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Rethinking CTF Strategy: Using Finance to Stop Terrorists

Tom Keatinge

Instead of focusing on the task of stopping terrorist finance, policy-makers should focus on using financial intelligence to stop terrorists.

As Europe struggles to come to terms with the latest attacks on the continent inspired by Daesh (also known as the Islamic State of Iraq and Syria, ISIS), this time in Brussels, the calls for greater focus on counter-terror finance (CTF) efforts continue. Adding to the rhetoric from European leaders following the Paris attacks last year is Hillary Clinton, the Democrat presidential-nomination hopeful. Speaking at Stanford University shortly after the bombing of the Brussels airport and metro system, Clinton raised the issue of CTF, urging European banks to cut off the funds that flow to terrorism. Whilst the logic of attacking the sources of funding for terrorism seems sound, the repeated calls for action suggest that success is elusive. Why might this be?

On 24 September 2001, in the shadow of the 9/11 attacks by Al-Qa'ida, President George W Bush stood in the White House Rose Garden and declared that his administration was launching 'a strike on the financial foundation of the global terror network' intended to 'starve the terrorists of funding'. This 'strike' came in the form of Executive Order 13224, which Bush had signed that same morning. Since then combating terrorist financing has been a fundamental pillar of the global effort to defeat terrorist activity.

The signing of the executive order gave CTF an urgency and prioritisation that had been previously lacking. Following the 1998 Al-Qa'ida attacks on the US embassies in Kenya and Tanzania, the UN took two important steps: adopting Security Council Resolution 1267, which called upon the Taliban to hand over Osama bin Laden to be indicted in the US for the embassy bombings; and introducing its International Convention for the Suppression of the Financing of Terrorism, which stated that:

> *Any person commits an offence within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and wilfully, 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 [terrorist acts].*

Yet prior to 9/11, CTF was of only marginal interest to the international community. This was illustrated by the fact that, as of that clear, blue September morning in 2001, only four states had adopted the convention. As noted in the 9/11 Commission's Monograph on Terrorist Financing:

> *Terrorist financing was not a priority for either [US] domestic or foreign intelligence collection. As a result, intelligence reporting on the issue was episodic, insufficient, and often inaccurate … Most fundamentally, the domestic strategy for combating terrorist financing within the United States never had any sense of urgency.*

Richard A Clarke, the former US counter-terrorism czar, gave a more direct assessment: 'the departments were generally doing a lousy job of tracking and disrupting international criminals' financial networks and had done little or nothing against terrorist financing.'

But this lack of focus was to change as the Financial Action Task Force (FATF) – the inter-governmental body which had led the global effort to tackle money laundering since its creation in 1989 – developed an extensive architecture of recommendations aimed at obligating nations into taking steps against terrorist financing. In October 2001 FATF issued nine 'special recommendations', demanding the ratification and implementation of relevant UN conventions and resolutions, the criminalising of terrorist financing and application of asset-freezing measures, and the greater monitoring for terrorist financing abuse of charities, cash couriers, and wire transfers.

Since FATF made its recommendations, there has been a considerable raising of CTF standards, with technical compliance with the recommendations advancing across most of the globe. A review of CTF implementation in 194 countries, prepared for G20 Leaders by FATF in November 2015, concluded that: 'Almost all jurisdictions – particularly the systemically important jurisdictions – have criminalised terrorist financing as a distinct offence.'

Yet, although standards and technical compliance have been raised, financing appears as central as ever to terrorists' operations; from groups such

as Daesh that control territory giving access to taxation and other financial resources, to lone actors and small cells conducting fraud and using access to consumer finance products such as payday loans to fund their attack plans. As FATF revealed in its report to G20 Leaders, 'relatively few jurisdictions have obtained convictions for terrorist financing', and despite having legal instruments to implement targeted financial sanctions, most jurisdictions never make practical use of these tools. Moreover, in its 'unprecedented session' of finance ministers in December 2015 – following the attacks in Paris a month earlier – the UN Security Council expressed concern at the lack of implementation of previous key CTF resolutions as it passed Resolution 2253.

