



SANCTIONS SOS

BRIEFING PAPER:

The Evolution of Sanctions to Tackle the Endemic Threat from Global Terrorism

By *Ross Savage*

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Executive Summary

This paper will examine the evolution of sanctions, as used to tackle the endemic threat from global terrorism. The 21st century marked a pivotal era in the global fight against terrorism, highlighted by the unforgettable events of 11th September, 2001. Despite the international community's concerted efforts over two decades, the threat posed by terrorist organisations such as Al-Qaeda (AQ) and the Islamic State (IS) persists. These groups have demonstrated remarkable resilience, adapting to geopolitical shifts and continue to pose significant threats across diverse regions. The Sahel region has emerged as a new epicentre of terrorist activity, with AQ and IS affiliates exploiting local grievances and governance vacuums. Even the Taliban, now facing the challenge of governance in Afghanistan, contends with IS's regional affiliate, ISIL-K, underscoring the complexity of eradicating terrorist ideologies.

It must be noted, the international community's quest to define terrorism has been fraught with challenges, impeding the adoption of a Comprehensive Convention on International Terrorism. The subjective perception of "terrorists" complicates the establishment of a unified legal and operational framework for counterterrorism efforts. Meanwhile, the landscape of terrorism in Western countries has shifted significantly, with ideologically motivated terrorism, particularly far-right extremism, becoming increasingly prevalent. Iran's support for proxy groups like Hamas, Hezbollah, and the Houthis exemplifies the complex interplay between state sponsorship and non-state actors in contemporary terrorism dynamics. The international response, including sanctions from the UK and US, aims to disrupt these networks, yet still faces challenges in enforcement.

Historically, sanctions have served as a strategic tool to influence state and non-state actors. The evolution of sanctions from ancient practices to sophisticated, globally coordinated measures reflects an enduring relevance in international relations. Despite challenges, sanctions remain a critical component of the international strategy to combat terrorism and its financiers. The UN has played a central role in establishing a sanctions regime against terrorism, targeting both Taliban and Al-Qaeda affiliates and expanding to address the rise of ISIS. The Financial Action Task Force (FATF) has been instrumental in setting global standards to combat terrorism financing. Its recommendations, particularly regarding the criminalisation of terrorism financing and the implementation of targeted financial sanctions, guide jurisdictions worldwide in enhancing regulatory frameworks to effectively address the threats.

The persistence of terrorism financing, coupled with the complexity of modern sanctions regimes, underscores the necessity for continued vigilance and innovation in counter-terrorism strategies. Jurisdictions must navigate the evolving landscape of terrorism, adapting their approaches to address the multifaceted nature of the threat. The international community's ability to cooperate and coordinate efforts, particularly in the face of geopolitical divisions and the rise of ideologically motivated terrorism, will be critical in shaping the future trajectory of global counter-terrorism efforts.

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A note on sources

Across this paper news reporting, open-source investigative work, open-source databases and reports by multilateral organisations have been used to support the findings of this paper.

Abbreviations

UNSCR – United Nations Security Council Resolution
 EU – European Union
 US – United States
 UK – United Kingdom
 P5 – Permanent five (members of the UN Security Council)
 NTFIU – National Terrorism Financial Intelligence Unit
 FATF – Financial Action Task Force
 IS – Islamic State
 ISIS – Islamic State in Syria
 ISIL-K – Islamic State in Levant-Khorasan Province
 AQ – Al Qaeda
 IRGC – Islamic Republican Guard Corps
 MENA – Middle East, North Africa
 CCIT – Comprehensive Convention on International Terrorism
 CFT – Countering Financing of Terrorism
 CT – Counter-Terrorism
 ERWT – Extreme Right-Wing Terrorism
 SDGT – Specially Designated Global Terrorist
 ICIJ – International Consortium of Investigative Journalists
 KYC – Know Your Customer

CDD – Customer Due Diligence
FTO – Foreign Terrorist Organisation
TFS – Targeted Financial Sanctions
WMD – Weapons of Mass Destruction

Introduction

Many will remember exactly where they were and what they were doing on 11th September 2001. The fact that Al Qaeda’s devastating terrorist attack took place over 20 years ago seems staggering. What is also concerning, is the fact that the threat from this particular brand of terrorism has not disappeared. Following the West’s so called ‘war on terror’, we have seen the rise and fall of the so-called Islamic State (IS) or Da’esh, with both groups regrouping and shifting their operations and approach to new regions.

Islamic Extremism and its Survival

It is worth mentioning that neither group have disappeared, but have adapted their operating models to fit the new geo-political environments they find themselves in. The AQ ‘franchise’ model is very much alive and well, with AQ and IS affiliates posing regional threats from the Sahel region of Africa - the new epicentre of terrorism, through the Middle East and North Africa (MENA) region to South Asia. Ironically, the Taliban in Afghanistan find they now have a terrorism problem, battling the local branch of Islamic State, Islamic State in Iraq and the Levant-Khorasan Province (ISIL-K). The recent release of the United Nations 1267 Monitoring Team’s 33rd report, concerning the threat of ISIL (Da’esh), Al-Qa~~e~~da and affiliates¹, indicates that ISIL-K activity in Afghanistan has reduced, but its ability to project threat in the region and beyond causes UN Member States concern. Indeed, according to the 2023 Global Terrorism Index from the Institute for Economics & Peace (IEP)² the Islamic State and its affiliates remain the world’s deadliest terrorist group in 2022 for the eighth consecutive year, with attacks in 21 countries. All of this suggests that destroying an ideology, which is at the very heart of what constitutes an offence of terrorism, is incredibly difficult to achieve.

