the decline of the territorial caliphate. Relatedly, even when foreign

<sup>118</sup> According to the U.S. Government, as of 2011, AQIM was planning to target mainly Europeans, not Americans, for kidnapping operations because AQIM believed that some European governments were more likely to pay ransoms. See: Press Center (U.S. Department of the Treasury) 2012, <https://www.treasury.gov/press-center/press-releases/Pages/tg1726.aspx#:~:text=Indeed%2C%20our%20information%20reveals%20that,the%20U.S.%20government%20would%20not>.

<sup>119</sup> Erika Solomon and Ahmed Mhidi, "Isis Inc: Syria's 'mafia style' gas deals with jihadis," *Financial Times*, October 15, 2015. Available at: <https://www.ft.com/content/92f4e036-6b69-11e5-aca9-d87542bf8673?shareType=nongift>; Erika Solomon, Robin Kwong and Steven Bernard, "Inside Isis Inc: The journey of a barrel of oil," *Financial Times*, February 29, 2016. Available at: <https://ig.ft.com/sites/2015/isis-oil/>.

<sup>120</sup> Katherine Bauer, "Beyond Syria and Iraq: Examining Islamic State Provinces," *The Washington Institute for Near East Policy*, November 9, 2016, pp. xvii. Available at: [https://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyFocus149\\_Bauer.pdf](https://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyFocus149_Bauer.pdf); also, as of June 2020, ISIL-Libya raised funds by extorting small businesses and kidnapping local dignitaries for ransom, according to the United Nations. See: Dian Triansyah Djani, "Twenty-sixth report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2368 (2017) concerning ISIL (Da'esh), Al-Qaida and associated individuals and entities, United Nations Security Council, p. 9. Available at: <https://undocs.org/S/2020/717>.

<sup>121</sup> Matthew Levitt, "Hezbollah's Criminal Networks: Useful Idiots, Henchmen, and Organized Criminal Facilitators," in Hilary Matfess and Michael Miklaucic (eds), *Beyond Convergence: World Without Order*, (Washington, D.C.: National Defense University, 2016) pp. 155-156. Available at: <http://www.washingtoninstitute.org/uploads/Documents/oped/Levitt20161025-NDU-chapter.pdf>; Michael Knights, "Iran's Expanding Militia Army in Iraq: The New Special Groups," *CTC Sentinel*, Vol. 12, Issue 7 (August 2019), <https://ctc.usma.edu/irans-expanding-militia-army-iraq-new-special-groups/>; Press Center, "Treasury Sanctions Key Hizballah, IRGC-QF Networks in Iraq," U.S. Department of the Treasury, November 13, 2018, <https://home.treasury.gov/news/press-releases/sm546>.

<sup>122</sup> According to the United Nations Analytical Support and Sanctions Monitoring Team, as of June 2020, HTS raised as much as \$13 million per month through the taxation of businesses and public utilities; collection of customs and tolls at Turkish border crossings and internal lines of control; and the control of petroleum sales and charitable operations in Idlib. See: "Twenty-sixth report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2368 (2017) concerning ISIL (Da'esh), Al-Qaida and associated individuals and entities," July 23, 2020, p. 7, <https://undocs.org/S/2020/717>.

financial flows constitute a small share of a group's revenue, donors—both states and individuals—likely will continue to exercise ideological influence on groups, as was the case with certain Iranian proxies in Iraq.<sup>123</sup>

## Terrorists Still Need to Move Money

An organization's location and relationship to a state or other donors, along with the ability to exploit and monetize local resources, all will have a bearing on its method of raising funds. In turn, the means by which a terrorist organization deploys such funds will rely on similar factors, including banking and internet penetration in a given locale, access to hard currency, and the ability to engage in trade and procurement activities. Even when terrorist groups control territory or rely on the self-financing of inspired fellow travelers, they still will need ways to transfer funds. To do so, however, they are likely to use a combination of means, some of which will be sophisticated and new, while others will be more simple and well known.

### Money Service Businesses

Terrorists will look for the cheapest, fastest, and most anonymous method to move funds. Alongside cash and banks, money service businesses (MSBs), such as exchange houses or *hawala*-style transfer companies,<sup>124</sup> are the most commonly used channel for terrorist financing.<sup>125</sup> Where access to banks is limited or unavailable, MSBs provide important services in terms of sending and receiving remittances, including humanitarian support, such as to conflict zones and their environs. However, MSBs also can act as a conduit for comingling illicit funds with licit remittances. Indeed, according to the UN Monitoring Committee for al-Qaeda and IS, unregistered MSBs remain one of the most prevalent means of initiating transfers involving IS and al-Qaeda.<sup>126</sup>

Even in non-conflict areas with sizable populations lacking bank access, MSBs act as a bridge between cash-based informal economies and the banks they rely on to facilitate

<sup>123</sup> Alex Vatanka, "Iran's use of Shi'i Militant Proxies: Ideological and Practical Expediency Versus Uncertain Sustainability," Middle East Institute, June 2018, [https://www.mei.edu/sites/default/files/publications/Vatanka\\_PolicyPaper.pdf](https://www.mei.edu/sites/default/files/publications/Vatanka_PolicyPaper.pdf).

<sup>124</sup> *Money service business* is a term used by regulators to cover businesses that (i) provide currency conversion services; (ii) transmit funds and (iii) are not banks. In other words, they are not depository institutions. This category often includes what are commonly called exchange houses. Unregulated MSBs also can include trading companies that provide remittance services and *hawala*-style transfer companies. The term *hawala* is traditionally associated with a money transfer mechanism that originated in South Asia along traditional trade routes in the Middle East and parts of East Africa. It operated as a closed system within familial, tribal or ethnic groups. In recent times, the term *hawala* is often used as a proxy to describe a wider range of financial service providers, beyond these traditional and geographically tied systems. FATF defines *hawalas* as money transmitters, particularly with ties to specific geographic regions or ethnic communities, which arrange for transfer and receipt of funds or equivalent value and settle through trade, cash, and net settlement over a long period of time. See, "The role of Hawala and other similar service providers in money laundering and terrorist financing," Financial Action Task Force, October 2013, <https://www.fatf-gafi.org/media/fatf/documents/reports/Role-of-hawala-and-similar-in-ml-tf.pdf>.

<sup>125</sup> FATF, 2015, p. 21. See also: Press Center (U.S. Department of the Secretary), 2018, p. 3.

<sup>126</sup> Kais Kabtani and Dian Triansyah Djani, "Joint report of the Counter-Terrorism Committee Executive Directorate and the Analytical Support and Sanctions Monitoring Team," United Nations, June 3, 2020, p. 16, <https://undocs.org/S/2020/493>.

international transfers. This layer can help obfuscate illicit financial activity from the global financial institutions that it transits. As such, it is not that banks are not involved in the transfer of terror funds, but rather, that MSBs, especially those that are un- or weakly regulated, can serve as gateways to the regulated financial channels.

