



Conference Report

Reassessing the Financing of Terrorism in 2022 (RAFT22)

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Reassessing the Financing of Terrorism in 2022 (RAFT22)

THE TERRORIST THREAT landscape in Europe has continued to evolve through the years, and with it the continent must re-examine its counterterrorism financing (CTF) strategy to effectively tackle shifting trends and emerging threats at the nexus of finance and security. At a critical time for European security, the EU is also increasing its attention on the weaponisation of illicit finance by rival states to undermine democracy, the relevant risks posed by new technologies, and the gap between policymaking and operational implementation. In this context, Project CRAFT¹ hosted its keystone conference, Reassessing the Financing of Terrorism in 2022 (RAFT22).

RAFT22 brought together leading voices in the European counterterrorism effort, from EU policymakers and internal security leads to representatives of national law enforcement and prosecution agencies, and financial intelligence units (FIUs). Reflecting CRAFT's commitment to public-private partnership, RAFT22 secured the participation of representatives from private financial and tech companies, as key actors in the CTF ecosystem. Distinguished speakers and energised discussions brought to the fore Europe's vibrant CTF community and its commitment to collectively shaping an effective response to terrorism financing (TF). This report consolidates topline from a series of panel discussions and one-on-one sessions with experts, which together covered the key areas necessary to comprehensively reassess the financing of terrorism in 2022.

Panel 1: The CTF Journey Since 2015

Panellists representing Financial Action Task Force (FATF), UN and EU perspectives recounted lessons learned from recent years, starting with the FATF's own CTF renaissance that began immediately after the November 2015 attacks in Paris. This turning point galvanised greater cooperation and exchange of information between relevant authorities internationally, and was accompanied by a realisation of the untapped potential of financial intelligence as a cost-effective mode of counterterrorism intelligence compared with traditional methods. From this renewed momentum on preventing TF came advancements at the national level on progressing legal and institutional frameworks, including a shortening of time gaps in transposing targeted

1. Project CRAFT is an academic research and community-building initiative designed to build stronger, more coordinated counterterrorist-financing capacity across the EU and in its neighbourhood. Project CRAFT is funded by the EU's Internal Security Fund – Police, and implemented by a Consortium led by RUSI Europe, along with the University of Amsterdam, Bratislava-based think tank GLOBSEC and the International Centre for Counter-Terrorism (ICCT), based in The Hague. See <projectcraft.eu>.

financial sanctions towards the ideal state of implementing such sanctions ‘without delay’. Nonetheless, even with new UN Security Council resolutions and multilateral engagement on CTF in the form of French President Emmanuel Macron’s ‘No Money for Terror’ conference, effective action has remained wanting, with CTF still relegated to the domain of preventing financial crime rather than being appreciated as a fundamental part (and crucially not an add-on) of national security strategies.

From the UN perspective, it was remarked that the 1267 Committee has benefited from a unique level of consensus at the UN Security Council level for quite some time. But gaps in implementing measures intended to stem the tide of TF prevail at the UN level, including exemptions to UN terrorism sanctions, whereby the rate of exemption requests remains far below what should be expected given the numbers of individuals designated. Issues of poor implementation could be put down to either a lack of resources or political will, although difficulties in deducing which is the more prevalent are inherent, as the question of a country’s political will cannot be answered until the question of capacity is addressed.

Among the EU’s response areas, from preventing travel to accessing weapons to online recruitment and radicalisation, the preclusion of entities from financial resources has proven the most challenging component. While successive action plans and anti-money laundering directives have helped to shape the EU’s policy response, there is acceptance that the threat facing Europe has shifted drastically in recent years, with the focus now on lone-actor or self-activating terrorists whose financial behaviours are virtually imperceptible to current instruments of detection, making investigations far more challenging. And the threat has not stopped mutating: at the EU level there is now considerable interest in preventing the financing of radicalisation by malign state actors, which requires the collection of intelligence to inform diplomatic engagements.