The Quest to Define ‘Terrorism’

Gaining international consensus for something as seemingly straightforward as a definition for terrorism has been fraught with difficulties. In 1986, India proposed a draft document on the Comprehensive Convention on International Terrorism (CCIT) at the United Nations (UN), but it has yet to be implemented due to this very point, namely no unanimity on the definition of terrorism among the member states. Regional and cultural differences clearly play into what is undoubtedly an emotive subject. One person’s terrorist is another’s freedom fighter.

The report also details how the threat in the West is evolving. Ideologically motivated terrorism continues to be the most common type of terrorism in this

¹ UN ISIL (Da’esh) Al-Qaida Sanctions Committee Reports - <https://www.un.org/securitycouncil/sanctions/1267/monitoring-team/reports>, last accessed 04 March 2024.

² IEP Global Terrorism Index 2023 - <https://www.visionofhumanity.org/maps/global-terrorism-index/#/>, last accessed 04 March 2024.

region, with religiously motivated terrorism declining some 95 per cent since its peak in 2016. Notably, all 14 ideologically motivated deaths in the West are attributable to far-right terrorism. In the UK, in April 2020, as acknowledgement of this shift in the threat landscape, the UK domestic security service, otherwise known as MI5, took on full primacy for Right-Wing Terrorism, which has since been renamed to 'Extreme Right-Wing Terrorism' (ERWT)³.

War by Proxy through Terrorism

As 2023 drew to a close and we move into 2024, it appears as though the middle east is once again at boiling point. In particular, Iranian backed groups appear to be at the forefront of stoking international tension. The deadly 7th October attacks on Israel by the terrorist group Hamas has brought Iran's long-standing hostility towards the country into sharp focus. It is well documented that Iran have supported the objectives of Hamas in Gaza, Hezbollah in the Lebanon and the Houthis in Yemen, who are in open conflict with the internationally recognised government of Yemen, which has been backed militarily by a Saudi-led coalition since 2015. Whilst each of these groups have their own agenda, they nonetheless support the regional objectives of Iran and therefore each receive substantial support from the Iranian regime.

These groups arguably allow Iran to fight proxy wars against their regional enemies. The west, in particular the United States and United Kingdom, wary of becoming embroiled in further long drawn out and costly conflicts in the region, are utilising other deterrents in addition to smaller scale military options at this stage. This brings us to the topic of utilising sanctions as a mechanism to blunt the ability of terrorist organisations, and their supporting infrastructure, to function unimpeded and effectively. Disrupt and degrade, stigmatise and isolate are the goals here.

For example, on the 25th of January 2024, the U.K. and U.S. imposed sanctions⁴ on four leaders of Yemen's Houthi rebel group in response to their support of the militant group's recent attacks in the Gulf of Aden and Red Sea. The sanctioned individuals are all accused of assisting or sponsoring acts of "terrorism", according to the U.S. Treasury. This follows the U.S. Department of State's actions on 17th January to designate Ansarallah (Houthi Rebels) as a Specially Designated Global Terrorist (SDGT) group⁵.

How we got here?

Terrorism, as a tactic of using violence to instil fear and achieve political or ideological goals, has ancient roots. Some of the earliest documented examples of actions that would today be classified as terrorism include the Sicarii Zealots in 1st Century Judea.⁶ The Sicarii were a radical Jewish group active during the 1st century CE, particularly around the time of the Roman occupation of Judea. They were

³ MI5 website detailing responsibility: <https://www.mi5.gov.uk/counter-terrorism>, last accessed 5 March 2024

⁴ US Department of the Treasury Press Release – U.S. and UK Target Houthi Military Officials for Supporting Acts of Terrorism – 25th January 2024: https://home.treasury.gov/news/press-releases/jy2048?_gl=1*_laf72h*_gcl_au*NTY5Mjg0MzIxLjE3MDY2MTg1Mzk, last accessed 4 March 2024

⁵ US Department of State Press Release – designation of Ansarallah: <https://www.state.gov/terrorist-designation-of-the-houthis/>, last accessed 5 March 2024

⁶ John Pichtel, *Terrorism and WMDs: Awareness and Response*, CRC Press, 25 April 2011, p.3-4.

known for their stealth attacks against Romans and Jewish elites who they viewed as collaborators with Roman authorities.

The Hashshashin, or Assassins of the Middle Ages, were a mystical sect of Shia Islam, active during the Middle Ages (circa 11th to 13th Centuries) in the Middle East. They were known for carrying out targeted assassinations against political and military leaders. Both of these groups used terror as a strategy to achieve broader objectives, whether political, religious, or social. Their methods included assassinations, surprise attacks, and psychological warfare to intimidate and coerce their targets.⁷ While the historical context and motivations of these groups were quite different from modern-day terrorism, they share the underlying tactic of using violence to create a climate of fear and to influence political or social change.

In a similar vein, the use of sanctions in the form of economic and trade restrictions to exert influence or punish, dates back to ancient times. While the specifics can vary, the underlying principle of using economic means to achieve political or social ends is a long-standing practice. In ancient Greece for example, city-states like Athens used economic sanctions as a tool of warfare and political influence. The most famous instance is the Megarian Decree, enacted by Athens in 432 BC against the city-state of Megara. This decree, part of the events leading up to the Peloponnesian War, effectively banned Megarians from markets and ports of the Athenian Empire, severely impacting their economy.⁸

The evolution of sanctions from these ancient practices, to the sophisticated and often globally coordinated measures we see today, reflects the enduring nature of economic influence as a tool in international relations. However, modern sanctions are typically more complex, involving international law and multilateral coordination, and are often targeted more specifically at political leaders, entities, or sectors rather than entire nations.

