

Committee: Economic and Financial Committee

Issue: Preventing the financing of terrorist groups

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Position: Co- Chair

PERSONAL INTRODUCTION

Dear Delegates,

Welcome to your study guide for the first topic: Preventing the financing of terrorist groups. My name is Zoi Mathiopoulou, I attend Athens College in the 11th grade and I have the utmost honor to serve as a Co- Chair in GA-2 in the upcoming conference. This study guide is designed to provide you with core information on the topic. You have to understand that this guide is designed to merely give you a way to approach the issue, meaning that it is necessary that you do research on an individual basis for the topic. As your expert Chair on the topic, I am available to answer any questions you might have on the matter. If you have any questions regarding the topic, feel free to contact me through email: zmathiopoulos@gmail.com.

Best regards,

Zoi Mathiopoulou

TOPIC INTRODUCTION

Terrorism is not a new phenomenon and surely not one to be left unnoticed. Everyone is familiar with this phenomenon and its ramifications. When we use this term, we refer to acts of violence against civilians and neutral military personnel. It originates from the 18th century during the French revolution and it came back to the spotlight after the 1970s, with its climax being the September 11 attacks in 2001. In order for terrorist attacks to keep happening, terrorist groups need funding, as they have to cover their expenses and provide themselves with the basic technical necessities.

Of course, there are different types of terrorism, which means that different types of funding are used in every situation. Terrorist funding is viewed as an umbrella term which includes the direct financing of these acts, the support of criminal networks and ways that can legitimise the process. Terrorist funding is also closely linked with money laundering, even though they are conceptual opposites.

It is important to note that terrorist funding is greatly supported by the formation of Bitcoin and cryptocurrencies. Bitcoin's anonymity encourages money laundering and other crimes, including terrorist financing. In fact, an Australian research showed that 44% of all bitcoin transactions are associated with illegal activity.

This topic is very important, as it refers to criminal activity and most specifically terrorist attacks, something that undermines global security and peace. Keep in mind that that terrorist funding can serve some countries' underlying motives.

DEFINITION OF KEY TERMS

Terrorism Financing/ Funding

"Terrorism financing is "the act or process or an instance of raising or providing funds" for terrorist organizations. It can come from fund-raising activities, wire transactions and transactions with no logical economic purpose."¹

Terrorism

"Terrorism is "the use of violent acts to frighten the people in an area as a way of trying to achieve a political or religious goal". A category of terrorism includes international terrorism, and methods include: suicide bombing, hacking etc."²

¹ "Financing." Merriam-Webster.com Dictionary, Merriam-Webster, <https://www.merriam-webster.com/dictionary/financing>. Accessed 14 Jan. 2021.

Financial Action Task Force on Money Laundering (FATF)

Specialized organization made in 2001 in order to prevent money laundering that is closely linked with terrorist funding.

FATF's Blacklist and Greylist

This is a list of countries that have not taken enough action to counter terrorism financing (this will you help in the alliances). The list is written in section "Blocks expected".

Money laundering

"Money laundering is the act of "removing objectionable parts from money transactions". It is the process of turning illegal money to legitimate."³

Bitcoin

"Bitcoin is 'a digital currency created for use in peer-to-peer online transactions'. It was introduced in the market in 2008 and it is "is the most prominent of a group of virtual currencies—money that exists mainly as computer code—that have no central issuing authority'."⁴

BACKGROUND INFORMATION

In this topic, background information refers mainly to terrorist attacks, as they are the core of this topic. Terrorist attacks cannot simply happen without funding. An important piece of information is the formation of the FATF in 1989, which has taken a big role in countering the financing of terrorist groups alongside with other countries. However more information about this specific organization is placed in the next section.



Figure 1: The September 11 attacks

² "Terrorism." Merriam-Webster.com Thesaurus, Merriam-Webster, <https://www.merriam-webster.com/thesaurus/terrorism>. Accessed 14 Jan. 2021.

³ "Laundering." Merriam-Webster.com Thesaurus, Merriam-Webster, <https://www.merriam-webster.com/thesaurus/laundering>. Accessed 14 Jan. 2021.