Exchange houses or MSBs are among IS's preferred means of moving funds to affiliates and procuring goods and are likely used to hide reserves.<sup>127</sup> Beginning in late 2015, the Central Bank of Iraq (CBI) banned more than a hundred exchange houses operating in or around IS-controlled territory from participating in the country's currency auctions, cutting them off from access to the hard currency needed to convert funds and effect cross-border transactions. In the intervening years, the United States-led Global Coalition to Defeat ISIS coalition, working closely with the Iraqi Central Bank and Counter-Terrorism Service, has continued to unravel IS exchange house networks, which reach from Iraq to Turkey, the Gulf, and beyond.<sup>128</sup>

For example, IS exploited pre-established financial networks, such as the Rawi network of *hawala* and exchange houses, established in the 1990s to help the former regime of Saddam Hussein evade international sanctions.<sup>129</sup> In December 2016, the United States and Iraq jointly designated the leader of the network, Syrian Fawaz Muhammad al-Rawi, who had pledged loyalty to IS in 2014.<sup>130</sup> According to the U.S. Treasury Department, the Rawi network handled millions of dollars for the IS, including regularly transferring hundreds of thousands of dollars on behalf of the IS Department of Oil to "buy and sell gold and eventually revert the gold proceeds back into cash for ISIS."<sup>131</sup> Another member of the network, Abd-al-Rahman Ali Husayn al-Ahmad al-Rawi, was "one of the few individuals who provided ISIS significant financial facilitation into and out of Syria," including from Turkey, before he relocated there.

Indeed, as the territorial caliphate collapsed, IS likely moved some funds to or through Turkey, via *hawala*<sup>132</sup> dealers on the Syria/Turkish border, and possibly via other militants

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<sup>127</sup> The Islamic State often uses exchange houses to collect international funds, pay its fighters and employees and make purchases. With the majority of its territory lost, exchange houses are now particularly useful to move funds out of Syria and Iraq. See: Katherine Bauer, "Survey of Terrorist Groups and Their Means of Financing," Testimony submitted to the House Financial Services Subcommittee on Terrorism and Illicit Finance, The Washington Institute for Near East Policy, September 7, 2018, p. 6, <https://www.washingtoninstitute.org/uploads/Documents/testimony/BauerTestimony20180907.pdf>; Katherine Bauer and Matthew Levitt, "Denying the Islamic State Access to Money-Exchange Houses," The Washington Institute for Near East Policy, February 3, 2016, <https://www.washingtoninstitute.org/policy-analysis/view/denying-the-islamic-state-access-to-money-exchange-houses>; Kabtani and Triansyah Djani, 2020.

<sup>128</sup> Office of the Inspector General "Operation Inherent Resolve - Summary of Work Performed by the Department of the Treasury Related to Terrorist Financing, ISIS, and Anti-Money Laundering for First Quarter Fiscal Year 2020," U.S. Department of the Treasury, January 6, 2020, p. 4, <https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/OIG-CA-20-009.pdf>; Press Center, "Treasury Designates Key Nodes of ISIS's Financial Network Stretching Across the Middle East, Europe, and East Africa," U.S. Department of the Treasury, April 15, 2019, <https://home.treasury.gov/news/press-releases/sm657>.

<sup>129</sup> *Id.*

<sup>130</sup> Thomas Jocelyn, "U.S. designates members of Rawi network for financing Islamic State," FDD's Long War Journal, April 16, 2019, <https://www.longwarjournal.org/archives/2019/04/us-designates-members-of-rawi-network-for-financing-islamic-state.php>.

<sup>131</sup> Press Center, April 15, 2019,

<sup>132</sup> See FN 64 above for definition of *hawala*.

based in Idlib province.<sup>133</sup> IS-linked exchangers claim to have sent millions of dollars through other militant organizations in Turkey, then onward to Europe.<sup>134</sup> In August 2017, the United States and Iraq jointly designated IS finance emir Salim al Mansur, who is believed to have moved from Iraq to Turkey in early 2017, under its counterterrorism authorities.<sup>135</sup> Six months later, the United States designated Yunus Emre Sakarya and his company, Profesioneller Elektronik in Turkey, also under counterterrorism authorities, due to his involvement in procuring unmanned aerial vehicle (UAV, also known as a drone) equipment worth \$500,000 in 2016 for the Islamic State.<sup>136</sup> In mid-March 2018, Turkish police raided a currency exchange in Istanbul with alleged ties to the IS, arresting two and recovering \$1.3 million, as well as gold, silver, British pounds, and weapons.<sup>137</sup>

More recently, the United Nations Monitoring Team for ISIL and al-Qaeda has raised concerns about money transfer services operating in the so-called “foreigners” annex to the al-Hawl refugee camp in northeastern Syria, which houses women and children, some of whom are alleged to have ties to IS.<sup>138</sup> The team’s January 2020 report said that funds sent to detainees originate as “wire transfers via traditional banking channels to neighboring states which are subsequently collected and couriered into the Syrian Arab Republic or transferred via *hawala* networks.”<sup>139</sup> In June 2020, the monitoring team highlighted the use of social media campaigns to raise money for the families of foreign terrorist fighters who remained in conflict zones and in the al-Hawl camp, in particular. A number of IS-affiliated women reportedly escaped from the camp during this period. It is suspected they used the funds to bribe guards and pay smugglers to assist with their escapes.<sup>140</sup> In July 2020, the U.S. Treasury sanctioned Faruq Hamad for operating a branch of the Tawasul *hawala* in the al-Hawl camp. According to the U.S. Treasury Department, Tawasul *hawala*, a separate branch of which was designated in November 2019, served IS members and transferred payments for IS from outside Syria.<sup>141</sup>

In another case involving state sponsorship of terror, in May 2018, the United States and United Arab Emirates exposed an exchange house network employed by the Iranian Islamic Revolutionary Guard Corps (IRGC) Quds Force to procure and transfer millions of

<sup>133</sup> *Id.*

<sup>134</sup> Erika Solomon and Ahmad Mhidi, “Isis finds escape route for the profits of war,” *Financial Times*, August 23, 2017, <https://www.ft.com/content/b2f616d4-8656-11e7-8bb1-5ba57d47eff7>.

<sup>135</sup> Press Center, “Treasury Collaborates with Iraqi Government to Sanction ISIS Finance Emir,” U.S. Department of the Treasury, August 29, 2017, <https://www.treasury.gov/press-center/press-releases/Pages/sm0149.aspx>.

<sup>136</sup> Press Center, “Treasury Sanctions ISIS Facilitators Across the Globe,” U.S. Department of the Treasury, February 9, 2018, <https://home.treasury.gov/news/press-release/sm0284>.

<sup>137</sup> Daily Sabah, “Turkish police discover around \$2M in cash in Istanbul office of 2 Daesh-linked suspects,” *Daily Sabah*, April 4, 2018, <https://www.dailysabah.com/war-on-terror/2018/04/04/turkish-police-discover-around-2m-in-cash-and-gold-in-istanbul-office-of-2-daesh-linked-suspects>.