Lessons from the recent past indicate that while the watershed moment of 2015 has indeed progressed the CTF regime, further improvements are unlikely to manifest until the day when CTF becomes central to states’ broader counterterrorism strategies, or until the next terrorist attack shocks the machine back into action. In the meantime, states will continue to rely heavily on the private sector to backstop the intelligence-gathering capacities of a resource-stretched public sector, even with private sector actors focused heavily on meeting government expectations to further other security interests, such as the implementation of sanctions against Russia.

Panel 2: The Changing CTF Landscape Ahead

This panel gathered representatives from the European Parliament, the FATF, national FIUs and Europol to assess the evolving threat landscape in terrorist financing and the steps needed to develop an effective CTF response. An overview, delivered by the former president of FATF, included far-right extremism – a threat often neglected in national risk assessments (NRAs) – and the risks of virtual assets including cryptocurrencies, where attention remains on obliged entities and hosted wallets, with peer-to-peer transactions remaining unregulated. It is FATF’s view that the necessary framework is already in place and need only be correctly implemented.

The response should follow the risk-based approach, be based on granular NRAs to determine the exact risk for each sector – for example, the non-profit organisation (NPO) sector – and avoid abusing international standards to suppress civil society.

The discussion also delved into the fundamental debate on the usefulness of conflating anti-money laundering (AML) and CTF. A Member of the European Parliament (MEP) and co-rapporteur for the upcoming EU AML/CTF Regulation defended this dual anti-financial crime regime, arguing that institutions are more successful in countering terrorist financing than money laundering and that strong AML regimes have positive side-effects for preventing terrorist financing. This position was met with the disagreement from the former head of FIU Latvia and the representative of the European Counter-Terrorist Centre at Europol. Both regarded CTF as a distinct mission from AML, at which institutions are in fact not successful. Challenges such as lone-actor terrorism require a CTF approach that is entirely different from what AML responses might be employed to deal with certain organised crime groups. Among the reasons for this are the increasingly low thresholds required to identify low volumes of illicit funds, which are often very well hidden. In this regard, AML was said to involve failing to retrieve sums at one point in time while still maintaining the possibility of recovering them later. With CTF, funds that enable the commission of an attack require a far more immediate response.

Panellists agreed that to ensure an effective CTF system, greater efforts should be dedicated to cross-border collaboration and information-sharing. FIUs were described as currently under-resourced and should be empowered to be key partnership interlocutors. Europol described the public-private partnership in the Netherlands as a successful example, but noted its exceptionality. On this, the opportunities presented by the future AML Authority (AMLA) in the EU were discussed. Europol was wary of the AMLA creating an additional silo, while others believed it could enhance collaboration between security and law enforcement agencies and the private sector. Yet to achieve this, more resources should be allocated to CTF, including the introduction of new technologies to combat TF.

Panel 3: From Policy into Practice – Assessing the Operational Dimension

Speakers on this panel represented public sector officials involved in the operational dimension of CTF and discussed the successes and challenges in the implementation of policies on the ground. With emerging threats such as far-right extremism, the French National Counter-Terrorist Public Prosecutor's Office noted that new strains of terrorism will only add to the landscape and not replace existing threats.

The Dutch FIU described the programme implemented by the Dutch National Security Coordinator in 2014, where CTF measures introduced to strengthen existing measures addressed individuals that left to join a terrorist organisation as foreign terrorist fighters (FTFs) in Syria. These persons were placed on sanctions lists, in line with UN Security Council Resolution 1373, which led to the freezing of their assets and exclusion from accessing financial services. The authority in the Netherlands for proposing sanctions designations is the Freezing Committee.

Among new measures introduced was an increase in meetings and information shared by law enforcement with the committee. Before the reforms, only 40 persons and entities were listed, while currently 133 people and entities are present on the sanctions list. However, to achieve this, the National Coordinator supported the proposal to increase CTF-dedicated staff in the FIU, which was also provided with funds to attract recruits. Furthermore, collaboration is considered key in this strategy. FIU-The Netherlands makes use of the international network of FIUs to share and exchange information on FTFs. It provides risk profiles nationally and internationally for the private sector and shares information with the Egmont Group and FATF. These efforts led to more suspicious transaction reports (STRs) and law enforcement cases, on the basis of which some convictions were achieved. The representative from Western Union echoed this need for public–private collaboration, noting its own commitment and regarding itself as a successful example. Despite being a private company, it is committed to serving public interest and engages deeply with law enforcement. Western Union noted that rules do complicate its business model, but it balances these with the strengthening of security.