⁴ "Bitcoin." Merriam-Webster.com Dictionary, Merriam-Webster, <https://www.merriam-webster.com/dictionary/Bitcoin>. Accessed 14 Jan. 2021.

September 11 attacks

The September 11 attacks are a key point for this topic. In the previous decades suicide attacks were starting to become popular as a method of terrorism but the climax didn't come until three decades later in 2001 with the September 11 attacks. With 2,977 deaths and 25,000 injuries, this act of terrorism is the deadliest terrorist attack in human history.

After September 11 attacks

After September 11 attacks, governments, especially the US, started taking the problem of terrorism financing more seriously. The United States Patriot Act, which passed after the September 11 attacks in 2001, gives the US government anti-money laundering powers to monitor financial institutions. With the collaboration of other countries, the United Nations and the US, the Terrorist Finance Tracking Program came into existence.

Cyber Terrorism

As cyber terrorism is a form of terrorism that is conducted on a cyber base, it has started to become more popular during the last decades. The term made its first appearance in 1998 in U.S. Army reports. The nature of cyberterrorism covers conduct involving computer or Internet technology that seriously interferes with infrastructure, is driven by a religious, political or ideological cause and is intended to intimidate a government or a section of the public to varying degrees. The main obstacle in combating the phenomenon is unmasking those responsible (which is often more difficult than in conventional attacks). The perpetrators stay anonymous by employing tactics even as simple as the use of public computers. For this exact reason, this is a very popular form of terrorism. Cyber terrorism is widely used in aircraft hijacking, or vehicles attacks, like the one in Nice, France, in 2016.

Bastille Day killings

On 14th July 2016, in Nice, France, 86 people were killed, including children, and 303 seriously injured, after a truck crashed into the sea of people that had filled the bridge to watch the fireworks. The driver, after harming many with his vehicle, started shooting at the crowd. The man was not someone the police could relate to terrorist organizations but later it was made known that behind the accident there was the Islamic state (ISIS). Through investigations, it was made clear that the man responsible was using technology to communicate with ISIS and organise his attack.

Terrorist Groups

In 2017 there were 18,814 deaths that were caused by terrorist attacks, a number that increased to 32, 836 in 2018, the highest number since 2006-2009. There are many terrorist groups that are responsible for those deaths, from more local with a very limited spectrum to bigger and deadlier that are behind more than half of these deaths. Adding to that, these organizations are the ones that are mostly linked to governments. More specifically, the Islamic State (ISIS), Al- Qaeda, the Taliban, Al-Shabaab and many more are responsible for the instability of countries such as Afghanistan, Iraq, Syria, Somalia, Nigeria and at the same time they are closely linked with their governments or governmental organizations.

Bitcoin formation

The formation of cryptocurrencies is very important as it opened a door for illegal activities. It was invented in 2008 by an unknown creator(s) who go by the name Satoshi Nakamoto. Critics of the cryptocurrency Bitcoin argue that the anonymity in transactions and the fact that they are not traceable encourages and protects illegal activities.

Al-Qassam Brigades using Bitcoin

In January 2009, the Al-Qassam Brigades tried to get donations by supporters. All these donations happened through Bitcoin, as it announced its intention to crowdfund through Bitcoin.



Figure 2: Bitcoin

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

France

France is one of the countries that has been deeply affected by terrorism. During the period between 2014 and 2018, France coped with many terrorist attacks, mainly in its capital, Paris. These acts came principally in the form of cyberterrorism, a form of terrorism that is closely linked with the financing of these groups, as mentioned in the previous section. At the start of 2020, the Fifth Money-Laundering Directive was transposed into French law. It sets out a range of steps to tackle terrorist funding more effectively and to ensure greater transparency in financial transactions. More specifically, in the aftermath of the 2015 Paris terrorist attacks and the disclosures of the 'Panama Papers' affair, the European Commission proposed the Fifth Directive in July 2016.

Since 9 July 2018, the fifth directive (EU Directive 2018/843 of 30 May 2018) has been in effect.