<sup>138</sup> Dian Triansyah Djani, “Twenty-fifth report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2368 (2017) concerning ISIL (Da’esh), Al-Qaida and associated individuals and entities,” United Nations, January 20, 2020, p. 17, <https://undocs.org/en/S/2020/53>; *See also*: Aaron Zelin, “Wilayat al-Hawl: ‘Remaining’ and Incubating the Next Islamic State Generation,” *The Washington Institute for Near East Policy*, October 2019, <https://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyNote70-Zelin.pdf>.

<sup>139</sup> Dian Triansyah Djani, January 20, 2020, p.17.

<sup>140</sup> *Id.*

<sup>141</sup> Press Center, “Treasury Designates Key ISIS Financial Facilitators in the Middle East,” U.S. Department of the Treasury, July 28, 2020, <https://home.treasury.gov/news/press-releases/sm1070>.

U.S. dollars (USD) in bulk cash for distribution to Iranian proxies.<sup>142</sup> With U.S. sanctions hindering Iran's ability to access its oil revenue and other foreign currency reserves, the IRGC sought access to USD because its proxies have little use for Iranian Rial. Hezbollah, for example, operates in a highly-dollarized economy; the organization, like IS, needs hard currency to pay salaries, make cross border payments, and procure goods. Since 2013, the U.S. Treasury Department has raised concerns about Iran's use of exchange houses and general trading companies to evade U.S. and multilateral sanctions.<sup>143</sup>

## Virtual Currency

Perhaps contrary to conventional wisdom, a 2019 RAND Corporation study of terrorist use of cryptocurrencies concluded that “[c]urrent concerns about cryptocurrency as a significant enabler of terrorist groups are almost certainly overblown, but coming improvements in cryptocurrency technologies will likely have a significant long-term effect on CTF.”<sup>144</sup> Yet, in August 2020, the U.S. Department of Justice announced an operation that led to the largest seizure of terrorists' cryptocurrency account ever, and the dismantling of three different cyber-enabled terror finance campaigns by Hamas' terrorist wing (Al-Qassam Brigades), al-Qaeda, and IS.<sup>145</sup>

Terrorist and extremist groups clearly believe that cryptocurrencies might provide a measure of anonymity, and thus undermine law enforcement efforts to monitor illicit financial transactions, as U.S. officials assert was the case in this disruption. Indeed, according to a 2018 European Parliament study of cryptocurrencies and blockchain, “[t]he key issue that needs to be addressed in the fight against money laundering, terrorist financing and tax evasion via cryptocurrencies is the anonymity surrounding cryptocurrencies.”<sup>146</sup> In fact, most cryptocurrencies are pseudonymous, not anonymous, and with proper sleuthing, addresses often can be linked back to actual identities.

For example, in the Hamas case, the al-Qassam Brigades posted a call online for Bitcoin donations to fund the group's terrorist activities. Hamas “boasted that bitcoin donations were untraceable and would be used for violent causes. Their websites offered video instruction on how to anonymously make donations, in part by using bitcoin addresses

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<sup>142</sup> Press Center, “United States and United Arab Emirates Disrupt Large Scale Currency Exchange Network Transferring Millions of Dollars to the IRGC-QF,” U.S. Department of the Treasury, May 10, 2018, <https://home.treasury.gov/news/press-releases/sm0383>.

<sup>143</sup> Office of Foreign Assets Control, “The Use of Exchange Houses and Trading Companies to Evade U.S. Economic Sanctions Against Iran,” U.S. Department of the Treasury, January 10, 2013, [https://www.treasury.gov/resource-center/sanctions/Programs/Documents/20130110\\_iran\\_advisory\\_exchange\\_house.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/20130110_iran_advisory_exchange_house.pdf).

<sup>144</sup> Cynthia Dion-Schwarz, David Manheim and Patrick B. Johnston, “Terrorist Use of Cryptocurrencies: Technical and Organizational Barriers and Future Threats,” RAND Corporation, 2019, p. 55, [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR3000/RR3026/RAND\\_RR3026.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR3000/RR3026/RAND_RR3026.pdf).

<sup>145</sup> Office of Public Affairs, “Global Disruption of Three Terror Finance Cyber-Enabled Campaigns,” U.S. Department of Justice, August 13, 2020, <https://www.justice.gov/opa/pr/global-disruption-three-terror-finance-cyber-enabled-campaigns>.

<sup>146</sup> Robby Houben and Alexander Snyers, “Cryptocurrencies and Blockchain: Legal Context and Implications for Financial Crime, Money Laundering, and Tax Evasion,” Policy Department for Economic, Scientific and Quality of Life Policies, Directorate-General for Internal Policies, European Parliament, July 2018, p. 9, <https://www.europarl.europa.eu/cmsdata/150761/TAX3%20Study%20on%20cryptocurrencies%20and%20blockchain.pdf>.

generated for each individual donor,” the Department of Justice explained. Unfortunately, for the donors, these donations were not, in fact, anonymous. Federal agents tracked and seized 150 cryptocurrency accounts and executed criminal search warrants for U.S.-based subjects who donated to the Hamas fundraising campaign. They then seized the actual infrastructure of the Hamas websites, and proceeded to run them covertly, such that when people made donations intended for Hamas, the funds actually went to Bitcoin wallets controlled by United States authorities.<sup>147</sup>

In another case indicted in the United States, al-Qaeda and other terrorist groups—mostly in Syria—reportedly operated a Bitcoin money laundering network on several social media platforms. They solicited cryptocurrency donations to fund terrorism, sometimes posing as charities. Authorities identified 155 virtual currency assets tied to this campaign, and filed a complaint in court seeking their forfeiture. Likewise, in the ISIS case, authorities filed a forfeiture complaint targeting the social media accounts of an ISIS facilitator who reportedly managed ISIS hacking operations, and was selling fake personal protective equipment in a COVID-19 online scam.<sup>148</sup> Such plots are occurring elsewhere as well. In October 2020, police in France arrested thirty and charged eight with financing Islamic extremists in Syria through a complex cryptocurrency scheme.<sup>149</sup>

## Procurement as a Form of Resourcing

Even as terrorist groups turn to local financing, lessening their dependence on financial support from abroad, they still will need to move funds across borders to obtain what they cannot get at home. Procurement of weapons and other necessities is not a new phenomenon in the context of terrorist financing, but the scale and scope of such activities can be far more significant today in the context of terrorist control of territory and terrorist economies. Indeed, the evolution and growth of certain terrorist actors into larger, better-resourced, and better-financed organizations also has portended a shift from as-needed procurement to the development of bureaucratic and large-scale resourcing enterprises.

*Terrorist resourcing*, as conceptualized by the Canadian Integrated Threat Assessment Centre, looks at all of the ways that terrorist organizations get the various resources they need (including funds, goods, or less tangible forms of support) to those involved in terrorist acts and those who direct and support them.<sup>150</sup> Whereas terrorist financing is traditionally characterized as a linear process that runs from collection to transmission and use of funds, the model suggests that the terrorist resourcing trail is a broad river with many branching tributaries. In this sense, resourcing is seen as a process that involves many items from a variety of sources to many recipients through multiple channels for

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<sup>147</sup> Office of Public Affairs, “Global Disruption of Three Terror Finance Cyber-Enabled Campaigns,” U.S. Department of Justice, August 13, 2020, <https://www.justice.gov/opa/pr/global-disruption-three-terror-finance-cyber-enabled-campaigns>.