The UN and Terrorism related Sanctions

When it comes to terrorism and sanctions, the UN has played a pivotal role in the international community's efforts to combat terrorism through the imposition of sanctions. This comes despite their difficulties in adopting a Comprehensive Convention on International Terrorism (CCIT). These sanctions are designed to restrict the flow of resources, hinder the movements of identified terrorists, and increase the cost of their operations.

In 1999, UN Security Council Resolution (UNSCR) 1267⁹ established the Taliban Sanctions Committee, originally focusing on the Taliban due to their support of Al Qaeda. It imposed an air embargo and financial sanctions on the Taliban-controlled areas of Afghanistan. In 2000, UNSCR 1333¹⁰ expanded the sanctions against the Taliban and also addressed the issue of Osama bin Laden and Al Qaeda, restricting their ability to operate internationally through asset freezes, travel bans, and an

⁷ Thomas Wright, *The Travels of Marco Polo, the Venetian*, available via public-library.uk.: <http://public-library.uk/ebooks/60/81.pdf>, last accessed 5 March 2024.

⁸ Kern Alexander, *Economic Sanctions, Law and Public Policy*, Palgrave Macmillan, 2009, p.8.

⁹ UNSCR 1267 - <http://unscr.com/en/resolutions/doc/1267>, last accessed 5 March 2024.

¹⁰ UNSCR 1333 - <http://unscr.com/en/resolutions/doc/1333>, last accessed 5 March 2024.

arms embargo. In 2002, UNSCR 1390¹¹, following the events of 9/11, the sanctions were broadened and consolidated to include Al Qaeda. This resolution imposed further financial sanctions, travel bans, and an arms embargo on individuals and entities associated with Al Qaeda and Osama bin Laden. In 2022, UNSCR 1989¹² split the previous sanctions list into two separate lists – one for Al Qaeda and another for the Taliban, recognising the distinct nature of their operations and the need for targeted sanctions.

In 2014, the threat from so called Islamic inspired terrorism had morphed from AQ to include the Islamic State (IS), also known as the Islamic State of Iraq and the Levant (ISIL), the Islamic State of Iraq and Syria (ISIS) and by its Arabic acronym Daesh. UNSCR 2170¹³ condemned the actions of ISIS and the Al-Nusra Front, AQ's affiliate in Syria, and imposed sanctions on individuals associated with these groups. In 2015, UNSCR 2199¹⁴ strengthened measures to cut off funding to ISIS, including by trying to stop the trade in oil and antiquities from ISIS-held territories, and ransom payments for kidnapped victims. In 2015, UNSCR 2253¹⁵ expanded the sanctions regime to include ISIS, establishing the 'ISIL (Da'esh) & Al-Qaeda Sanctions List', which provides a consolidated list of individuals and entities subject to measures imposed by the Security Council.

UNSCR 2610¹⁶, adopted in 2021, is a continuation¹⁶ of the UN's efforts to counter the threats posed by ISIL (Da'esh), Al-Qaeda, and their associated individuals and entities. This resolution is part of a series of resolutions aimed at preventing and suppressing terrorism and its financing, and it updates and strengthens the existing sanctions regime.

The State sponsorship of terrorism has also been addressed through UN targeted sanctions. For example, Sudan has historically been identified as a state sponsor of terrorism. Notably, Osama bin Laden resided in Sudan for a period in the 1990s. In 1996, UNSCR 1054¹⁷ imposed sanctions on Sudan due to its links with terrorist activities. These sanctions included reducing diplomatic representation and restricting international transport. Over the years, Sudan was subject to various sanctions from individual countries like the U.S. for its role in harbouring terrorist groups, though many of these have been lifted in recent years as Sudan has sought to cooperate with international counterterrorism efforts.

More than forty years on however, connections remain. Reporting from the International Consortium of Investigative Journalists (ICIJ) on the 22nd January¹⁸, indicate that Sudanese businessman Abdelbasit Hamza stands accused of managing Hamas' investment portfolio and has been sanctioned by the European Union for

¹¹ UNSCR 1390 - <http://unscr.com/en/resolutions/doc/1390>, last accessed 5 March 2024.

¹² UNSCR 1989 - <http://unscr.com/en/resolutions/doc/1989>, last accessed 5 March 2024.

¹³ UNSCR 2170 - <http://unscr.com/en/resolutions/doc/2170>, last accessed 5 March 2024.

¹⁴ UNSCR 2199 - <http://unscr.com/en/resolutions/doc/2199>, last accessed 5 March 2024.

¹⁵ UNSCR 2253 - <http://unscr.com/en/resolutions/doc/2253>, last accessed 5 March 2024.

¹⁶ UNSCR 2610 - <http://unscr.com/en/resolutions/doc/2610>, last accessed 5 March 2024

¹⁷ UNSCR 1054 -

<https://documents.un.org/doc/undoc/gen/n96/107/86/pdf/n9610786.pdf?token=ZukIRfLuKjgwQjvG7C&fe=true>, last accessed 5 March 2024.

