



Understanding emerging terrorist financing threats and schemes for the development of innovative investigative tools

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The CTC project was funded by the European Union's Internal Security Fund – Police under grant agreement No 101036276.

CTC - Project Overview



The project proposal was submitted in the framework of the ISFP-2020-AG-TERFIN (on countering terrorist financing) Call for proposals.



The duration of the action will be 24 months as of 01/11/2021.



The estimated eligible costs of the action are EUR 1,992,447.00 (90% EU contribution).



The aim of CTC is to fill in the gaps in terms of tools, procedures, and collaboration of LEAs and Financial Authorities in the identification of financial transactions related to terrorism.





Terrorist financing today



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EU Terrorism Situation and Trend Report recently published by Europol (TE-SAT 2022):

- Across the EU, **individual donations** remain one of the primary means of funding for terrorist and violent extremist organisations. In most of the cases, money is collected via **bank transfers**, at **fundraising events** or using **non-profit organisations**.
- The **traditional banking system** remains one of the first choices for **transferring money abroad**.
- Still common is the use of **money transfer services** such as MoneyGram and Western Union, or informal value transfer systems such as **Hawala**.
- **Money mules** are key figures in these systems, as they act as intermediaries and collectors of cash on behalf of the end receiver



EU Terrorism Situation and Trend Report recently published by Europol (TE-SAT 2022):

- **Legal business structures** (ranging from small traders to large structures of international companies) are being used to hide the collection and transfer of money.
- **Internet-based platforms** such as Wise and PayPal are also among the ways that terrorist and extremist groups transfer funds.
- **FinTechs** have been increasingly investigated by EU authorities in cases of terrorist financing.
- There is an increase use of **digital currency, cryptocurrency and virtual assets service providers (VASPs)** to support terrorism.



Current Study

These findings are only partially supported by previous works, since empirical research and knowledge regarding the terrorist financing, in general, are **still scarce**.

This study sheds light on the employment of traditional and new payment methods and systems for terrorist financing purposes

In particular:

- 1. Traditional payment systems and technologies:** banks, cash smuggling, Hawala, legal persons and arrangement.
- 2. Emerging FinTechs:** cryptocurrencies, obfuscation techniques (mixers, NFTs, chain-hopping, crowdfunding)