<sup>148</sup> *Id.*

<sup>149</sup> “8 charged in French cryptocurrency scheme to finance jihadis,” Associated Press, October 3, 2020, <https://apnews.com/article/technology-cryptocurrency-terrorism-archive-france-784cfaa3a2e272ff1cf3b4c5d1dc9a6a>

<sup>150</sup> FATF, “FATF Report: Terrorist Financing in West Africa,” FATF, October 2013, p. 10, <https://www.fatf-gafi.org/media/fatf/documents/reports/TF-in-West-Africa.pdf>.



different uses. As such, terrorist procurement often relies on networks of intermediaries, including those with no relation to the terrorist group. In this sense, such networks are especially vulnerable to disruption through exposure, because they must maintain an air of legitimacy, especially to obtain items that could be dual use.

At the height of the territorial caliphate, improvised explosive devices (IEDs) were the weapon of choice for IS, according to the United Nations.<sup>151</sup> Although the components were the same as those roughly a decade earlier, during the Iraq War, procurement evolved to meet the scale. Likewise, because it was harder to predict access to inputs at any given time, considering the territory's isolation, IS engaged in more stockpiling and warehousing. Indeed, in June 2017, the U.S. Treasury sanctioned an IS leader who, in addition to his work on chemical weapons and missile development, was part of an IS group that ran a factory in Hajjah, Iraq, manufacturing IEDs, mines, and up-armed car or truck bombs, also known as vehicle-borne improvised explosive devices (VBIEDs).<sup>152</sup>

A U.S. Defense Department official described IS IED procurement as following a cone shape, with the person using the IED at the tip and the broad range of legitimate suppliers comprising the conical base.<sup>153</sup> In fact, according to a 2016 study by Conflict Armament Research (CAR), which mapped the legal trade in components ultimately recovered from IEDs in and around ISIS-controlled territory, ISIS acquired many components quickly after they were lawfully supplied to distributors and smaller commercial entities in other countries.<sup>154</sup>

Documents recovered in Iraq related to IS's drone program detailed how ISIS managed its weapons development programs, including acquisition forms, mission reports, and supply lists.<sup>155</sup> Although the documents do not reveal how the Islamic State actually acquired such materials, they provide specific price information. That suggests a reliable, stable supply source, supporting the conclusion that ISIS was likely acquiring some of this equipment through third parties outside their territory.

This acquisition typology is of course not unique to IS.<sup>156</sup> Although Hezbollah receives hundreds of millions of dollars a year from Iran, it has long employed a worldwide network for financial and logistical support: to store, move, and raise funds; procure weapons and dual-use items; obtain false documents; and more.<sup>157</sup>

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<sup>151</sup> Gerard van Bohemen, "Eighteenth report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2253 (2015) concerning Islamic State in Iraq and the Levant (Da'esh), Al-Qaida and associated individuals and entities," United Nations Security Council, July 19, 2016, p. 7, <https://www.undocs.org/S/2016/629>.

<sup>152</sup> Press Center, "Treasury Targets ISIS Leader Involved in Chemical Weapons Development," *U.S. Department of the Treasury*, June 12, 2017, <https://www.treasury.gov/press-center/press-releases/Pages/sm103.aspx>.

<sup>153</sup> Bhojani, Fatima, "How ISIS Makes IEDs: The Supply Chain of Terrorism," *Foreign Affairs*, March 2, 2016, <https://www.foreignaffairs.com/articles/2016-03-02/how-isis-makes-ieds>.

<sup>154</sup> "Tracing the Supply of Components used in Islamic State IEDs," Conflict Armament Research, February 2016, [https://www.conflictarm.com/wp-content/uploads/2016/02/Tracing\\_The\\_Supply\\_of\\_Components\\_Used\\_in\\_Islamic\\_State\\_IEDs.pdf](https://www.conflictarm.com/wp-content/uploads/2016/02/Tracing_The_Supply_of_Components_Used_in_Islamic_State_IEDs.pdf).

<sup>155</sup> Don Rassler, Muhammad al-Ubaydi and Vera Mironova, "The Islamic State's Drone Documents: Management, Acquisitions, and DIY Tradecraft," *CTC Sentinel*, January 31, 2017, <https://www.ctc.usma.edu/ctc-perspectives-the-islamic-states-drone-documents-management-acquisitions-and-diy-tradecraft/>.

<sup>156</sup> Financial Action Task Force (FATF), "FATF Report: Financing of the Terrorist Organisation Islamic State in Iraq and the Levant (ISIL)," FATF, February 2015, p. 26, <http://www.fatf-gafi.org/media/fatf/documents/reports/Financing-of-the-terrorist-organisation-ISIL.pdf>.

<sup>157</sup> Levitt, "Hezbollah's Criminal Networks," p. 155.

U.S. law enforcement has disrupted multiple Hezbollah attempts to procure arms and other dual-use and military items from the United States. In a notable early case, a Hezbollah procurement cell in Charlotte, North Carolina arbitrated cigarette tax rates between that state and Michigan to raise funds for Hezbollah. The proceeds were sent to Canada, where Hezbollah-affiliated individuals purchased night vision goggles and other dual-use equipment, and shipped it to Hezbollah in Lebanon.<sup>158</sup>

Hezbollah also employs front companies globally to obscure its involvement in the purchase of sensitive and dual-use goods. In 2014, the U.S. Treasury Department sanctioned Kamel and Issam Mohammad Amhaz<sup>159</sup>, their consumer electronic business Stars Group Holding in Beirut, and its subsidiaries in the UAE and China. According to the Treasury, “[i]tems obtained by Hizballah using the Stars Group Holding network have directly supported the group’s military capabilities, including the development of unmanned aerial vehicles (UAVs), which have been used most recently to support Hizballah’s military activities in Syria and to conduct surveillance operations in Israel.”<sup>160</sup>

In another recent example, Lebanese nationals Issam and Usama Hamade pled guilty in U.S. federal courts in March and May 2020, respectively, to conspiring to violate U.S. sanctions and export controls laws. From 2009 to 2013, the Lebanese brothers allegedly acquired sophisticated technologies, such as piston engines, video-recording binoculars, inertial measurement units and digital compasses, and exported them to Hezbollah. In a prime example of the tributary model of resourcing, the Hamade scheme involved the transit of money and goods through the United States, United Arab Emirates, South Africa, Japan, Germany, and Lebanon.<sup>161</sup>

CFT is not just about money, but about resources and procurement as well. Whether terrorist groups raise money locally, increasingly the case with AQ and IS, or whether they receive significant funds from a state sponsor, like Hezbollah, they will need to move funds across borders to resource themselves. Although there is a general shift to funding in place, that is not the case in every instance. Consider the case of Abdullah Ramo Pazara. According to a federal indictment, throughout 2013, a Bosnian-American couple

<sup>158</sup> “United States of America v. Mohamad Youssef Hammoud et al.,” Superseding Indictment, *United States District Court*, Western District of North Carolina, Charlotte Division, Docket No. 3:00CR147-MU, filed March 28, 2001, p. 33, pp. 41–50, [https://www.investigativeproject.org/documents/case\\_docs/121.pdf](https://www.investigativeproject.org/documents/case_docs/121.pdf); News Releases, “Mohamad Youssef Hammoud sentenced to 30 years in terrorism financing case,” U.S. Immigration and Customs Enforcement, January 27, 2011, <https://www.ice.gov/news/releases/mohamad-youssef-hammoud-sentenced-30-years-terrorism-financing-case>. See also, Matthew Levitt, “Hezbollah Finances: Funding the Party of God,” in Giraldo and Trikunas, “Terrorism Financing and State Responses: a Comparative Perspective,” *The Washington Institute for Near East Policy*, March 2007, <https://www.washingtoninstitute.org/policy-analysis/view/hezbollah-finances-funding-the-party-of-god>.