Russian Federation

Russia belongs to the countries that face a big risk on the money laundering and terrorism financing aspect. For this reason, Russia, in 17th December in 2019 agreed to cooperate with the FATF to make the laws of the country stronger, more detailed, and targeted. Russia acknowledges that, as a result of the proceeds of crimes committed within the country, it faces significant money laundering issues, in particular those related to corruption and its position as both a transit and destination country for the illicit drugs trafficking. Facilitated by in-depth knowledge of local law enforcement agencies, national risk assessment has helped the country to define and recognize its threats, including the risks of terrorist financing.

United Arab Emirates (UAE)

The United Arab Emirates are known not to have the best stand in this topic. They have been accused of overlooking and even allowing the activities of terrorist organizations. In addition, they were found to be involved in the September 11 attacks caused by al- Qaeda. It is found that 300,00\$ were transacted via one hijackers' bank account in the US, making the UAE banking system an important factor in the financing of the terrorist act. After this fiasco the UAE government has changed its neutral policy and has zero tolerance towards terrorism funding.

Unites States of America (USA)

The USA, as mentioned before, has acted in this field. The Terrorist Finance Tracking Program (TFTP) is a United States government program, created for the government to have access financial transactions on the international SWIFT network.

European Union (EU)

The EU is very serious on this matter and has adopted new anti-money laundering laws and terrorism financing laws. The laws and rules are very specific and strict, making any illegal activity in this field very hard to remain untraceable. They also address the problems when dealing with prepaid cards and currencies, such as Bitcoin.

Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) “is an intergovernmental organization founded in 1989 to combat money laundering. In 2001, its mandate was expanded to include terrorism financing. The objectives of FATF are to set standards and

promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system”. The FATF Blacklist is also called “Call for action”, whereas the Greylist “Other monitored jurisdictions”.

United Nations (UN)

The UN remains active in this matter until it is solved. Through numerous resolutions and conventions, it has urged countries to obtain new laws on the matter and has tried to counter the problem. The UN cooperates closely with other countries and organizations, such as the USA, the EU and FATF in order to combat the problem.

BLOCS EXPECTED

Please find the list of the countries that are in the Blacklist and the Greylist that FATF has made. This will give you a better understanding of the countries’ policy and help in alliances.

Greylist
Pakistan
Zimbabwe
Yemen
Trinidad and Tobago
Cambodia
Ghana
Iceland
Mongolia
Panama
Syria
Botswana
Bahamas

Blacklist
Iran
North Korea

TIMELINE OF EVENTS

Date	Description of event
1989	Formation of FATF
1998	"The term "cyber terrorism" appears first in defense literature, surfacing (as "cyber-terrorism") in reports by the U.S. Army War College as early as 1998."
1999	Terrorist Financing Convention
September 11, 2001	September 11 attacks which leads to the stronger legislation in terrorism financing
2001	FATF starts working also in combating terrorist funding (after September 11 attacks)
2001	Adoption of the Resolution 1373 by the UN Security Council after the 9/11 attacks
February 2002	The FATF recommendation is introduced
2014 – 2019	Multiple of documents by the FATF are formed for countries to understand the problem and get a guidance on how to combat it.
July 2016	The European Commission proposed the Fifth Directive
July 14, 2016	Bastille day killings, an act of cyberterrorism
July 9, 2018	The fifth directive (EU Directive 2018/843 of 30 May 2018) has been in effect
January 2019	Al-Qassam Brigades appealing for Bitcoin
2020	The Fifth Money-Laundering Directive was transposed into French law
November 5, 2020	EU Council supports further investigations and corporation and EU level supervision.

RELEVANT RESOLUTIONS, TREATIES AND EVENTS

The Article 2.1 of the 1999 Terrorist Financing Convention defines the crime of terrorist financing as "any person who by any means, directly or indirectly, unlawfully and willfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out" an act "intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international

organization to do or to abstain from doing any act"⁵. This is very important as it gives countries a guideline.

