

VARIOUS METHODS AND SOURCES OF TERRORISM FINANCING

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ABSTRACT

FATF has published Terrorist Financing Report which noted the various methods and sources employed by the terrorist organizations to raise funds and move them from legitimate sources as well as from illegitimate criminal activities.

Keywords: Terrorist, Financing.

INTRODUCTION

The sources of terrorist financing can be divided into two general types: ‘financing from above’, in which large-scale financial support is aggregated centrally by states, companies, charities or permissive financial institutions; and ‘financing from below’, in which terrorists fundraising is small scale and dispersed, for example based on self-financing by the terrorists themselves using employment or welfare payments.[1]

1.1 Fundraising through Legitimate Sources

Terrorist organizations support and raise funds from and through legitimate sources including charities, businesses, and through self-funding by terrorists and their supporters from employment, savings, and social welfare payments. By the early 2000’s an elaborate network of donations from charities, nongovernmental organizations, mosques, banks and various online forums were responsible for Al-Qaeda funding.

- Charities: Charities can be abused by diverging funds through fraud for example, donors are told that they are donating money for orphans, and the charity then uses the funds to fund terrorists. Another example is that the charity raises money to feed orphans and but does it through a designated terrorist organization. In one case considered for this research, a legitimate charity was established and quickly raised large amounts of funds from the local community. A controller of the charity diverted a portion of these donations to terrorist training camps in Pakistan using a cash courier.

- **Legitimate Business:** The proceeds of legitimate businesses can be used as a source of funds to support terrorist activities. The risk that a business will divert funds to support terrorist activity is greater where the relation between sales reported and actual sales is difficult to verify. The diversion of funds through legitimate business can be understood by one of the case studies that the personal bank account of Person A (a restaurant manager) regularly received cheques drawn from wooden pallet Company B. A's account did not indicate any 'normal' financial activity such as payment for food, travel, etc. The bank account of Company B also showed significant cash withdrawals of between EUR 5, 00,000 and EUR 1 million. The bank where A's account was held became suspicious because of the inconsistency between Person A's profession and the nature of Company B's business and submitted a suspicious transaction report to the financial intelligence unit. FIU analysis revealed that the individuals concerned were linked to Salafist movements, and the case was referred to prosecutors for wider investigation.[2]
- **Self-Funding:** In some cases, terrorist groups have been funded from internal sources, including family and other non-criminal sources. The amounts of money needed to mount small attacks can be raised by individual terrorists and their support networks using savings, access to credit or the proceeds of businesses under their control.

1.2. Fundraising through Illegitimate Sources

Criminal activities of terrorists to raise funds ranges from small fraud to serious and organized crime. Criminal activities are being used by terrorists includes selling narcotics, credit card fraud, cheque fraud, extortion, human trafficking, illegal mining and banking transfers. Diaspora groups have long been a funding stream for terrorist activities in the homeland. For example, throughout the 1970s Ireland's Irish Republican Army was supported by funds and weapons coming from the Irish-American diaspora and most notably financial support from the Irish Northern Aid Committee. Funding for ISIL peaked at US\$2 billion in 2015 with half of these funds coming from oil smuggling. ISIL was producing up to 75,000 barrels a day in generating revenues of US\$1.3 million per day. [3]

Recently avenue of funds from donor money has slowed and Al-Qaeda has used variety of fundraising techniques, including committing petty crimes such as bank robbery, drug trafficking and hostage-taking. The Al-Nusra Front generally acquires funds through oil sales, by kidnapping foreigners in Syria and through private donations from individuals in Saudi Arabia, Qatar and Kuwait.

1.3 Moving of Funds

The FATF report has recognized mechanism to move funds to the terrorist organizations. The Banking sector is one of the important ways to move funds internationally to terrorists. According to Afghan drugs

trafficking report 2014 noted that the Taliban have used the regulated banking system to move funds accrued from drug trafficking. Several FATF reports have referred specially to the use of the bank accounts of NPOs to move funds to terrorist organizations. Money and value transfers refer to any financial transaction carried out for a person through a financial institution by electronic means with a view to make an amount of money available to a person at another financial institution. A terrorist organization in Country "X" was observed using bank wire transfers to move money in Country Y that was eventually used for paying rent for safe houses, buying and selling vehicles, and purchasing electronic components with which to construct explosive devices. Counter-terrorist operations have observed that Cash Couriers have transferred funds to many countries within the Middle East and South Asia. "Direct flight routings are used for simple transfers; however, indirect flight routings using multiple cash couriers and changes in currencies take place. Another way to transfer value is use of gold. An al-Qaeda manual found by British forces in Afghanistan in December 2001 included not only chapters on how to build explosives and clean weapons, but on how to smuggle gold on small boats. The roof Alternative Remittance System (ARS) in terrorist financing is the way by which new or stored funds are passed to operational cells. Also, Charities are being used to move funds to terrorist organizations.

CONCLUSION

The Indian Parliament has enacted new legislations such as the POTA and brought amendments in existing laws like the UAPA, the Code of Criminal Procedure after the attack on the Indian Parliament and the Mumbai attacks. Various terrorism law enforcement agencies have established at center and state level to combat terrorist activities. India being a member of FATF and other similar bodies has formed an interagency Committee under the guidance of FATF to examine financial institutions, terrorist financing etc. Pakistan has implemented laws like ATA, 1997 and NACTA, 2013 to enhance anti-terrorism movements and criminalizes terrorist financing. But it is seen that implementation of these laws are uneven and not properly dealing with terrorist financing.

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