The Belgian FIU addressed the complex difference between AML and CTF, in that the former involves finding the money that is the proceeds of crime, while the latter aims to cut off the funding of crimes that are yet to be committed. Both FIUs on the panel described the usefulness of investigating financial transactions for the financial intelligence they contain. The Utrecht tram attacker was arrested thanks to financial intelligence provided by a financial institution, and an STR on the Christchurch attacker had been filed prior to the attack in New Zealand. Yet, financial intelligence is difficult to use to prevent crimes, but its usefulness in identifying networks and constituting evidence in court was emphasised.

The panel agreed that the mentality and approach to CTF should be changed. European institutions should broaden their lens to include events outside the continent as there are often cross-border connections. Likewise, greater attention should be placed on low-volume flows, seeking to identify what intention might lie behind them.

Panel 4: Emerging Threats to Consider for the 2020s

CTF is fundamentally the use of financial intelligence and financial tools to counter terrorism, a prime threat to peace and security. Yet the 2020s present a wellspring of additional security threats, all with important financial dimensions, against which the CTF regime might be deployed. From the NATO perspective, and according to its latest Strategic Concept, terrorism remains the most important asymmetric threat facing the Alliance. Here, steps are being taken in the CTF domain regarding battlefield evidence collection, so that financial intelligence can be transferred to support domestic TF investigations and prosecutions. But more broadly, in the 2020s Alliance members will have to further align their economies (as outlined in the Washington Treaty) to better withstand and react to hybrid threats and economic coercion from adversaries.

From within the EU, the use of economic sanctions is front and centre at present, with the prime challenge being how to adapt this tool to react to a fragmented terrorist threat that features different ideologies and actors. A major challenge here is the need for member states to make

designation proposals which are backed up by the kind of evidence which is often sensitive or classified, and which member states are reluctant to present and share for fear of leaks. However, without making a compelling case for a designation, securing needed consensus within the European Council is nigh impossible. But the magnitude and impact of sanctions against Russia in 2022 poses a far more existential challenge for the EU's sanctions regime. Crafting sanctions against Russia, a country which Europe has an existing trade relationship with, requires finesse so the measures do not end up harming the EU more than the intended target.

The experience with Russia has also exposed the limitations of the European private sector's capacity to implement sanctions. The current situation runs the risk of seeing CTF efforts deprioritised as compliance departments take on surge staff to deal with rapid and large volumes of new Russia designations. Given that companies are also trimming back compliance staff amid a difficult economic situation in Europe, penalties and enforcement are most likely to guide firms towards risks they will prioritise. Greater efficiency would help to make scarce resources go further, and the public sector must contribute by minimising ambiguity in designations. For example, consider how a single name included as an alias can generate multitudinous potential sanctions matches that need to be manually sorted through, thus driving up operational inefficiency.

Despite these developments, it would appear that the EU is still playing catch up when it comes to deploying economic sanctions in response to corruption and violent kleptocracies, even when many potential targets of such measures are right on the EU's doorstep. The EU is missing a global anti-corruption sanctions regime, and would be wise not to wait for the next watershed moment to enact it – just like how advancements in the response to TF have been in reaction to events such as 9/11 and the Paris attacks of 2015. The Wagner Group's potential to blunt the impact of sanctions on Russia by securing new resource deposits from poorly governed countries is an illustration of this threat, but at the moment has been met with little resistance from the international community. The Counter ISIL Finance Group of the Global Coalition Against Daesh might serve as a model for coordinating a response, considering how the Wagner Group may conduct its financial activity in ways not dissimilar to terrorist groups, such as through money service businesses and cash couriers. Retrofitting CTF tools to target state-linked private military companies such as the Wagner Group is just one way in which the financial dynamics of emerging threats for the 2020s beyond terrorism may be addressed.