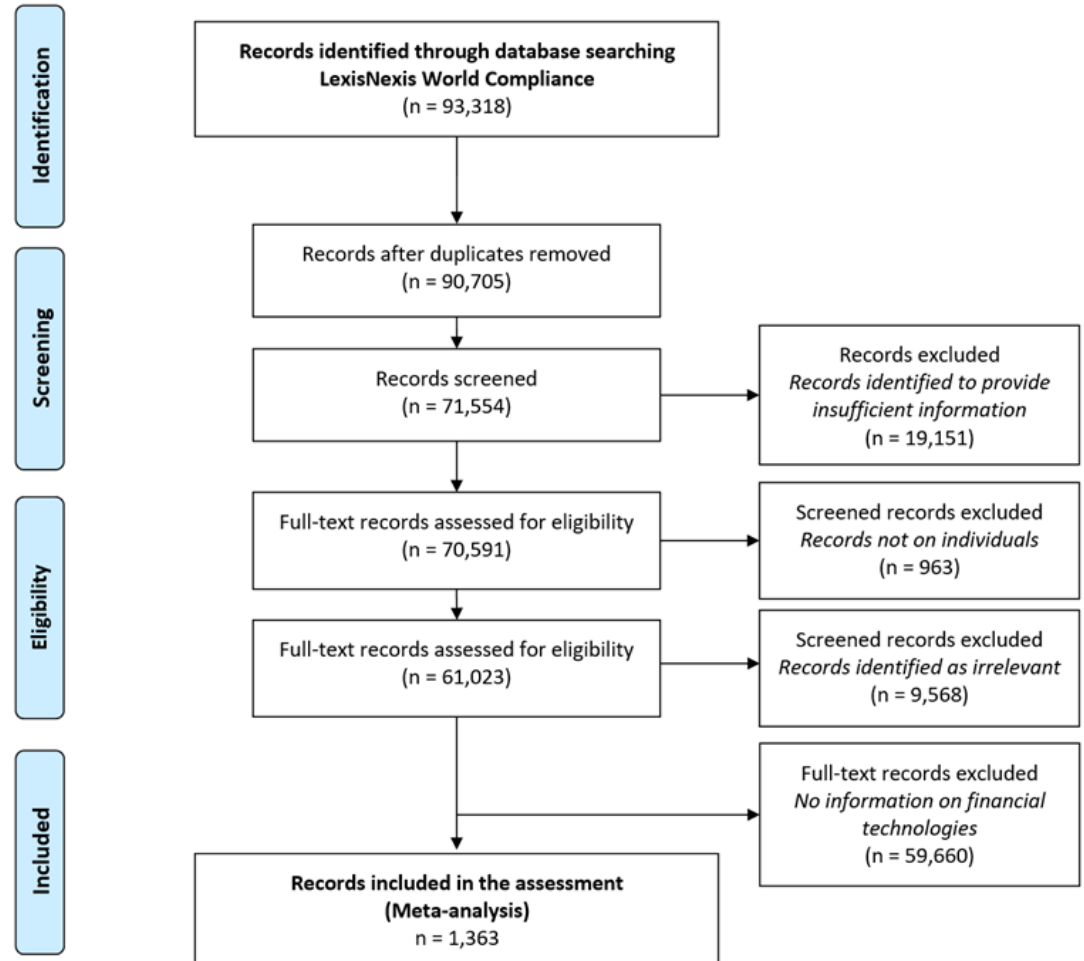
Methodology



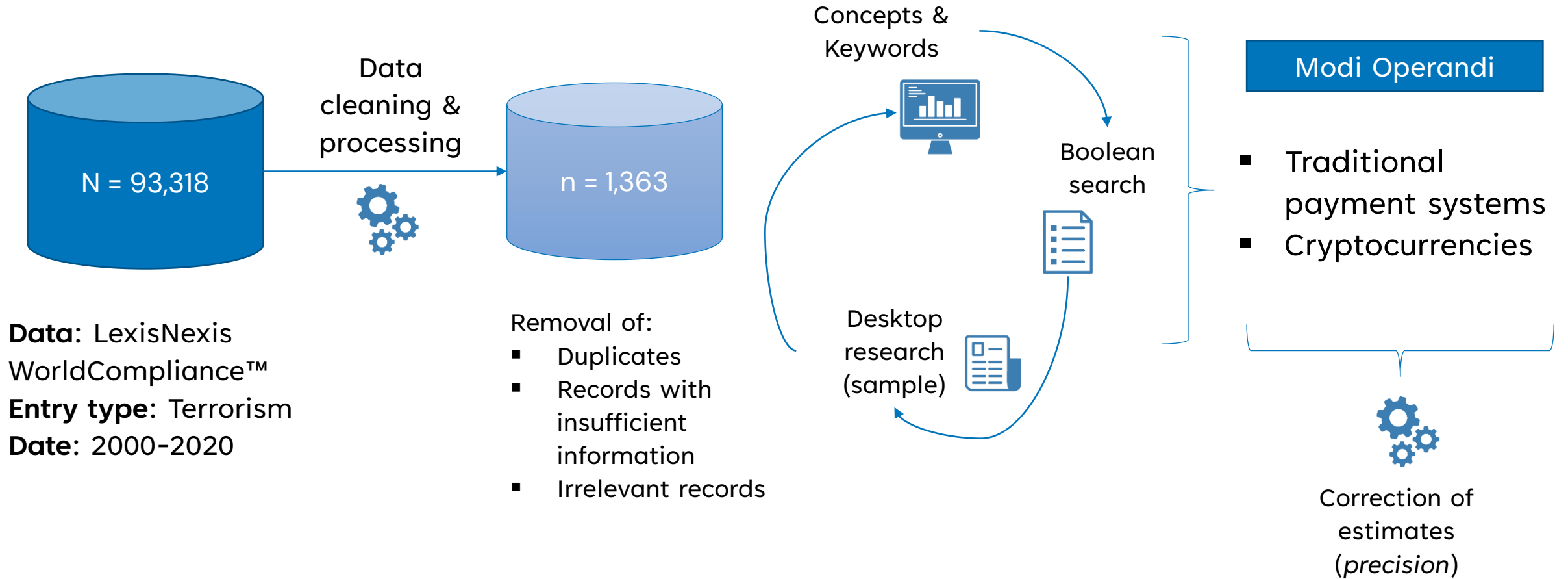
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- Sanctions, enforcement actions and adverse media
- Entries related to individuals (unit of analysis)
- Entries classified as Terrorism
- Time period: 2000-2020
- Data extraction, process, assessment and correction



