

Terrorist Financing

Al-Qa'ida, Ansar al-Islam, Basque Fatherland and Liberty (ETA), Hamas, Kahane Chai, Kurdistan Workers' Party (PKK), Liberation Tigers of Tamil Eelam (LTTE), Revolutionary Armed Forces of Colombia (FARC), Al-Shabaab (AS), Shining Path (SL) and a host of others all across the globe. What do all of these organizations have in common? They are all designated as foreign terrorist organizations by the [US Department of State Bureau of Counterterrorism](#).¹ Other countries, and even the United Nations (UN), also maintain lists that can include many of the same organizations, as well as different ones. It's all based on the threat and risk level each terrorist organization brings to a country and its citizens, or to a specific part of the world.

Although terrorist organizations can vary widely, they have something else in common. They all need money to operate. Money is required to fund specific terrorist operations, as well as to sustain the organization and its activities. Acquiring weapons and supplies, training operatives, forging documents, paying bribes and executing attacks are among the activities that require funding. According to the [Financial Action Task Force \(FATF\)](#), the financing of terrorist organizations fall into two categories.

The first category includes any expenses that are directly associated with the specific operations of an organization. These expenses are considered to be "direct operational support." The second category covers costs required to maintain infrastructure and promote the organization's ideology, which are classified as "broad organizational requirements."² Maps, vehicles, and bomb-making materials are some examples of items that require directional operational support. Comparatively, these costs are far lower than those incurred for broad organizational requirements, like recruiting and training.

So where does the money come from? Funding can come from illegal activities like the sale of counterfeit goods. It can also come from other criminal activity, including human and drug trafficking. Because of its immense profitability, the trafficking of drugs has proven to be the most lucrative of these illicit activities, with investigations revealing connections between terrorist organizations and criminal syndicates.²

(Continued on next page)



One FATF case study shows a terrorist organization using multiple illegal activities to raise funds: the member of one terrorist organization generated money by purchasing cigarettes with a low tax rate in one state, smuggling the cigarettes into a another state with a much higher tax rate, all while defrauding merchants with counterfeit credit cards and attempting to commit insurance fraud by way of arson.²

Terrorist organizations can also derive their funding from legitimate sources such as businesses and charities. The use of funds obtained through legal means for the acts of terrorism is called “black-washing” which can also include self-funding methods like using money earned from employment or social welfare payment programs.

Willingly enabling transactions (and/or ignoring red flags) for an individual or organization for the purpose of terrorist financing is a crime.

Here are some of the red flags to look for³:

1. Transactions that are inconsistent with a customer’s business or transaction history.
2. High volume of incoming or outgoing transactions with no logical or apparent purpose that come from or go to high-risk areas.
3. Breaking transactions into smaller amounts by purchasing money orders, or other monetary instruments to evade reporting requirements.
4. Creating transfers from or to charitable organizations for no apparent reason.
5. Transfers by charitable organizations to companies located in high-risk countries.
6. Transactions without logical economic purpose (that is, no link between the activity of the organization and other parties involved in the transaction).



Additional Resources:

[Financial Action Task Force. \(July 2010\). Global Money Laundering & Terrorist Financing Threat Assessment.](#)

[U.S. Department of the Treasury. \(December 2005\). U.S. Money Laundering Threat Assessment.](#)

[FINTRAC. \(April 2012\). Typologies and Trends Reports.](#)

[Bureau of Counterterrorism. \(Released April 2012\). Country Reports on Terrorism 2011 \(Unites States Department of State Publication\).](#)

¹ US Department of State Bureau of Counterterrorism, Foreign Terrorist Organizations, accessed April 28, 2014. <http://www.state.gov/j/ct/its/other/des/123085.htm>

² FATF, Terrorist Financing, February 2008, accessed May 20, 2014. <http://www.fatf-gafi.org/media/fatf/documents/reports/FATF%20Terrorist%20Financing%20Typologies%20Report.pdf>

³ United States National Counterterrorism Center, Counterterrorism 2013 Calendar, accessed April 29, 2014. <http://nctc.gov/site/technical/financial.html>