<sup>159</sup> Issam Amhaz was removed from the OFAC Specially Designated Nationals list in December 2019. No reason was given for his delisting. See U.S. Department of the Treasury, “OFAC Recent Actions,” U.S. Department of the Secretary, October 30, 2020, <https://www.treasury.gov/resource-center/sanctions/ofac-enforcement/pages/20191205.aspx>.

<sup>160</sup> Press Center, “Treasury Sanctions Procurement Agents Of Hizballah Front Company Based In Lebanon With Subsidiaries In The UAE And China,” U.S. Department of the Treasury, July 10, 2014, <https://www.treasury.gov/press-center/press-releases/Pages/j12562.aspx>.

<sup>161</sup> “Lebanese Hezbollah: Select Worldwide Activity, Entry 644: Usama and Issam Hamade Arrested,” Washington Institute for Near East Policy, <https://www.washingtoninstitute.org/hezbollahinteractivemap/#id=644>.



in St. Louis, Missouri raised funds and purchased military equipment requested by Pazara and other IS fighters in Syria.<sup>162</sup> The couple received funds through Western Union and PayPal from sympathetic friends, and then bought goods to ship to intermediaries in Saudi Arabia and Turkey for onward ISIS use in Iraq and Syria.<sup>163</sup> FATF reports have documented other cases in which sympathetic donors sent material to ISIS, based on appeals from ISIS fighters for equipment and supplies, often made via social media.<sup>164</sup>

More recently, in October 2020, the U.S. Treasury Department sanctioned an al-Qaeda financial facilitator who used his Australia-based international gemstone business as a cover to move funds on behalf of the group.<sup>165</sup> Whatever the form of resourcing, be it cash or material, funds raised locally or internationally will need to be spent on things, and terrorist groups will need to move money across borders to do it. This will remain a trend worthy of attention, even as terrorist groups continue to shift to a more localized financing model overall.

## Return of Abuse of Charity as a CFT Concern

For a while, it seemed like terrorist abuse of charity was outdated as a preferred illicit finance typology. Then came the war in Syria and a series of other conflicts across the Middle East and North Africa, and the issue is now back on the agenda as a counterterrorism priority.

Charities remain crucial for alleviating the accompanying humanitarian crises that such wars bring in their wake, but they can be uniquely vulnerable to the misuse and abuse of funds. Auditing the delivery of humanitarian supplies to war-torn areas is no easy task. A report by Australia and six other Southeast Asian countries noted Australia had “experienced suspicious ‘pop-up’ NPOs (non-profit organizations) that appear to dissolve after raising funds for ‘humanitarian efforts’ in Syria and Iraq.”<sup>166</sup> In Britain, the U.K. Charity Commission eliminated two organizations from its official charity register in August 2017, after concluding they had raised money and supplies for IS and AQ. The charities’ missions ostensibly were to help victims of Syria’s civil war, and Kurdish Muslims in the English city of Birmingham. Instead, the founder of the two organizations, Adeel Ul-Haq, bought “a high-powered laser pointer, night-vision goggles and a secret waterproof money pouch.”<sup>167</sup>

<sup>162</sup> “United States of America vs. Hodzic et al.,” Indictment, United States District Court Eastern District of Missouri, 4:15CR00049 CDP/DDN, filed February 5, 2015, <https://extremism.gwu.edu/sites/g/files/zaxdzs2191/f/Hodzic%20et%20al.%20Indictment.pdf>.

<sup>163</sup> Seamus Hughes and Bennet Clifford, “First He Became an American—Then He Joined ISIS,” *The Atlantic*, May 25, 2017, <https://www.theatlantic.com/international/archive/2017/05/first-he-became-an-americanthen-he-joined-isis/527622/>.

<sup>164</sup> FATF, “FATF Report: Financing of the Terrorist Organisation Islamic State in Iraq and the Levant (ISIL),” FATF, February 2015, p. 36, <http://www.fatf-gafi.org/media/fatf/documents/reports/Financing-of-the-terrorist-organisation-ISIL.pdf>.

<sup>165</sup> U.S. Department of the Treasury, “Treasury Designates al-Qai’da Financial Facilitator,” U.S. Department of the Treasury, October 21, 2020, <https://home.treasury.gov/news/press-releases/sm1157>.

<sup>166</sup> Matthew Levitt, “Terrorist Abuse of Charity in the Age of the Islamic State and the Syria War,” Testimony submitted to the Senate of Canada, National Security and Defence Committee, February 13, 2017, <https://www.washingtoninstitute.org/uploads/Documents/testimony/LevittTestimony20170213.pdf>.

<sup>167</sup> William Watkinson, “Charity Commission punishes UK ‘charities’ that raised cash for Isis and Al-Qaeda,” *International Business Times*, July 30, 2016, <http://www.ibtimes.co.uk/charity-commission-punishes-uk-charities-that-raised-cash-isis-al-qaeda-1573367>.

Another series of cases in Lebanon and Australia uncovered possible misdeeds in connection with the Sydney-based Dar al Quran wa Sunnah charity, which purported to help Syrian orphans, and operated in Lebanon, Turkey, and Bangladesh. In May 2015, Lebanese authorities arrested Ibrahim Barakat on charges of fundraising for jihadists and recruiting for the Islamic State. A second man with dual Lebanese-Australian citizenship was reportedly arrested, charged with funding jihadists, and later released.<sup>168</sup> A statement from the charity disavowed Barakat,<sup>169</sup> and in July 2019, the charity's registration was revoked by the Australian Charities and Not-for-profits Commission.<sup>170</sup>

In another case of charity abuse, in November 2019, Dutch and Belgian authorities arrested six men who established a foundation based in the Netherlands, which raised some €200,000 to “provide assistance to war victims.” In fact, authorities believe the men used some of the money to fund their travel to Turkey and Syria, provided around €130,000 to fighters of the Islamic State (ISIS), and also gave funds to another organization affiliated with ISIS.<sup>171</sup>

Organizations funneling money to al-Qaeda continue to emerge as well. Saudi Arabia and the United States jointly acted against the Al-Furqan Foundation Welfare Trust in April 2015.<sup>172</sup> The U.S. Treasury identified Al-Furqan as the successor entity to two organizations that it had previously designated, the Afghan Support Committee and the Revival of Islamic Heritage Society, and described it as a “charitable organization that is a major conduit of financial and material support for terrorist groups ... in some cases under the guise of humanitarian work.”<sup>173</sup> In addition to supporting al-Qaeda, the Treasury also called out Al-Furqan for aiding the Taliban and the Pakistani jihadist group Lashkar-e-Tayyiba.<sup>174</sup> Simultaneously, Saudi Arabia designated Al-Furqan under its own counterterrorism laws.<sup>175</sup>

<sup>168</sup> Lisa Main and Suzanne Dredge, “Islamic State: Member of Australian charity charged with raising funds for jihadists and recruiting for IS,” ABC News, July 2, 2015, <http://www.abc.net.au/news/2015-07-03/australian-charity-investigated-for-alleged-is-links/6591174>.