¹⁸ ICIJ reporting on alleged Hamas financier – 22nd January 2024 -

<https://www.consilium.europa.eu/en/press/press-releases/2024/01/19/hamas-and-palestinian-islamic-jihad-council-establishes-dedicated-sanctions-framework-and-lists-six-individuals/>, last accessed 4 March 2024

being a Hamas financier.¹⁹ The ICIJ report that the United States sanctioned Hamza back in October 2023 in the immediate aftermath of the Hamas terror attack against Israel and that the U.S. Treasury accused Hamza of transferring almost \$20 million to the group. It is alleged that Hamza also had “historic ties” to Al-Qaeda and Osama bin Laden. Hamza has issued a statement to the ICIJ denying any connection to Hamas or Al-Qaeda.

As mentioned earlier, the UN 1267 Monitoring Team’s 33rd report concerning the threat of ISIL (Da’esh), Al-Qaeda and affiliates details the current threat posed by these groups. It is vital for industry professionals to access this reporting and digest the panels’ findings. The report summary is reproduced here.

Summary

The threat of terrorism from Islamic State in Iraq and the Levant (ISIL, QDe.115, hereinafter “ISIL (Da’esh)”), Al-Qaida (QDe.004) and their affiliates remains high in the conflict zones and neighbouring countries.

Formal threat levels have risen in some other regions, including Europe.

Where terrorist threat is suppressed, a risk of resurgence is identified in certain circumstances.

Some shifts in terrorist tactics have been observed: a reduction in internecine fighting; a reduction in claims for attacks perpetrated; and, in some regions, a reduction in the number of attacks, offset by an increase in lethality.

The death of ISIL (Da’esh) leader Abu al-Husain al-Husaini al-Qurashi has been confirmed. A three-month delay in the naming of his successor, Abu Hafsa al-Hashimi al-Qurashi, is judged indicative of internal difficulties and security challenges. Some Member States assess that the extent of counter-terrorism pressure in the core conflict zone now raises the possibility that ISIL (Da’esh) could shift its leadership and centre of gravity away from Iraq and the Syrian Arab Republic.

Al-Qaida’s communications efforts were enhanced and adapted quickly to seek to capitalise on events in Israel and Gaza since 7 October, demonstrating new agility. Al-Qaida in the Arabian Peninsula (AQAP, QDe.129) is particularly significant in this regard.

In West Africa and the Sahel, violence and threat have escalated again, and the dynamics have become yet more complex. Some Member States are concerned that greater integration of terrorist groups in the region, and freedom of manoeuvre, raises the risk of a safe operating base developing from which they could project threat further, with implications for regional stability.

Regionally focused groups, such as Tehrik-e Taliban Pakistan (TTP, QDe.132), enabled by a range of listed actors, pose a regional threat in South and Central Asia, with several attacks being supported from within Afghanistan. Activity by Islamic State in Iraq and the Levant-Khorasan (ISIL-K, QDe.161) in Afghanistan has reduced, but its ability to project threat in the region and beyond causes Member States concern.

¹⁹ EU press release on Hamas and Palestinian Islamic Jihad sanctions – 19th January 2023 - <https://www.consilium.europa.eu/en/press/press-releases/2024/01/19/hamas-and-palestinian-islamic-jihad-council-establishes-dedicated-sanctions-framework-and-lists-six-individuals/>, last accessed 4 March 2024

The Financial Action Task Force and Terrorism Finance

The Financial Action Task Force (FATF) plays a crucial role in setting global standards aimed at preventing money laundering and terrorism financing. Established in 1989, FATF has developed a series of recommendations²⁰ that are recognised as the international standard for combating money laundering (ML) and the financing of terrorism (TF) and proliferation of weapons of mass destruction (WMD). These recommendations guide jurisdictions in shaping their regulatory and operational frameworks to effectively respond to these threats. Regarding terrorism and terrorism finance, FATF focuses on several key areas through its recommendations.

Through Recommendation 5, FATF calls for the criminalisation of the financing of terrorism, terrorist acts, and of terrorist organisations. This includes ensuring that such financing is treated as a serious criminal offence in domestic laws.

Recommendation 6 concerns the implementation of Targeted Financial Sanctions (TFS) to comply with UN Security Council resolutions regarding terrorism and terrorism financing. It requires countries to freeze without delay the funds or other assets of, and to ensure that no funds and financial services are available to, those involved in terrorism.

Although focused on proliferation, Recommendation 7 complements efforts against terrorism financing by ensuring jurisdictions implement targeted financial sanctions related to the proliferation of weapons of mass destruction, which can intersect with terrorism financing channels.

FATF recognises that non-profit organisations (NPOs) can be particularly vulnerable to terrorism financing abuse. Recommendation 8 urges countries to review their laws and regulations governing NPOs to prevent misuse for terrorism financing.

Recommendation 37-40 relate to international cooperation. These recommendations emphasize the importance of international cooperation through mutual legal assistance, extradition, and sharing of information among countries to combat terrorism financing effectively.

FATF's 40 recommendations serve as the global standard for preventing ML/TF. Jurisdictions seek to align their domestic regulations with these standards to protect the integrity of the international financial system. As part of their role in assessing jurisdictional compliance with the recommendations, FATF conducts peer reviews of member countries to assess the implementation of its recommendations. These evaluations provide insights into national regimes' strengths and weaknesses, promoting compliance and improvements in anti-terrorism financing measures.