Methodology



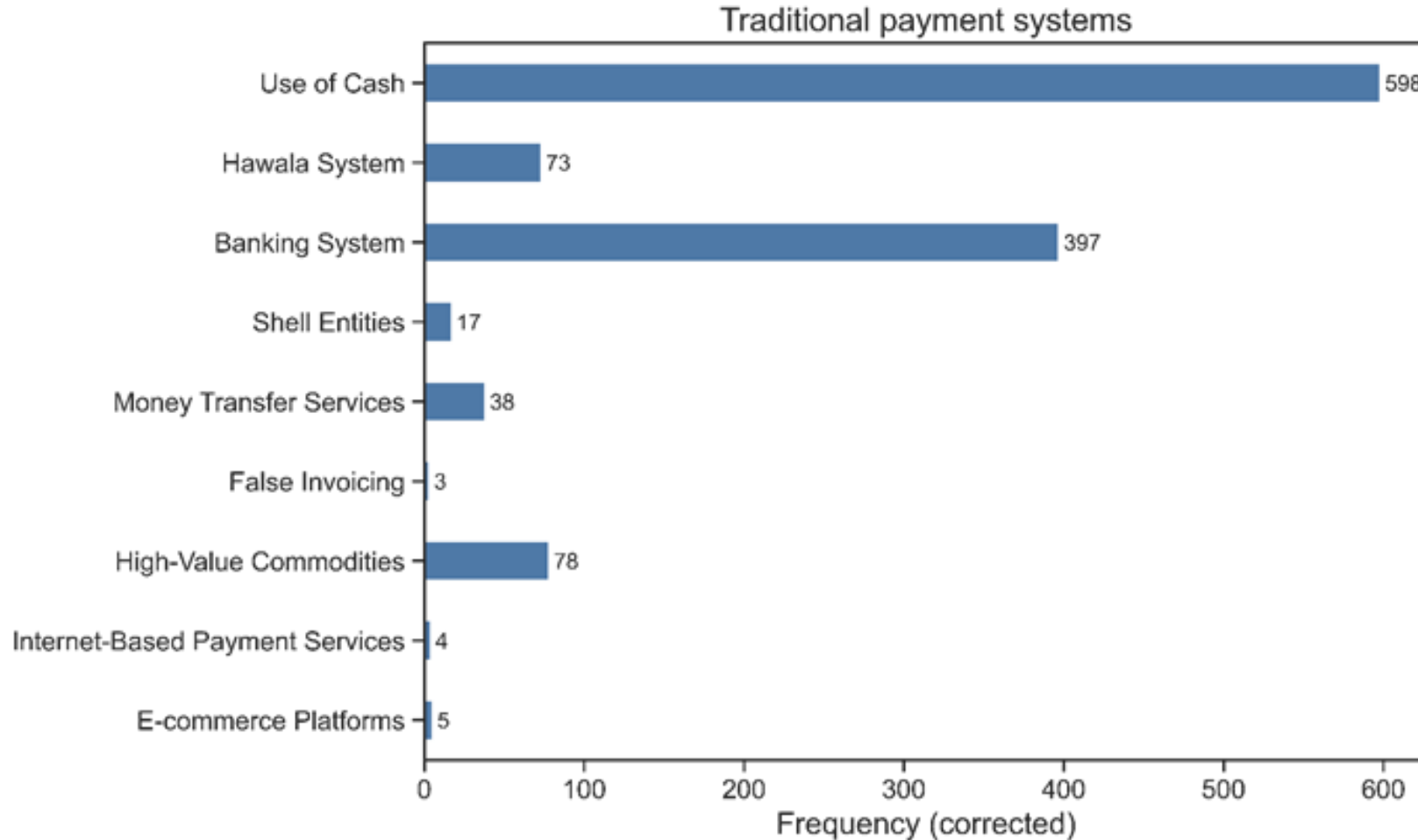


Results



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Traditional payment systems



Traditional payment systems

Traditional payment systems are still the most popular technologies used to finance terrorism

- Great confidence in the use of the **banking system** along with the **use of cash**
- Banks were seen as a safe way to make **multiple small-amount deposits**, including **cross-border transactions**
- Financial institutions were often part of schemes that involved the misuse of legal entities (**shell companies**)
- Cases involving use of cash evidenced seizures of considerable amount of money usually in combination with **drugs and other goods**, including firearms, ammunitions, bombing equipment, medicines and propaganda material



Traditional payment systems

- **Hawala system** still very popular
- Hawala operator who transferred a significant amount of ransom money from a **kidnapping** to finance terrorist attacks, all of this as part of a complex money **laundering scheme**
- Alternative payments systems used include Internet-based payment systems (**PayPal**) and e-commerce platforms (**eBay**), which were exploited either in isolation or combined
- Noticeably, we found evidence on the use of high-value commodities to finance terrorism. **Gold and diamond** are the most common high-value commodities used by terrorist financiers, often collected from **robberies** to buy arms and explosives or smuggled and imported from **conflict areas** or zones controlled by terrorist groups.