The UN Security Council adopted Resolution 1373 after the 9/11 attacks. According to this, states were not allowed “to provide financing to terrorist organizations, allow safe havens to them” and also asked “that information regarding terrorist groups had to be shared with other governments”.⁶

Moreover, the Fifth Money-Laundering Directive was transposed into French law in early 2020 and is very important as it specifically sets out a range of steps with which to tackle terrorist funding more effectively and to ensure greater transparency in financial transactions. It aims to:

- Enhance the accountability of legal persons and legal systems by expanding access to beneficial ownership registers.
- Harmonize the improved due diligence mechanisms to be enforced for high-risk third-country business relationships or transactions.
- Specify the steps to be taken in the event of a remote business relationship being established.
- Provide for the oversight of such virtual asset service providers under the AML-CTF rules.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

With this being a difficult problem not only to combat but also to approach, there have been numerous attempts to solve the matter. The UN treaties that are mentioned in the previous part are very important for this matter.

The guidelines the FATF has introduced to the public have also taken a key role, as they have given countries a place to start and a path to follow when dealing with this problem⁷. The formation, also, of the Blacklist and Greylist has helped countries in ameliorating their policy.

⁵ “Tracing Terrorist Finances.” INTERPOL, www.interpol.int/Crimes/Terrorism/Tracing-terrorist-finance.

⁶ “Security Council Resolution 1373 (2001) on Threats to International Peace and Security Caused by Terrorist Acts - United Nations and the Rule of Law.” United Nations, United Nations, www.un.org/ruleoflaw/blog/document/security-council-resolution-1373-2001-on-threats-to-international-peace-and-security-caused-by-terrorist-acts/.

⁷ “Terrorist Financing Risk Assessment Guidance.” Documents - Financial Action Task Force (FATF), www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-risk-assessment-guidance.html.

The EU's and USA's conventions⁸, that are previously mentioned, are of great importance. Alongside with these are the laws individual to member states country. For example, Australia is one of the countries with the stricter anti-terrorism financing laws (Criminal Code Act 1995).

POSSIBLE SOLUTIONS

Stronger legal framework (regarding terrorism and money laundering)

Terrorism, money laundering, financing terrorist groups are all illegal acts. All legal systems suffer from loopholes because there are ways that make the financing of terrorist groups look legal. Laws should be revised and modernized, and therefore, there is a need for this specific legal framework to continue evolving. With the rapid evolution of technology, new ways to break laws are created, meaning that governments, people, organisations should not rest assured on their current legal framework but continue working on improving it.

Transparency and Collaboration between countries

With terrorism being a global problem, making terrorism funding problem global as well, the collaboration between countries is not asked nor urged, but it is imperatively needed. There can be 150 countries of the 193 countries in the world trying to eliminate terrorism and obtaining laws against terrorism financing, but still the problem would stay prominent. Of course, asking 193 countries out of the 193 to agree may be a far-fetched goal. No country can act on its own, and terrorism must be faced on a global scale. With close collaboration and transparency between member-states, the problem can be countered.

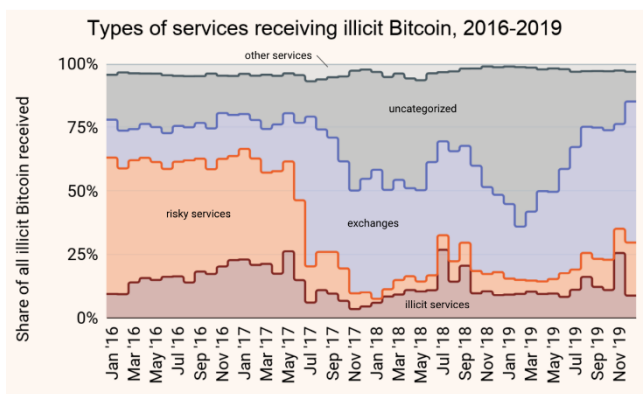


Figure 3: Types of services receiving illicit Bitcoin

Strict oversight in transactions using Bitcoin

It is of paramount importance that Bitcoin is formally introduced and processed through due financial and legal oversight. As things stand at the moment,

⁸ General Secretariat of the Council. Council of the European Union. "Council Conclusions on anti-money laundering and countering the financing of terrorism". <https://data.consilium.europa.eu/doc/document/ST-12608-2020-INIT/en/pdf>, 2006. PDF File

Bitcoin's absolute lack of transparency makes it the medium of choice for channeling illegal funds emanating from terrorism, drug trafficking, human trafficking, illicit arm sales and any activity seeking to circumvent money laundering laws, checks and balances.

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