As part of this effort, the FATF maintains lists of jurisdictions with strategic deficiencies in their anti-money laundering and counter-terrorism financing regimes. Being listed can have significant economic implications for countries, encouraging them to address identified gaps promptly. Pakistan provides a useful case study to demonstrate this eventuality. The country has found themselves on the FATF 'grey list' on three separate occasions, between 2008-2010, 2012-2015 and

²⁰ The Financial Action Task Force (FATF) 40 Recommendations - <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>, last accessed 4 March 2024

most recently, from 2018 to October 2022²¹. Many of the deficiencies cited involved terrorism financing. For example, the country was noted to have deficiencies in identifying and understanding its terrorism financing risks fully, and in taking coordinated actions to mitigate these risks. FATF also noted challenges faced in investigating, prosecuting, and applying penalties for terrorism financing offences, which included issues with the legal framework. Deficiencies in implementing targeted financial sanctions were also observed by FATF. This included both sanctions relating to terrorism and terrorism financing under UNSCR 1267 and 1372, and proliferation financing under UNSCR 1718 and 2231.

The consequences of a FATF grey listing can be huge for a jurisdiction. Some figures suggest that Pakistan suffered losses of over \$38 billion to their GDP between 2008 to 2019 as a direct consequence of the listing.²²

By influencing how jurisdictions tackle the threat from terrorism finance through its recommendations and compliance mechanisms, FATF plays a vital role in enhancing global efforts to prevent, detect, and disrupt terrorism financing.

Sanctions and Terrorism a Year in Review

According to data by *castellum.ai*,²³ 2023 was a bumper year for sanctions designations, in fact 2023 was the second largest year on record for sanctions following the huge international response to Russia's invasion of Ukraine in 2022. These increased designations have come at a time when consensus over new designations at the UN has been increasingly difficult to obtain. The power of the P5, that being the five permanent members of the UN Security Council (U.S., UK, France, Russia and China) to exercise their veto and prevent new resolutions from being passed, has meant increasing deadlock at the UN and a reliance on individual countries, or multi-lateral bodies, such as the European Union or African Union, to pass sanctions under their own legal authorities. This has led to instances of sanctions divergence and a lack of coordination on the timing and sequencing of designations amongst allies, which has led to increased risks of sanctions circumvention and sanctions evasion activities. All in all, in 2022 and 2023 businesses have had to navigate ever increasingly complex operational environments, which have often mirrored an increasingly multi-polar and divided world. It may come as no surprise that Russia has exercised the use of its veto more than any other P5 country²⁴.

Castellums' data supports this view. In 2023, major-sanctions-issuing jurisdictions, including China (10%), Australia (11%), the UK (12%), the EU (12%), France (14%), the

²¹ The Wire – 'FATF and the significance of Pakistan's removal from its 'Grey List' - <https://thewire.in/world/explainer-fatf-and-the-significance-of-pakistans-removal-from-its-grey-list>, last accessed 4 March 2024

²² European Foundation For South Asian Studies (EFSAS) - [https://www.efsas.org/commentaries/fatf-grey-listing-from-2008-to-2019-has-caused-losses-of-over-\\$38-billion-to-pakistan/](https://www.efsas.org/commentaries/fatf-grey-listing-from-2008-to-2019-has-caused-losses-of-over-$38-billion-to-pakistan/), last accessed 4 March 2024

²³ Castellum.ai 2023 year in review – 22nd January 2024 - <https://www.castellum.ai/insights/2023-sanctions-year-in-review>, last accessed 4 March 2024

²⁴ Council of Foreign Relations Backgrounder on The UN Security Council – February 2023 - <https://www.cfr.org/backgrounder/un-security-council>, last accessed 4 March 2024

US (17%), Switzerland (18%) and Canada (19%) continued to expand their sanctions programs. The outlier? The UN (-10%).

As expected, sanctions targeting Russia outnumbered those targeting other countries by some margin, in fact, they outweighed sanctions against the next 20 most-sanctioned countries in 2023 combined.

What is also evident though, is the trends in thematic use of sanctions. According to *Castellum's* review, *"Terrorism-related sanctions designations were the largest thematic sanctions story of 2023, in large part due to continuing pressure on terrorist groups, financiers and other enablers."* This was followed by the thematics of Human Rights & Corruption, Narcotics, Weapons Proliferation, Cyber, Transnational Crime and Hostages.

Noted by *Castellum* is the fact that the *"1,044 identified thematic sanctions adopted in 2023 is nearly double the thematic sanctions adopted in 2022."*

When we drill down further into these statistics, it is evident that the U.S. outpaces all of its allies by a large margin when it comes to the issuance of terrorism related sanctions, followed by quite a distance by the UK. The UN is again at the bottom of the table. Again, this suggests a lack of coordination or agreement amongst these issuing nations.

It is not just within the numbers attributable to terrorism related sanctions designations we can observe this divergence. The same can be said with regards to which countries have proscribed which groups as terrorist organisations. For example, as of the 4th of March 2024, the UK government have not proscribed the Houthis rebels in Yemen as a terrorist organisation, which as we have mentioned, is at odds with their key strategic ally the U.S., who designated the group as a SDGT on the 16th of January.

The same can be said of one of the most powerful paramilitary organisations in the Middle East, the Iranian Revolutionary Guard Corp (IRGC), who control the Iranian government's foreign covert operations and supports militant groups such as Hamas in Gaza, Hezbollah in Lebanon, and the Houthis in Yemen.

The U.S. have a long history of targeting the IRGC with the U.S. Treasury Department first sanctioning the group in 2007 under Executive Order 13382²⁵, which targeted proliferators of weapons of mass destruction and their supporters. In October 2017, the IRGC was designated by the U.S. as a terrorist organisation under Executive Order 13224²⁶, which focused on those committing, or posing a significant risk of committing, acts of terrorism and In April 2019, they took the unprecedented step of designating the IRGC in its entirety as a Foreign Terrorist Organisation (FTO) under Section 219 of the Immigration and Nationality Act.