<sup>169</sup> Max Margan, “Sydney Muslim charity linked to a man accused of funding Islamic State ‘under investigation after raising \$800,000 in two years from Australian donations,’” Daily Mail, July 28, 2016, <https://www.dailymail.co.uk/news/article-3713791/Sydney-Muslim-charity-linked-man-accused-funding-Islamic-State-investigation-raising-800-000-two-years-Australian-donations.html>.

<sup>170</sup> “Dar al Quran wa Sunnah Incorporated,” Australian Charities and Not-for-profits Commission, July 11, 2019, <https://www.acnc.gov.au/charity/cea2bc50ce0f7a0521be71f2e64e4eb8#overview>.

<sup>171</sup> Evie McCullough, “Two Belgian suspects arrested in international investigation into financing of terrorism,” Brussels Times, November 12, 2019, <https://www.brusselstimes.com/belgium/78178/two-belgian-suspects-arrested-in-international-investigation-into-financing-of-terrorism-netherlands-report-secret-services-war-victims-turkey-syria/>.

<sup>172</sup> Press Center, “The U.S. and Saudi Arabia Take Joint Action Against Terrorist Financing Entity Attempting to Evade U.S. and UN Sanctions and Violate Saudi Laws,” U.S. Department of the Treasury, April 7, 2015, <https://www.treasury.gov/press-center/press-releases/Pages/j110019.aspx>.

<sup>173</sup> Press Center, “The U.S. and Saudi Arabia Take Joint Action Against Terrorist Financing Entity Attempting to Evade U.S. and UN Sanctions and Violate Saudi Laws,” U.S. Department of the Treasury, April 7, 2015, <https://www.treasury.gov/press-center/press-releases/Pages/j110019.aspx>.

<sup>174</sup> *Id.*

<sup>175</sup> “Saudi Arabia and U.S. take joint action against terrorist financing entity,” Saudi Arabia Ministry of Interior, April 9, 2015, [https://www.moi.gov.sa/wps/portal/lut/p/z0/fYyxDoIwGIRfBQZG8v8tBeNYE42oiYku0KVpsIEaaΛ-M24OMLuLtc7r67HAioCGaEjTuaUihBWDWZRnnjrOqWXIIMYsHYtTB6uSX8gDw7XvN7jqQgCA9t4Qzi\\_2h5Ma9hEBxE7azXIHw9l70zwNLOyEa62db0OtlL6QI0RiBCq-f3TxdYt2bS21yuRGIE14spklRJNUIv9l3Dw\\_AL-VP77XA!!/](https://www.moi.gov.sa/wps/portal/lut/p/z0/fYyxDoIwGIRfBQZG8v8tBeNYE42oiYku0KVpsIEaaΛ-M24OMLuLtc7r67HAioCGaEjTuaUihBWDWZRnnjrOqWXIIMYsHYtTB6uSX8gDw7XvN7jqQgCA9t4Qzi_2h5Ma9hEBxE7azXIHw9l70zwNLOyEa62db0OtlL6QI0RiBCq-f3TxdYt2bS21yuRGIE14spklRJNUIv9l3Dw_AL-VP77XA!!/).

Less than a year later, the United States and Saudi Arabia again took joint action against four individuals and two organizations, for supporting the same three terrorist groups in Afghanistan and Pakistan.<sup>176</sup> Among those sanctioned was the Al-Rahmah Welfare Organization (RWO), and its Scottish-born president, CEO, and chairman, James McIntock. According to the U.S. Treasury Department, RWO and other associated outfits received “large amounts of money from British donors who were not aware of the NGOs’ Taliban ties.”<sup>177</sup>

The Shi’a Lebanese terrorist organization Hezbollah is a particularly adept fundraiser. A glaring example of Hezbollah raising funds through purportedly charitable donations was its use of the Islamic Resistance Support Organization (IRSO). The U.S. Treasury designated the IRSO in 2006 for its weapons procurement fundraising,<sup>178</sup> but in the wake of reimplementing of U.S. sanctions targeting the group’s primary sponsor, Iran, the group has renewed its IRSO procurement fundraising campaigns.<sup>179</sup> Hezbollah Secretary General Hassan Nasrallah himself recently lamented the impact of sanctions and publicly called on Hezbollah’s members and sympathizers to donate funds to the group’s IRSO.<sup>180</sup>

As conflicts erupt in areas where terrorist groups operate, opportunities arise for terrorist groups and their supporters to raise funds fraudulently under the guise of legitimate charitable giving. This is especially the case in those situations where terrorists control territory, but also where the need is most dire, and time that might otherwise be spent conducting due diligence is fast tracked to get support where it is most needed in an effort to save lives. Such calculations are understandable, but they also present a serious terrorist financing vulnerability directly related to the theme of localized funding. With the U.S.-led coalition’s withdrawal from Afghanistan, and the return of the still UN-designated Taliban, the international community faces an acute example of how such tensions play out in real life. The International Monetary Fund was scheduled to provide Afghanistan with close to half a billion dollars in August 2021, but the Taliban’s return to government put that on indefinite hold.<sup>181</sup> Though this case involved IMF Special Drawing Rights (SDRs), not humanitarian aid, the underlying terror financing vulnerabilities played out in a similar fashion.

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<sup>176</sup> Press Center, “United States and Saudi Arabia Designate Terrorist Fundraising and Support Networks,” U.S. Department of the Treasury, March 31, 2016, <https://www.treas.gov/press-center/press-releases/Pages/jl0400.aspx>.

<sup>177</sup> *Id.*

<sup>178</sup> Press Center, “Treasury Designates Key Hizballah Fundraising Organization,” U.S. Department of the Treasury, August 29, 2006, <http://www.treas.gov/press/releases/hp73.htm>.

<sup>179</sup> Meir Amit Intelligence and Terrorism Information Center, “Hezbollah Launched a Campaign to Raise Money for Military Purposes Using the Islamic Resistance Support Association,” Meir Amit Intelligence and Terrorism Information Center, December 2, 2019, <https://www.terrorism-info.org.il/en/hezbollah-launched-campaign-raise-money-military-purposes-using-islamic-resistance-support-association/>.