So what should be done? Continuing down the same road we have travelled since 9/11 would seem to be a fool's errand. Approaches to tackling terrorist financing clearly need to be rethought, with new strategies developed. With this in mind, there are four areas that need urgent attention if the global CTF effort is to be truly effective.

Firstly, the repeated calls for greater information sharing need to be heeded and translated into concrete action. At the moment, no high-level gathering is complete without such calls, but the reality remains that information exchange between governments themselves and between governments and their financial sectors – the latter placed on the CTF frontline by fifteen years of regulation – is lacking. As the EU has belatedly realised, the ability to conduct joint analysis of cross-border cases that generate financial intelligence needs to be facilitated and enhanced, not just by sourcing more information, but also through better exploitation of existing cross-border sources on which the authorities can already draw. Furthermore, the current system, which relies on financial institutions filing reports with their national financial intelligence unit (FIU) on the basis of 'suspicion', needs to be more 'intelligence-based', using information provided by the authorities to focus their monitoring more effectively.

Thus, developing the relationship between governments and their banking systems is the second, connected, and important element that needs addressing. Banks and other financial institutions own valuable data that the authorities cannot easily access. Given that financial information can significantly enhance the effort to disrupt terrorist activity, addressing this security weakness is fundamental to success. Clear policies for collaboration must be devised; just as EU-wide security tools such as Prüm – the automated comparison of DNA profiles, fingerprint data and vehicle registration – and the Schengen Information System II – upgraded in 2015 to improve information sharing on terrorist suspects – are woefully underutilised, so centralised financial information-sharing initiatives such as those of the Egmont Group of FIUs or Europol's FIU.net must be fully operationalised and exploited. Moreover, the value that financial data can contribute to intelligence-led counter-terrorism efforts must be fully appreciated.

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Thirdly, the often conflated approaches to tackling money laundering and tackling terrorist financing need to be separated out. Stopping illicit financial flows connected with money laundering makes sense: large sums are often involved; identifying 'red flags' is easier as launderers typically use similar tactics, such as anonymous off-shore companies or opaque real estate ownership structures; and the profit motive that drives launderers leaves them vulnerable to discovery. In contrast, terrorist financing tactics are continuously evolving and subject to geopolitical developments; as the Australian FIU, AUSTRAC, has observed, 'the global terrorism financing environment is dynamic and rapidly changing'. Furthermore, amounts are small and transferred through the formal or informal financial system simply for use, not for profit. Too often, approaches to disrupting terrorists and their financing fail to acknowledge these important differences.

Fourthly, and most importantly, CTF strategies should move away from the near-impossible task of stopping terrorist financing to focus on using finance to stop terrorists. The EU Action Plan to Strengthen the Fight Against Terrorist Financing, published in February 2016, continues the old mistaken strategy of focusing solely on stopping terrorist financing. It identifies two main objectives: preventing the movement of funds and identifying terrorist funding, and disrupting sources of revenue for terrorist organisations. Yet this plan substantially overlooks the value of financial intelligence and the fact that financial transactions can reveal critical intelligence about terrorists, their activities, movements, logistics and facilitation networks. Exploiting this information to conduct network analysis that leads to disruption should be the primary focus of CTF efforts. If finance is, as so many believe, the Achilles heel of a terrorist group's operations, then focusing resources on gathering and developing financial intelligence that reveals these networks and nodes must form the core of the global CTF strategy against which a full spectrum of measures can be applied.

Since 9/11, in response to a range of laws and guidelines, the financial sector has developed significant big-data-analysis capabilities as it monitors hundreds of millions of daily transactions. It was right that immediately following 9/11 policy-makers focused on raising standards and awareness around the world; but the limits of focusing only on these issues became clear some time ago. If CTF is to demonstrate its true utility, then greater imagination is needed from policy-makers, greater collaboration is needed between all CTF stakeholders from both public and private sectors, and a strategy that may have made sense fifteen years ago urgently needs rethinking.

Tom Keatinge
Director, Centre for Financial Crime and Security Studies, RUSI.