

Forum: GA1

Issue: Preventing and combating the financing of terrorist organizations

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Introduction

The financing of terrorist organizations has emerged as a significant threat to global security and stability in recent years. As these organizations seek to carry out acts of violence and create widespread fear, their ability to obtain funds is crucial for sustaining their operations. The financing of terrorism involves a complex web of illicit activities, including money laundering, illicit trade, and fundraising through illegal means. It poses a challenge to governments, international organizations, and financial institutions worldwide, as they must work together to prevent and combat the flow of funds to these organizations.

Key Terms

1. Money laundering

Money laundering has been defined in the UN Vienna 1988 Convention Article 3.1 as:

“the conversion or transfer of property, knowing that such property is derived from any offense(s), for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such offense(s) to evade the legal consequences of his actions”.

2. Asset freezing

The action of prohibiting the transfer or disposal of funds, assets, or property belonging to individuals or entities suspected of involvement in terrorist financing.

3. Sanctions

Measures imposed by governments or international organizations to restrict financial transactions and other economic activities with individuals, entities, or countries involved in illicit activities.

4. Cyber financing

The use of digital platforms, cryptocurrencies, and online transactions to raise, transfer, and conceal funds for terrorist activities.

5. High-risk jurisdictions

Countries or regions that present a higher likelihood of being involved in money laundering or terrorist financing activities due to weak regulations, or a history of non-compliance with international standards.

Methods of financing

Terrorist organizations employ a variety of methods to finance their operations and activities. These methods can be categorized into three main categories: illicit activities, legal means, and external sources. Illicit activities include criminal enterprises such as drug trafficking, arms smuggling, kidnapping for ransom, human trafficking, and extortion. These activities generate significant profits that can be used to fund terrorist activities. Legal means of financing involve exploiting legitimate channels such as charities, businesses, and crowdfunding platforms, either by manipulating them or by engaging in fraudulent practices. Terrorist organizations may also rely on external sources of funding, which can include state sponsors, wealthy individuals sympathetic to their cause, and even legitimate sources of funding inadvertently flowing to terrorist groups.

Money Laundering Methods

Smurfing: Breaking down large sums of money into smaller transactions to avoid detection.

Trade-based laundering: Manipulating trade transactions to move funds across borders without raising suspicion.

Shell companies: Creating fictitious businesses to legitimize illicit funds.

Offshore accounts: Using offshore jurisdictions with lax regulations to hide and transfer funds.

Drug Trafficking Methods

Control drug production: Some terrorist groups directly oversee the cultivation, production, and distribution of illicit drugs, such as heroin or cocaine.

Tax or protect drug traffickers: Terrorist organizations extort money from drug traffickers operating in areas under their control or provide protection in exchange for a share of the profits.

Facilitate drug smuggling: Terrorist groups may collaborate with or infiltrate drug cartels, leveraging their existing infrastructure and routes for smuggling drugs.

Launder drug proceeds: Terrorists use drug proceeds to finance their activities, using money laundering techniques to legitimize and integrate drug profits into their financial operations.

Major Parties Involved

1. Islamic state (ISIS)

Isis was founded in 2004 from the remainder of Al-Qaeda in Iraq. In 2022 they were the deadliest terrorist group globally. They fund themselves through means such as kidnapping for ransom, drug trafficking and crowdfunding through social media.

2. International Criminal Police Commission(INTERPOL)

Interpol was established in 1923 as the International Criminal Police Commission and later became Interpol in 1956. Initially focused on facilitating police cooperation and exchanging criminal information among member countries, Interpol has evolved to address a wide range of transnational crime challenges, including terrorism. They exchange and analyze data throughout member states

3. Financial Action Task Force (FATF):

FATF is an intergovernmental organization that sets international standards and promotes effective implementation of legal, regulatory, and operational measures to combat money laundering, terrorist financing, and other financial crimes. It monitors compliance with these standards and provides guidance to member countries.

4. United Nations Office on Drugs and Crime (UNODC)

UNODC's mandate includes assisting countries in developing comprehensive strategies to prevent and address drug abuse, drug trafficking, and drug-related crimes. They provide technical expertise, support capacity building efforts, and facilitate cooperation among countries through information sharing and coordination.

Previous and Possible Solutions

1. International cooperation

Countries have strengthened international cooperation and information sharing to identify and disrupt terrorist financing networks. This includes exchanging financial intelligence, collaborating on investigations, and coordinating efforts to freeze assets and block funding channels.

2. Financial regulations and monitoring:

Governments have implemented stricter financial regulations and monitoring mechanisms to detect and prevent the flow of funds to terrorist organizations.

3. Countering the use of cash: Efforts have been made to restrict the use of large cash transactions, as cash provides anonymity and facilitates illicit financing. Countries have implemented measures such as cash transaction limits, reporting requirements, and promoting digital payment systems to increase transparency and traceability.

Questions to Consider

- How do terrorist organizations exploit financial systems and loopholes to raise and move funds?
- How can international cooperation and information sharing be improved to effectively combat terrorist financing?
- What role does technology play in the facilitation and detection of terrorist financing, and how can advancements in technology be leveraged in the fight against terrorism?
- What are the key challenges and obstacles in detecting and disrupting terrorist financing networks?

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