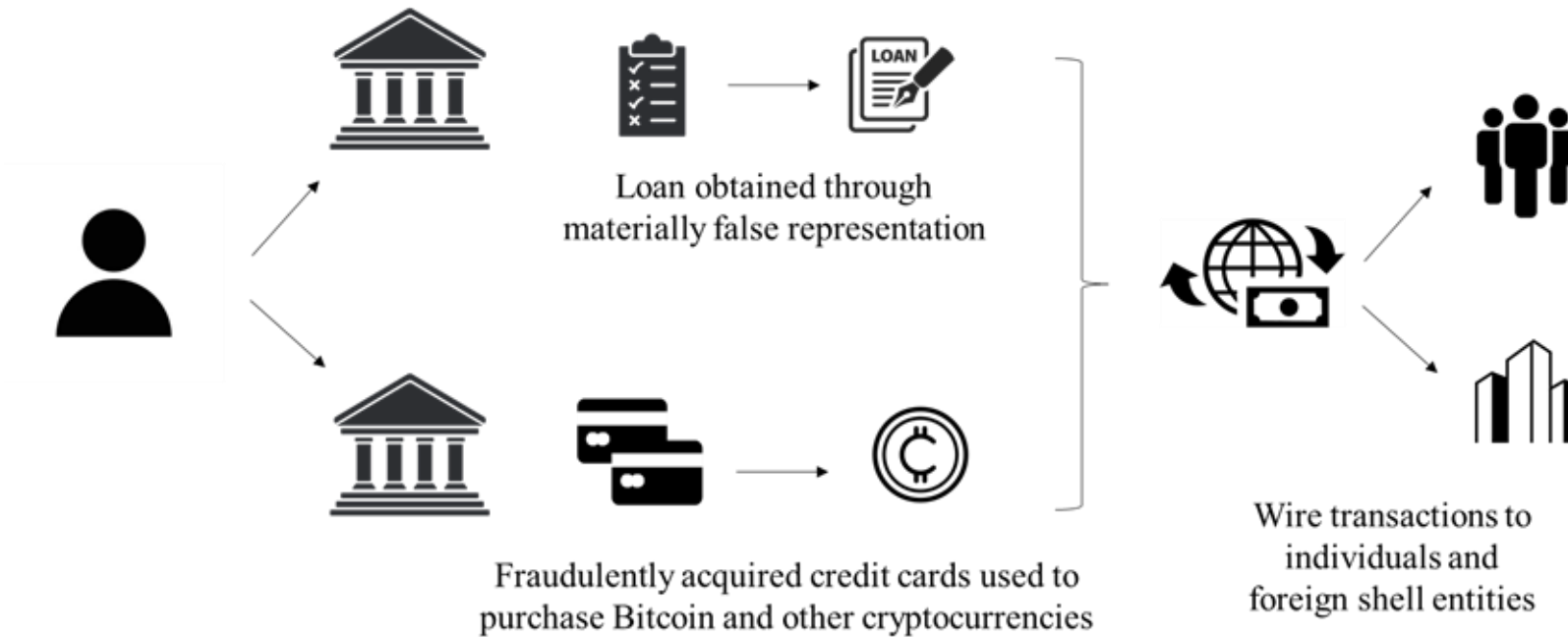


Cryptocurrencies

- Only a few anecdotal records, probably due to the period covered (until 2020)
- Many advancements and innovation since then + consistent evolution of the regulatory framework of these in many countries
- Terrorist group made use of a social media platform (**Twitter**) and **cryptocurrencies** to collect funds for their organisation, who also used to provide **online training** to carry out subversive activities
- 3 entries were found to make explicit reference to **Bitcoins**, where terrorists used **Twitter** to provide material support and instructions on **how to use** Bitcoins to mask the provision of funds.



Multifaceted phenomenon



- Deceptive use of the banking system by means of **loan fraud**
- **Credit card fraud** to buy cryptocurrencies
- **Money laundering** through wire transfers to foreign entities

Conclusions

- Terrorist financiers seem to have a great confidence in the **banking system**
- **Use of cash** and **Hawala** still very common
- **Legal persons and arrangements** for transferring money abroad
- **High-value commodities** (e.g., gold and diamonds) also appeared to be relevant
- Use of **cryptocurrencies** along with social media mainly for recruitment, training and guidance
- **Multifaceted phenomenon**, hence the need to combat it considering all elements in combination
- The **use of technology to counter terrorist financing** increasingly relevant





Thank you for your attention!



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This work builds on the recently submitted and currently under review manuscript:

Jofre, Maria and Aziani, Alberto and Villa, Edoardo, Terrorist Financing and the Use of Traditional and Emerging Financial Technologies.
Available at SSRN: <https://ssrn.com/abstract=4223469>

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Stay connected with CTC!