Panel 5: New Technologies and CTF

Discussions of TF risks associated with new technologies tend to polarise: at one end, anxiety over perceived risks being substantial grips much of the public sector; while many platforms and other private sector actors see no greater risk in new technologies than in the traditional financial sector. Proponents of the former would have some basis for concern: new technologies enable money and other stores of value to move faster than ever before, while peer-to-peer platforms remove the intermediaries upon which AML/CTF responsibilities have traditionally been imposed. Whatever the true degree of risk, terrorist and extremist uses of new technologies for financing purposes goes beyond cryptocurrencies and crowdfunding platforms. For example,

e-commerce platforms have enabled groups to profit from the sale of merchandise, while the far-right has found success in monetising online content and propaganda at a scale not previously seen.

Cryptocurrencies very likely receive outsized attention for their supposed TF vulnerabilities. Significant media attention and hype mixes with a lack of knowledge about the technology to yield myths such as those of the assumed anonymity of transactions; such myths require dismantling. Although illicit transactions are a small percentage of the overall market according to firms' own estimates, various types of risk assessment methodologies can and have been used, which may yield different results. Yet, pondering the nature of the threat may be less useful than advancing mitigating measures to manage risks. The present 'crypto winter' – a period marked by volatile prices and shattered consumer confidence – suggests that terrorist use of cryptocurrency may have already peaked, recognising that it is societal interest in the technology and not necessity that has driven adoption by terrorist financiers. Obsession with cryptocurrencies further serves to overshadow other technologies – such as mobile money services where TF abuse, at least in Africa, is an immediate problem – especially the most societally ubiquitous technologies such as payments processors, which are more important for TF.

As for CTF responses, many smaller and less mature firms lack the resources and experience to anticipate, let alone take proactive steps to mitigate against, the potential abuse of their platforms or products for TF. Firms only just getting to grips with terrorist content removal will find CTF a challenging further step, particularly when it is unclear where unpalatable yet legal financial activity in support of extremism tips into TF. Ultimately, the public sector will need to take the lead on informing the private sector of TF risks they may face and to improve risk assessment capabilities, which for smaller and newer firms may begin with more general guidance on AML/CTF. But even then, the prevailing approach has been to apply an approximately 30-year-old anti-financial crime regime to a financial sector that bears little resemblance to that of the post-9/11 period. CTF will need to be adapted to match the diversity of new technologies and platforms that may, to some extent, come to be exploited for TF.

One-on-One with an Expert

Between the conference's main panel discussions, RAFT22 hosted a series of one-on-one sessions with CTF experts across a wide range of topics. The conference opened with a conversation with Bethan Johnson on the financing of far-right extremism and the intricacies of the accelerationist movement in North America. The session was an opportunity for CTF experts to develop their understanding of the changing threat landscape and growing concern for far-right violence. Johnson described the traditional fundraising mechanisms of the far-right, such as the hosting of concerts, mixed-martial arts competitions and the selling of merchandise and literature, the latter being a key focus point of her work.

Another one-on-one session covered Islamist terrorist financing with Aimen Dean, who recounted his path from being a financier for Al-Qa'ida to becoming a spy for MI6. Dean described his time in Azerbaijan during the First Chechen War (1994–96), where with a team

of five people he served as the financial hub to support a contingent of 1,200–1,700 fighters in Chechnya through the abuse of an NPO. Dean also described how after 9/11, the abuse of NPOs for terrorist financing became a priority concern of the international community, while now emerging trends in terrorist financing are starting to include new technologies ranging from cryptocurrencies to online gaming.

However, with the evolution of the threat landscape, the perception of NPO abuse for TF has become more nuanced. To address this topic, representatives from Human Security Collective (HSC) engaged in a one-on-one session highlighting that the existence of FATF Recommendation 8 focused solely on NPOs creates a serious burden on their essential activities and contributes to an unfair reputation for the sector. NPOs suffer greater due diligence scrutiny and are often victims of de-risking by financial institutions. Furthermore, NPOs are often persecuted by undemocratic regimes that find in CTF a useful tool to repress civil society. A true risk-based approach is required to observe the real risks in the sector. Still, HSC questioned whether FATF's Recommendation 8 might be omitted altogether, to curb unfair treatment and to protect this necessary sector from abusive legislation and repressive regimes.