<sup>180</sup> “Nasrallah: Resistance needs support because we are in the heart of the battle,” An-Nahar (Lebanon), March 8, 2019.

<sup>181</sup> David Lawder, “IMF Blocks Afghanistan’s Access to SDR Reserves Over Lack of Clarity on Government,” Reuters, August 18, 2021, <https://www.reuters.com/world/asia-pacific/biden-administration-seeks-block-taliban-accessing-reserves-imf-new-york-times-2021-08-18/>.

## Responding to Terrorist Financing in Place

When the Islamic State took vast swaths of territory in Syria and Iraq in 2014, it presented an unprecedented threat because of its control of key resource-rich territory. Additionally, ISIS revenue sources were different from those of al Qaeda and most other terrorist groups, in that its funds were primarily raised locally, within territories that the group controlled. By October 2014, U.S. Treasury Undersecretary David Cohen noted, “with the important exception of some state-sponsored terrorist organizations, ISIL is probably the best-funded terrorist organization we have confronted.”<sup>182</sup> And yet, the response to the challenge of ISIS financing ultimately mirrored two traditional and interdependent objectives that stood as the cornerstone of CTF efforts: (1) cut terrorists off from their source of funds and (2) deny them access to the global financial system.<sup>183</sup> By suspending salaries to government of Iraq employees in IS-controlled territory, authorities succeeded in lessening the liquidity for IS to tax and extort. The bombing of IS-controlled oil facilities and cash vaults hindered IS oil sales and destroyed one-time windfalls taken from banks vaults. Cutting off bank branches and exchange houses in and around IS-controlled territory made it harder for the group to move funds to support affiliates, foreign fighter travel, and procurement efforts. Ultimately, it was the territorial defeat of the caliphate that had the greatest impact on the organization’s financial footings.

Such measures were novel only in their scale and scope, because there is ample precedent for targeting industry and infrastructure funding terrorist controlled territory. A 2012 UN Security Council Resolution banned the charcoal trade in Somalia, taking aim at a lucrative source of revenue for al-Shabaab.<sup>184</sup> Authorities have struggled to combat Taliban funding through opium trade and illegal logging,<sup>185</sup> And both Egypt and Israel have targeted Hamas smuggling tunnels from Gaza into Sinai as a means of Hamas’s tunnel trade and the taxation revenue that it generated for the group.<sup>186</sup>

Indeed, efforts to counter the financing of the Islamic State specifically, and terrorist financing more broadly, are built on earlier efforts supported by two underlying lines of action. First, efforts to increase transparency in the financial system and ensure the traceability and track-ability of financial activity so that terrorists and others engaged in illicit finance cannot act anonymously. And second, marshalling and employing actionable

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<sup>182</sup> Press Center, “Remarks of Under Secretary for Terrorism and Financial Intelligence David S. Cohen at The Carnegie Endowment for International Peace, “Attacking ISIL’s Financial Foundation,”” U.S. Department of the Secretary, October 23, 2014, <https://www.treasury.gov/press-center/press-releases/pages/jl2672.aspx>.

<sup>183</sup> Press Center, “Testimony of A\S for Terrorist Financing Daniel L. Glaser Before the House Committee on Foreign Affairs’s Subcommittee on Terrorism, Nonproliferation, and Trade, and House Committee on Armed Services’ Subcommittee on Emerging Threats and Capabilities,” U.S. Department of the Treasury, June 9, 2016, <https://www.treasury.gov/press-center/press-releases/Pages/jl0486.aspx>.

<sup>184</sup> United Nations Security Council, “Security Council Committee Pursuant to Resolution 751 (1992) Concerning Somalia,” United Nations Security Council, <https://www.un.org/securitycouncil/sanctions/751>.

<sup>185</sup> Gretchen Peters, “How Opium Profits the Taliban,” United States Institute of Peace, August 2009, [https://www.usip.org/sites/default/files/resources/taliban\\_opium\\_1.pdf](https://www.usip.org/sites/default/files/resources/taliban_opium_1.pdf).

<sup>186</sup> Raphael S. Cohen, David E. Johnson, David E. Thaler, Brenna Allen, Elizabeth M. Bartels, James Cahill, Shira Efron, “From Cast Lead to Protective Edge: Lessons from Israel’s Wars in Gaza,” RAND Corporation, 2017, [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR1800/RR1888/RAND\\_RR1888.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR1800/RR1888/RAND_RR1888.pdf).

information to support a range of targeted measures to disrupt terrorist financing.<sup>187</sup> These actions include financial sanctions, law enforcement actions, regulatory findings, information sharing with foreign governments. Together, the ability to use AML/CFT regulatory efforts to harden the financial system against potential exploitation and to collect actionable information on illicit financial activity, will prove the most effective tools to contend with the trend of terrorist financing in place.

Over the past two decades, considerable efforts have been made at the systemic level to establish and encourage adoption of international best practices, such as FATF recommendations, designed to make the international financial system a hostile environment for terrorist support and other forms of illicit finance. This effort involves, *inter alia*, raising awareness of the risks of terrorist financing and facilitation, and helping governments in high-risk jurisdictions develop tools to effectively implement such standards. Furthermore, by sharing actionable information, either confidentially or through public notification of sanctions actions, governments are incentivized—and sometimes compelled—to disrupt terrorists’ means to raise, store, and move funds.

One development that has proven particularly effective has been the growth of public-private partnerships and relationships focused on identifying and curbing illicit financial activity. Banks run financial intelligence units, which in several cases have provided “that missing piece of the puzzle to identify someone here or abroad who is planning or supporting plans to attack our interests,” according to Gerald Roberts, the former section chief of the FBI’s Terrorist Financing Operations Section.<sup>188</sup> In one particularly telling case, private sector financial data gleaned by finance ministries and shared with U.S. military and law enforcement agencies helped identify financial targets for military strikes on IS oil infrastructure and cash depots.<sup>189</sup>

Alongside efforts to disrupt terrorist financing is another equally powerful tool: using financial data to gather intelligence. As the 9/11 Commission’s report concluded, “Expect less from trying to dry up terrorist money and more from following the money for intelligence, as a tool to hunt terrorists, understand their networks, and disrupt their operations.”<sup>190</sup> Financial intelligence (FININT) has provided valuable information in several high-profile investigations. In 2003, transactions between a known al-Qaeda suspect and a previously unknown figure in South Asia allowed the U.S. government to track down Riduan Isamuddin, the mastermind of the 2002 Bali bombing.<sup>191</sup> The U.K.’s National Terrorist Financial Investigations Unit helped thwart the 2006 airline plot by tracking large

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<sup>187</sup> Press Center, “Testimony of A\S for Terrorist Financing Daniel L. Glaser Before The House Committee on Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade, and House Committee on Armed Services’ Subcommittee on Emerging Threats and Capabilities,” U.S. Department of the Treasury, June 9, 2016, <https://www.treasury.gov/press-center/press-releases/Pages/jl0486.aspx>.