The sanctions have led to the freezing of IRGC assets, travel bans on members, and restrictions on financial transactions involving the group. U.S. sanctions have also

²⁵ US Executive Order 13382 - <https://2009-2017.state.gov/documents/organization/135435.pdf>, last accessed 5 March 2024

²⁶ US Executive Order 13224 - [https://www.state.gov/executive-order-13224/#:~:text=In%20issuing%20Executive%20Order%2013224%2C%20Then-President%20Bush%20declared,attacks%20on%20U.S.%20nationals%20or%20the%20United%20States.](https://www.state.gov/executive-order-13224/#:~:text=In%20issuing%20Executive%20Order%2013224%2C%20Then-President%20Bush%20declared,attacks%20on%20U.S.%20nationals%20or%20the%20United%20States.,), last accessed 5 March 2024

targeted companies and officials affiliated with the IRGC. For example, in 2020, the U.S. sanctioned several Iranian metallurgical companies and their foreign subsidiaries, alleging that they generated revenue for the IRGC's operations.

The IRGC are not just a security threat in the Middle East, however. Reporting from the BBC suggests that the IRGC has previously been linked to kidnap and assassination plots in the UK²⁷. In fact, according to UK Counter Terrorism Police, some 15 plots to kill or kidnap had come out of Iran alone since 2020.

Both the UK and EU have indicated a desire to step up sanctions with their allies targeting the IRGC, but it comes as somewhat of a surprise that the UK is yet to fully proscribe the organisation as a terrorist group. I think we can expect this to happen at some point in 2024, however. The EU has recently voted for a resolution calling for the IRGC to be proscribed,²⁸ and in the UK, on the 12th of January 2024, the House of Commons debated a motion calling for the government to swiftly move to proscribe the IRGC with the vote unanimously in favour.²⁹ A further debate was held on the 1st February, where again, the UK government have been urged to include the IRGC on the list of proscribed terrorist organisations, citing deep concerns over “Tehran’s growing use of terrorism, espionage, cyber-attacks and hostage-taking diplomacy to restrict and eliminate the Iranian democratic opposition.”³⁰

Over the course of 2024, we can expect a continued focus on terrorism related sanctions, in particular targeting Iranian malign activities and support for their terror-proxies operating in the Middle East. We can also expect to see sanctions against Iran targeting their global procurement networks and international operations to raise funds and acquire elements for their Ballistic Missile and Nuclear programmes.

UK Sanctions and EWRT

Difficulties will persist in utilising sanctions as a tool to tackle Extreme Right-Wing or Far-Right terrorism in the West. This is due to a number of factors, not least the fact that in law, there is a difference between extremism and terrorism.

The United Kingdom has a robust counter-terrorism framework that includes the use of sanctions and designations against terrorist organisations, including those associated with far-right extremism. The UK's approach to tackling terrorism is comprehensive, involving a combination of legislative, policing, and intelligence efforts.

²⁷ BBC reporting on the IRGC – 22nd January 2024 - <https://www.bbc.co.uk/news/uk-68016330>, last accessed 4 March 2024

²⁸ Aljazeera article – 23rd January 2024 - <https://www.aljazeera.com/news/2023/1/23/more-sanctions-as-iran-and-eu-clash-over-irgc-terror-label#:~:text=The%20European%20Parliament%20last%20week,President%20Ebrahim%20Raisi%2C%20among%20others>, last accessed 4 March 2024

²⁹ Hansard, UK Parliament – 12th January 2024 - <https://hansard.parliament.uk/commons/2023-01-12/debates/8B0B0A39-4FF0-4EFF-960D-8D3A51F0ED79/Iran>, last accessed 6 Marh 2024

³⁰ Hansard, UK Parliament – 1st February 2024 - <https://hansard.parliament.uk/Commons/2024-02-01/debates/3C9440F2-72AB-49DB-9D78-45D024C67A34/IranFreedomAndDemocracy?highlight=islamic%20revolutionary%20guard%20corps#contribution-11CEA48D-EE54-47CA-9F28-AC7DC0CC99C7>, last accessed 6 March 2024

The UK implements international sanctions regimes, including those mandated by the United Nations, but it also has its own domestic powers to proscribe organisations as terrorist under the Terrorism Act 2000.³¹ Proscription makes it a criminal offence to belong to, support, or promote the proscribed organisation, and it enables the freezing of the organisation's assets.

While the UK has proscribed several international terrorist organisations, the use of targeted sanctions specifically focused on domestic far-right terrorism is less common than the use of broader counter-terrorism and law enforcement measures. The UK tends to use proscription more than targeted financial sanctions when dealing with domestic groups, an approach that is broadly shared by its allies.

Case Study

One of the most prominent examples of a far-right group that has been targeted by UK legislation is National Action. This far-right group was established in 2013 and subsequently proscribed as a terrorist organisation by the UK Home Secretary in December 2016, making it the first far-right group to be banned under the Terrorism Act.

The group's online propaganda material, disseminated via social media, frequently featured extremely violent imagery and language. National Action also promoted and encouraged act of terrorism after the murder of British Member of Parliament Jo Cox by Thomas Mair.

The horrific murder of Jo Cox is a tragic reminder of the danger posed by far-right extremists who seek to achieve their aims through violence, and highlights the importance of a counter-radicalisation strategy that deal with all forms of extremism.

