



TERRORIST FINANCING

EFFICIENCY OF LEGISLATION AND CHALLENGES OF ORGANIZED CRIME

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It stands to reason that drying up the financial sources of terrorist groups is one of the most important counterterrorism approaches; which is carried out by the systems that combat terrorist financing in tandem with the international efforts made to combat money laundering and terrorist financing around the world. Counterterrorism cannot make much headway without cutting off the financial and economic support that drives terrorist activities and motivates terrorists to further plan and plot more attacks.

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MONEY LAUNDERING AND TERRORISM

On September 30 of 2016, the International Monetary Fund (IMF) published an article, featuring The IMF and Combating Money Laundering and the Financing of Terrorism, stating that money laundering is the process of concealing the illicit source of the assets acquired by a criminal activity to conceal the link between the money and the original criminal activity. Terrorist financing aims to collect and process assets to provide terrorists with the necessary resources to carry out their activities. Although these two phenomena differ in many aspects, both phenomena often capitalize and feed on the same weaknesses, which financial systems are riddled with, allowing anonymity and ambiguity when implementing financial transactions to maintain privacy.

Due to the increasing growing risk of money laundering and the mounting concern of official authorities internationally, the Financial Action Task Force (FATF) was established at the G7 summit held in Paris in 1989, convened by the ministers of the member states. FATF is an international body established to set accurate standards and promote serious and fruitful implementation of the legal, regulatory and operational measures to combat money laundering and terrorist financing, and other threats related to the integrity of the international financial system. Therefore, FATF is a policy-making body that can construct the political will necessary to introduce serious national legislative and regulatory reforms across these domains.

FATF developed a series of recommendations that have become international standards adopted to combat money laundering and terrorist financing, making up the bedrock for a coordinated response to confront these threats targeting the integrity of the financial system. The said recommendations of FATF were first issued in 1990, then the recommendations were amended in 1996, 2001, 2003 and the recent update was in 2012 to ensure that they are updated, linked to the control requirements and are suitable for global implementation.

It is well known now that FATF is an intergovernmental entity with 39 members, working in close cooperation with a number of other major international organizations, including the IMF, the World Bank, the United Nations (UN) and regional bodies similar to FATF-Style Regional Bodies (FSRBs).

RESPONSE AND CONTROL

The standards for combating money laundering were significantly developed, and a number of improvements were introduced between 1990 and 2012, in which standards of integrity were completed in protecting the global financial



system, and governments were provided with modern updated tools to take strict measures against financial crimes. Currently, the total number of the recommendations made by FATF have become forty recommendations on combating money laundering, and nine recommendations related to combating the financing of terrorism, in addition to addressing the threats related to the trade in weapons of mass destruction, and setting clearer standards for the relationship of corruption with the financing of terrorist activities.

In 2019, the UN Security Council issued a detailed and in-depth Resolution No. 2462 under Chapter Seven of the United Nations Charter. The said resolution is comprehensive, detailed, highly precise, as it was developed after a series of meticulous and long professional reviews, which made all the expected methods of money laundering operations well understood in the context of the cutting-edge and state-of-the-art technologies and associated operations. The said resolution included 38 items and is mainly based on Resolution 1373 of 2001, which prohibited all member states from facilitating the activity of terrorist groups, especially providing such terrorist groups with weapons.

Equally important, the said resolution placed a special emphasis on the importance of commitment to the forty recommendations made by the FATF, requiring member states to introduce amendments in their legal and judicial systems, in such a manner as to allow strict procedures to eliminate any operations related to terrorist financing, drawing on international law, especially international hu-

manitarian law and human rights laws, and group displacement laws. The said resolution also includes methods of cooperation in freezing assets associated with laundering terrorist funds, by conducting a comprehensive survey of non-banking economic sectors that could be used to transfer funds linked to terrorist groups, such as construction, food and medicine sectors.

The said resolution also calls for risk assessment of analytical capabilities for terrorist money laundering operations, and for closer cooperation with various private sector units to better form information-driven bases and databases with deep and important effects, in such a manner as to strengthen the system of exchanging statements and information on various accounts, and cross-border cash flows by various means, such as pre-paid transfers and cards, and irregular means of transfer, without neglecting any outlet for suspicious money laundering and illicit terrorist operations.

The significant impact of virtual assets and crowdfunding initiatives is not otherwise downplayed or backgrounded by the said resolution. Today, these assets are considered a major corridor for money laundering, which leads us to think that the exposure to this scope is one of the rare situations in Security Council resolutions that emphasize the need for accurate tracking procedures through the internet and social networking sites to gain a deeper knowledge of the methods of transferring illicit money and to achieve greater control over such methods that play a vital role in combating money laundering associated with terrorism.

RESULTS AND CHALLENGES

The results of international resolutions on combating money laundering associated with terrorist groups have not achieved great progress in the transfers of the international financial system; however, the importance of these resolutions is represented in proactive action based on tracking and prevention more than what is based on detection. With this in mind, it can be stated that the introduction of highly sophisticated laws and technologies into the international financial system makes it very difficult or even almost impossible for terrorist groups to use the financial channels under the control of the international financial system to launder, transfer and funnel money. Despite all the efforts made to combat the financing of terrorism, the international financial system still faces **great challenges** in bridging all the existing gaps of the target money laundering operations, as shown in the following:

First: large cash funds that terrorist organizations use, which operate within an environment of monetary exchange not subject to any financial tracking system. This is evidenced by the estimation of the Secretary-General of the United Nations; ISIS acquires approximately three hundred million dollars, used to finance terrorist acts. Tracking this type of spending is related only to monitoring the spending behavior of individuals, and the rapid changes that may happen to their social statuses that are not related to social advancement by employment or self-employment. This makes it very complicated, simply because networks distributing terrorist funds are based on allocating small quantities distributed to large numbers of those involved in these actions, making it difficult to track the change of spending behavior.

Second: counterfeit money from different currencies that terrorist organizations use at different times, being laundered or replaced with real money or exchanging goods and services through the market.

Third: cryptocurrencies based on blockchain technology, which is an obscure world exploiting the international financial system. This world has snowballed into reality as of 2010, and the emergence of the virtual Bitcoin mining technology, which allowed – for the first time in modern monetary history – the exchange of default values encrypted outside the international monetary system, so that the terrorist organization could exchange an encrypted value that has a known price in the trading markets, being a means of transferring funds, and then laundering such funds again for real currencies. The challenge of cryptocurrencies is the biggest dilemma facing countries in the

world in tracking and detecting terrorist financing channels. This requires developing long-term plans that lead to the control of the international financial system over these markets, especially the very popular currencies to better control their primary market, and control their prices and quantities that can be traded and circulated from these encrypted values.

Fourth: clearly different preparations of countries, and the abilities of their economies to develop their laws and electronic technologies used in the field of Artificial Intelligence (AI) for detection and traceability, with the need to constantly develop these technologies, in line with the huge developments in the world of Information Technology (IT). The world countries need an independent financing system to be spearheaded by the countries that are the best to develop the capabilities of all members of the global financial system, in such a manner as to establish permit-based systems of similar efficiency globally, with easy circulation of information for early detection and tracking of money laundering and terrorist financing operations at a higher efficient level. ■