<sup>188</sup> Gerald Roberts, “Money Flow in the Age of ISIS,” The Washington Institute for Near East Policy, May 15, 2015, <http://www.washingtoninstitute.org/policy-analysis/view/money-flow-in-the-age-of-isis>.

<sup>189</sup> Yeganeh Torbati and Brett Wolf, “In Taking Economic War to Islamic State, U.S. Developing New Tools,” Reuters, November 24, 2015, <https://www.reuters.com/article/us-france-shooting-usa-sanctions-insightidUSKBN0TD-0BJ20151124>.

<sup>190</sup> Kean and Hamilton, “Executive Summary,” 2004.

<sup>191</sup> Eric Lichtblau and James Risen, “Bank Data Is Sifted by U.S. in Secret to Block Terror,” N. Y. Times, June 23, 2006, <https://www.nytimes.com/2006/06/23/washington/23intel.html?pagewanted=print>.

money transfers disguised as earthquake relief from a British-based Islamic charity to the three suspected bombers.<sup>192</sup>

One particularly effective FININT program—the Terrorist Finance Tracking Program (TFTP)—produced more than 18,000 FININT leads that U.S. authorities shared with their European counterparts through February 2016.<sup>193</sup> The TFTP collects data on international financial transactions to gain information about terrorist networks and plots.<sup>194</sup> The TFTP has successfully intercepted many illegal transactions and thwarted many plots, such as threats to the 2012 Summer Olympic Games in London and a 2011 assassination plot to kill the Saudi Arabian Ambassador to the United States.<sup>195</sup> In the case of small scale plots by lone offenders or small groups, where international transactions are less likely to take place, FININT, such as TFTP, will still prove to be an effective investigative tool in the wake of an attack, as it did in the investigations that followed the 2013 Boston bombings, the January 2015 shooting at the offices of the magazine *Charlie Hebdo*, and the November 2015 attacks in Paris.<sup>196</sup> Although no one system can monitor every transaction, the TFTP is an important measure that the West established to address terrorists' exploitation of the international banking system. Perhaps most important, the TFTP program was designed—in cooperation with the SWIFT company—with multiple levels of privacy protections.<sup>197</sup>

Importantly, FININT is not limited to suspicious activity reports (SARs) submitted by financial institutions and TFTP alone. Rather, it also includes clandestine collection, business records and gray literature, as well as financial records, such as invoices, receipts and other pocket litter, recovered from law enforcement action, or in and around conflict zones.

Some critics argue that in the age of the Islamic State, the traditional tools used to fight terrorist financing are ineffective at preventing the kinds of self-funded attacks that have become common recently.<sup>198</sup> However, such attacks often cost more than meets the eye; because even the cheapest attack is not free, when terrorists are frozen out of their bank accounts, they have to resort to riskier tactics.

Consider the case of Ismail Issa, an IS operative arrested while traveling from Germany to Syria. The group had to send Issa with cash to shop for supplies, rather than wiring money to an operative already in the country, precisely because it had become too difficult for

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<sup>192</sup> Stephen Damento, "Money trail is the best lead in the fight against terror," *WAtoday*, November 9, 2014, <https://www.watoday.com.au/opinion/money-trail-is-the-best-lead-in-the-fight-against-terror-20141109-11j8ee.html>.

<sup>193</sup> Press Center, "Terrorist Finance Tracking Program Questions & Answers," U.S. Department of the Treasury, March 15, 2016, [https://www.treasury.gov/resource-center/terrorist-illicit-finance/Terrorist-FinanceTracking/Documents/tftp\\_brochure\\_03152016.pdf](https://www.treasury.gov/resource-center/terrorist-illicit-finance/Terrorist-FinanceTracking/Documents/tftp_brochure_03152016.pdf).

<sup>194</sup> *Id.*

<sup>195</sup> *Id.*

<sup>196</sup> *Id.*

<sup>197</sup> *Id.*

<sup>198</sup> Peter R. Neumann, "Don't Follow the Money, The Problem with the War on Terrorist Financing," *FOREIGN AFFAIRS*, July 24, 2017, <https://www.foreignaffairs.com/articles/2017-06-13/dont-follow-money>.



IS members to transfer money without being picked up by the authorities.<sup>199</sup> In this case as in others, jihadists have grown so worried that their transactions are being monitored that they are too scared to collect the funds. And disrupting key financial conduits and managers remains an effective tool to disrupt terrorist financing. In October 2021, for example, Iraqi forces captured IS chief financial officer Sami Jasim in a cross-border raid into Syria.<sup>200</sup> According to the U.S. government, Jasim had served “as the equivalent of ISIS’s finance minister, supervising the group’s revenue-generating operations from illicit sales of oil, gas, antiquities, and minerals.”<sup>201</sup>

“We have no illusion that we can entirely prevent the flow of funds to terrorist groups,” then Treasury Undersecretary David Cohen stated in 2010.<sup>202</sup> “Some funds will find a way to flow. But that does not mean the effort is futile—far from it. What we have learned is, by deterring would-be funders and disrupting the financial facilitation networks, we significantly impede terrorists’ ability to operate.”<sup>203</sup> Disrupting terrorists’ financial transactions makes it harder for them to travel, bribe officials, procure materials, provide for their own families, and, ultimately, engage in operations. Denying terrorists—as well as insurgents and proliferators—easy access to financial tools forces them to use more costly, less efficient, and often less reliable means of financing their activities. Trends toward increased jurisdictional distinction and funding in place in terrorist financing matter, but while specific tactics and procedures may have to be adjusted to deal with developments like self-funded lone-offender terrorists or proto-state terrorists groups controlling territory, the underlying principles that have guided counterterror finance strategies to date remain effective even in the face of these new challenges.

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<sup>199</sup> Justin Huggler, “German jihadi trial shows Islamic State’s money transfer struggle,” *THE TELEGRAPH*, November 5, 2014, <https://www.telegraph.co.uk/news/worldnews/europe/germany/11210325/German-jihadi-trial-shows-Islamic-Statesmoney-transfer-struggle.html>.

<sup>200</sup> Louisa Loveluck and Mustafa Salim, “Iraq Announces Arrest of Top ISIS Financial Figure in Operation Abroad,” *THE WASHINGTON POST*, October 11, 2021, [https://www.washingtonpost.com/world/middle\\_east/iraq-announces-isis-leader-capture/2021/10/11/ffbd0ab0-2a6a-11ec-b17d-985c186de338\\_story.html](https://www.washingtonpost.com/world/middle_east/iraq-announces-isis-leader-capture/2021/10/11/ffbd0ab0-2a6a-11ec-b17d-985c186de338_story.html).

<sup>201</sup> “Sami Jasim Muhammad al-Jaburi,” Rewards for Justice, DEPARTMENT OF STATE, [https://rewardsforjustice.net/english/sami\\_al\\_jaburi.html](https://rewardsforjustice.net/english/sami_al_jaburi.html).

<sup>202</sup> David Cohen, “Tackling Terrorist Financing,” Council on Foreign Relations, January 28, 2010, <https://www.cfr.org/event/tackling-terrorist-financing-0>.

<sup>203</sup> *Id.*