Following its proscription, being a member of, or inviting support for, National Action became a criminal offence. The group was described by the Home Office as "racist, anti-Semitic, and homophobic" and was known for its neo-Nazi ideology, glorification of violence, and stirring up hatred against minority groups. Multiple individuals associated with National Action have been arrested and convicted under terrorism laws since the group's proscription.

Practical Takeaways

Managing counter-terrorism-based risk and complying with sanctions is a critical responsibility for firms, especially those in the financial sector. Spotting and detecting financing and the material support for terrorism is complex and rarely

³¹ UK Terrorism Act 2000 - <https://www.legislation.gov.uk/ukpga/2000/11/contents>, last accessed 5 March 2024

involves identifying a single red flag. Compliance Officers play a pivotal role in this process. Here are some practical steps they can consider:

Understand the Legal Landscape:

- ✦ Familiarise yourself with relevant laws and regulations, including UN sanctions, EU regulations, OFAC guidelines, and domestic laws pertaining to counter-terrorism financing and sanctions compliance.

Establish a Robust Compliance Program:

- ✦ Implement a comprehensive compliance program that includes policies, procedures, and controls specifically designed to identify and mitigate the risks of terrorism financing and sanctions violations.
- ✦ Ensure the program is tailored to the specific risks faced by the firm, considering factors like business model, customer base, geographic locations, and transaction types.

Conduct Risk Assessments:

- ✦ Regularly perform risk assessments to identify potential vulnerabilities to terrorism financing and sanctions exposure within the firm's operations.
- ✦ Update these assessments to reflect changes in the firm's business activities, customer profiles, and changes in the global terrorism and sanctions landscape.

Implement Strong Customer Due Diligence (CDD) and Know Your Customer (KYC) Procedures:

- ✦ Establish robust CDD and KYC processes to accurately identify and verify customers' identities and understand the nature of their business.
- ✦ Conduct enhanced due diligence for higher-risk customers, including politically exposed persons (PEPs), entities from high-risk countries, or those involved in industries susceptible to sanctions or terrorism financing.

Utilise Sanctions and Watchlist Screening:

- ✦ Regularly screen customers, transactions, and business partners against global sanctions and watchlists, including those related to terrorism and terrorist financing.
- ✦ Ensure screening tools are updated regularly to reflect the latest lists and changes.

Monitor Transactions:

- ✦ Set thresholds and parameters tailored to the risk profile of the business and its customers.
- ✦ Implement transaction monitoring systems to identify suspicious or unusual transaction patterns that may indicate terrorism financing or sanctions

evasion. Suspicious transactional activity could include some, or many, of the following indicators depending on the circumstances;

- ✚ Carrying out of multiple ATM cash withdrawals in short succession (potentially below the daily cash reporting threshold) across various locations in territories where sanctioned people have influence or in the border of sanctioned countries.
- ✚ Funds are sent or received via international transfers from or to higher-risk locations for active terrorism.
- ✚ Foreign exchange transactions are performed on behalf of a customer by a third party, followed by funds transfers to locations having no apparent business connection with the customer or to higher-risk countries.
- ✚ Multiple personal and business accounts or the accounts of non-profit organisations or charities are used to collect and funnel funds to a small number of foreign beneficiaries.
- ✚ Client conducted travel-related purchases (e.g., purchase of airline tickets, travel visa, passport, etc.) linked to high-risk jurisdictions (including cities or districts of concern), specifically countries (and adjacent countries) under conflict and/or political instability or known to support terrorist activities and organisations.
- ✚ The account is dormant for a period of time but suddenly becomes active again with signs of foreign usage.
- ✚ Purchase of dual-use goods e.g. chemicals, weapons, ceremonial swords, knives, batteries, flammable products etc.
- ✚ Be alert to the use of certain acronyms used on payment references, which could be a potential financial identifier of extreme right-wing terrorism. For example, “Klansman, I Greet You” depicted as ‘KIGY’.

Provide Training and Awareness:

- ✚ Conduct regular training for employees on compliance procedures, red flags for terrorism financing, and sanctions evasion techniques.
- ✚ Promote a culture of compliance within the organisation, where employees understand their role in mitigating these risks.

Maintain Proper Record-Keeping:

- ✚ Keep detailed records of all compliance efforts, including CDD/KYC documentation, risk assessments, training materials, and reports of any internal or external audits.
- ✚ Ensure records are easily accessible for regulatory examinations or audits.

Report Suspicious Activities:

- ✚ Establish a clear process for reporting suspicious activities internally and to relevant authorities as required by law.
- ✚ Encourage a proactive approach to identifying and reporting potential risks.³²

Stay Informed and Agile:

- ✚ Keep abreast of global developments related to terrorism, changes in sanctions regimes, and evolving regulatory requirements.
- ✚ Be prepared to quickly adapt compliance strategies and procedures in response to emerging threats and regulatory changes.

By following these steps, compliance officers can effectively manage the risks associated with terrorism financing and sanctions, thereby safeguarding their firms from legal, financial, and reputational harm.

Where are we headed?

The UK's approach to domestic terrorism, including far-right extremism, is not solely reliant on financial sanctions but encompasses a range of tools, including proscription, policing, and community-based programs to counter radicalisation. The government's counter-terrorism strategy, CONTEST, also outlines how the UK seeks to reduce the risk from terrorism by preventing people from being drawn into terrorism, strengthening protections against attack, and preparing to mitigate the impact of incidents should they occur.