Another session included Elzbieta Frankow-Jaskiewicz in her capacity as Chair of Moneyval to address the CTF landscape in Moneyval member states. She described how terrorists require funds to finance attacks and maintain their terrorist organisational structures. Their financing streams range from illicit activities such as trafficking in drug, arms or humans, to licit sources such as financial support from members, their relatives, abuse of NPOs, and crowdfunding. Efforts remain uneven across member states, who often have good technical compliance with the FATF recommendations but lack sufficient effectiveness. Information-sharing, in particular, was noted as a key element in CTF to promote the exchange of data across sectors and borders, a matter which still remains a challenge.

Julian King also participated, describing his experience as the EU commissioner for the Security Union during the wave of terrorist attacks that occurred across Europe in 2016. King explained the Commission's double aim of using its own tools for CTF while also serving as a platform to support others. In this commitment, steps were taken to harmonise asset freezing and confiscation, and enhance information-sharing between FIUs and financial institutions, which in all likelihood laid the foundation for initiatives such as the AMLA. Despite the challenges inherent in establishing a European Terrorist Financing Tracker, King highlighted a fruitful transatlantic cooperation that continues to grow today.

RAFT22 closed with a discussion with Juan Zarate on the early steps of the CTF journey and how financial intelligence and sanctions implementations became an essential counter-terrorist tool. As the former assistant secretary of the US Treasury for Terrorist Financing, he described how after 9/11, tackling the financing of a terrorist group was not just an ancillary measure or regulatory issue, it became a fundamental part of warfare and the counterterrorism toolkit. The US Treasury was sent into the battlefield to gather intelligence and observe how terrorists raised money and, more importantly, how they adapted to the growing imposition of targeted sanctions and other financial tools. This period saw the beginning of engagement

in counterterrorism efforts by ministries of finance and central banks to implement targeted sanctions and fight terrorism.

Conclusion

Having slipped down the ranking of security priorities for the EU as the threat from the Islamic State has dwindled, concern for CTF is now largely motivated by the state's passive pursuit of meeting the standards set by FATF. Although compliance is a worthwhile endeavour, it is no substitute for the concerted effort required to ensure the safety of European societies and their people. This was brought to the fore by Nidhi Chaphekar, a victim and survivor of the terrorist attacks of 22 March 2016 in Brussels, whose story of resilience challenged all participants to once again – as occurred at the outset of the Islamic State's reign in Iraq and Syria – get serious about countering TF. Efforts were made to bring the problem to life and demonstrated how significantly the terrorist financing threat has shifted in just over two decades. The abuse of charities for TF, to name but one example, appears to receive outsized attention nowadays, even as the terrorist threat facing Europe has fragmented and become dominated by 'self-activating' terrorists who typically fund attacks themselves. Similarly, popular myths about the prevalence of virtual assets and other digital financial products in modern TF ought to be debunked, particularly as more ubiquitous and lower-grade technologies pose the greater risk. Discernment and restraint are required to assess emerging threats properly and to get them right.

There was no shortage of comment on what the future holds for CTF. Those working on the operational dimension continue to struggle with adapting CTF tools to the modern threat, although there is cause for optimism where financial intelligence is expertly used to support law enforcement investigations. Nonetheless, there is appetite for solutions to problems of information exchange between the public and private sectors, with CTF success being the optimisation of this important relationship. Further challenges for Europe at the nexus of finance and security widened the discussion beyond strictly TF, recognising that state-based aggression, radicalisation and violent kleptocracies all have financial dynamics at play.

Having delved into the evolution of the CTF regime and the many challenges it faces, RAFT22 helped the CTF community to get to grips with the current threat landscape, and ideally find a renewed sense of purpose and urgency in its work. This is needed. As one speaker put it: if the Syrian conflict was a full moon for TF, bubbling conflicts and insecurity the world over may signal a new crescent emerging.

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