The aim of CONTEST is to reduce the risk from terrorism to the UK, its citizens and interests overseas, so that people can live their lives freely, confidently and without fear. Since the last version of CONTEST in 2018, the most recent edition, released in July 2023,³³ highlights the threat from terrorism endures, with nine terrorist attacks declared in the UK since 2018 and 39 late-stage terrorist plots disrupted by security forces since March 2017. The core CONTEST framework empowers government departments, devolved administrations, local authorities, frontline emergency services, intelligence agencies, and other partners, to work together to counter the threat from terrorism. The core pillars of CONTEST – Prevent, Pursue, Protect and Prepare, enable all to work together to tackle an ever-evolving terrorism threat.

This approach to countering the threat from terrorism is one shared by many nations. Countering the threat from terrorism, in all its guises, is unfortunately a necessity for a great many nations spread across the globe. Terrorism is an endemic and global threat.

³² Guidance on submitting better quality Suspicious Activity Reports (SARs) – UKFIU; <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/650-guidance-on-submitting-better-quality-suspicious-activity-reports-sars-v9-0/file>, last accessed 4 March 2024

³³ CONTEST, The United Kingdom's Strategy for Countering Terrorism 2023 - https://assets.publishing.service.gov.uk/media/650b1b8d52e73c000d54dc82/CONTEST_2023_English_update_d.pdf, last accessed 6 March 2024

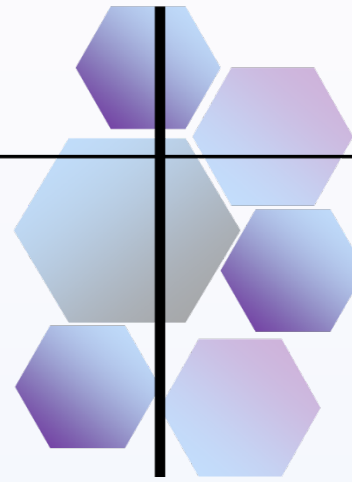
The terrorism landscape for 2024, especially for the first half of the year, seems set to be dominated by the fallout from the 7th October 2023 Hamas attack on Israel and ongoing war in Gaza. Iranian backed terror proxies have, and will continue to, stoke regional tensions, and look to capitalise on the tragic events unfolding in Gaza. The Sahel region of Africa is likely to remain the focal point for extremist groups aligned and affiliated with the Islamic State and Al-Qaeda. Terrorists will likely continue to take advantage of states with poor governance, high levels of corruption and weak security forces, ungoverned spaces with porous borders and areas suffering from climate induced shock.

Returning to far-right extremism, it is also worth bearing in mind that following the U.S. presidential elections in 2020 and the storming of Congress in 2021³⁴, a number of countries, such as Canada and the U.S., took action under terrorism legislation to hold to account those involved. This included those associated with the right-wing extremist group the Proud Boys³⁵, an exclusively male North American far-right, neo-fascist militant organisation that promotes and engages in political violence. In these cases, a number of members were designated for the purposes of asset freezes and/or travel bans. Given this, there is a risk that we could see an uptick in support for and participation in further acts of politically motivated violence linked to the far-right ideology in the upcoming U.S. presidential election.

In conclusion, the terrorism threat continues to evolve and is far from static. We have seen throughout history, that when a group suffers a setback, including losing its senior leadership, it rarely means the end of the organisation, far less the death of its ideology.

³⁴ BBC report on the storming of US Congress in January 2021: <https://www.bbc.co.uk/news/world-us-canada-55575260>, last accessed 5 March 2024

³⁵ BBC report on the designation of the Proud Boys, 3 February 2021: <https://www.bbc.co.uk/news/world-us-canada-55923485>, last accessed 5 March 2024



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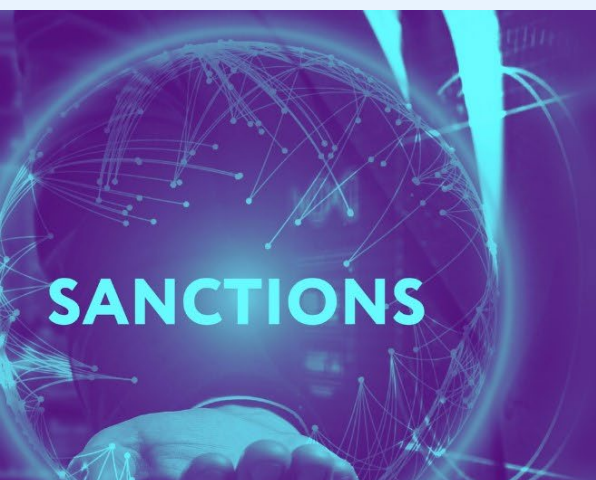
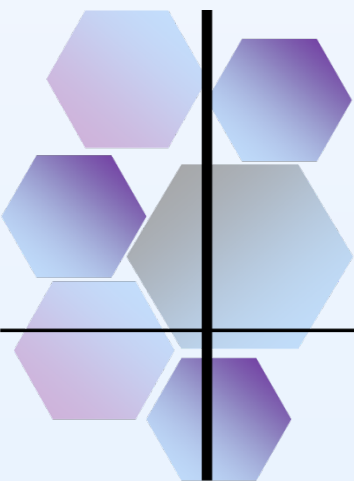
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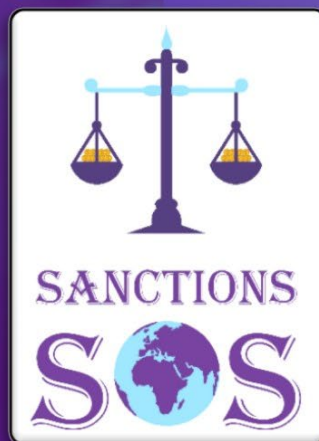
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