



International Security and the implications of Terrorism Financing: Interrogating Terrorism Financing Strategies and the Prospect of Counter-Terrorism Financing

By

ADEJOH Sunday

Department of Defence and Security Studies, Nigerian Defence Academy, Kaduna

And

NTAGU M. Promise

Department of Political Science, Nigerian Defence Academy, Kaduna

Abstract

The international system is increasingly been threaten by the activities of violent non-state actors especially terrorist organizations. International security in the 21st century faces complex challenges that transcend national borders. Among the most pressing threats is the financing of terrorism, which serves as the lifeblood of extremist organizations worldwide. Terrorist groups require financial resources to recruit, train, procure weapons, propagate ideologies, and sustain operations. Without adequate funding, their capacity to conduct large-scale attacks and destabilize regions would be severely constrained. This paper therefore interrogates the sources and strategies for terrorism financing with a view to examining international responses towards addressing this challenge. It is the position of this paper that terrorist organizations have devised multiplicities of strategies to fund their activities and globalization has further aided their strategies. It further classified sources of funding into Legitimate Sources and Illicit Sources. methodologically, this paper is desk research and it relies on secondary sources of data. This paper posits that terrorism financing constitutes major threat to international security and addressing the sources of terrorism financing is a portent strategy in countering terrorism. This paper also identified and examined several international responses towards addressing terrorism financing with a view to proffering strategic measures towards enhancing efficiency and effectiveness of these measures. It recommends the need for the establishment of Financial Intelligence Units (FIU) by all states and also effective collaborations between FIUs and deposit money banks and other financial institutions. It also recommends strict compliance to FATF recommendations.

Key Words: International Security, Terrorism Financing, Funding Strategies, International System, Financial Intelligence, Violent Extremism.



1.1 Introduction

The financing of terrorism represents a pervasive and evolving threat that profoundly impacts international security, demanding continuous adaptation from global anti-money laundering and countering the financing of terrorism (AML/CFT) regimes (U.S. Department of the Treasury, 2022; U.S. Department of the Treasury, 2024). Historically, the study of security aimed to mitigate armed conflict, and the significance of international security and its associated studies cannot be overstated in preventing conflict and improving global living conditions (Heurlin and Kristensen, undated). However, the concept of international security has expanded beyond its 20th-century focus on interstate threats to encompass diverse challenges, including those posed by ethnic groups, criminal organizations, epidemics, and critically, terrorism (Heurlin and Kristensen, undated). As a pivotal security threat, terrorism affects individual nations and the entire international community, necessitating a comprehensive understanding of its financial underpinnings to effectively address its destructive potential (Doğan, 2019; GIABA, 2013).

Terrorist financing (TF) involves the intricate processes of fund-raising, storing, concealing, and transferring funds, as well as utilizing these funds to sustain terrorist organizations and infrastructure, or to support specific attacks (CTITF Working Group, 2009). These funds can originate from both legitimate and illicit sources, with legitimate humanitarian or business entities sometimes unknowingly or knowingly serving as conduits (CTITF Working Group, 2009; ADB, undated). For instance, past reports indicate that small businesses were intentionally established to generate revenue for foreign terrorist fighters (FTFs) (FATF, 2015). Terrorist groups and their financiers leverage a variety of sources, including proceeds from organized criminal activities like drug trafficking, kidnapping, and fraudulent trade-based practices, as observed in West Africa (GIABA, 2013). State sponsorship, though reportedly less common, remains a significant and long-standing terrorist financing threat, fundamentally undermining international peace and security (FATF, 2015). Domestic violent extremist (DVE) threats, particularly from racially and ethnically motivated violent extremists (RMVE), often rely on self-funding (U.S. Department of the Treasury, 2024). Funds for small-scale attacks can also be raised by individuals through savings, credit access, or proceeds from controlled businesses, as noted in previous FATF reports concerning FTFs (FATF, 2015). Some terrorist groups and their supporters, including U.S.-based supporters of foreign terrorist groups like Al-



Qaeda and ISIS, continue to send relatively small sums, often ranging from several hundred to tens of thousands of dollars, to facilitators abroad (U.S. Department of the Treasury, 2022; U.S. Department of the Treasury, 2024). Hamas, for example, is known to exploit worldwide supporters and employs sophisticated fundraising methods U.S. Department of the Treasury, 2024).

The methods for moving terrorist funds are diverse, encompassing both formal and informal financial systems. The regulated financial system, including banks and money remitters, and the use of cash, remain primary methods for terrorists to move funds raised in the United States (U.S. Department of the Treasury, 2022). Unregistered Money Service Businesses (MSBs), cash, and in some cases, virtual assets are also commonly used, particularly by U.S.-based supporters of Al-Qaeda or ISIS sending money abroad or financing travel (U.S. Department of the Treasury, 2024). Physical transportation of cash is prevalent, facilitated by porous national borders and informal economies, making detection difficult, especially for small amounts (GIABA, 2013; FATF, 2015). The exploitation of social media for fundraising, and the use of new payment products and services such as prepaid cards and online payment systems (like PayPal), pose emerging vulnerabilities due to anonymity, global accessibility, and rapid transfer capabilities (FATF, 2015). While some electronic transactions may be traceable, identifying the actual end-user or beneficiary can be challenging (FATF, 2015). Additionally, trade-based financing of terrorism and the exploitation of natural resources (such as illicit oil sales by groups like ISIL, and stolen oil and gas proceeds potentially funding extremist groups like the Movement for the Emancipation of the Niger Delta) present complex avenues for fund movement (FATF, 2015; GIABA, 2013).

The implications of terrorism financing for international security are profound and far-reaching. It undermines global security and stability, evidenced by the notable uptick in state, state-funded, and state-affiliated actors laundering and moving funds to wage war, facilitate terrorism, and support the proliferation of weapons of mass destruction (WMD) (U.S. Department of the Treasury, 2024). Recent events, such as Russia's war against Ukraine and the Hamas attack in October 2023, highlight the increased geopolitical uncertainty stemming from these intensified efforts (U.S. Department of the Treasury, 2024). The existence of financial networks allows terrorist organizations to pursue their destructive goals (FATF, 2015). Beyond military-focused concerns, international security now encompasses non-military threats like global economic crises, environmental problems, and global terrorism (Doğan, 2019;



Buzan and Hansen, 2009). The interlinking of terrorist financing with other crimes such as fraud, drug trafficking, cybercrime, corruption, human trafficking, and human smuggling, further exacerbates these threats (U.S. Department of the Treasury, 2024; GIABA, 2013). The capacity of states to provide security for their citizens is challenged by these non-military threats, which have relatively direct effects on human beings rather than solely on states (Doğan, 2019).

Combating terrorism financing involves significant challenges. Detecting illicit financial activity is inherently difficult within the formal financial system and even more so outside of it (CTITF Working Group, 2009). The amounts of money involved in individual terrorist acts can be relatively low, making identification challenging due to the speed with which funds can be acquired (FATF, 2015). Despite progress, the U.S. AML/CFT regime must continually adapt to the evolving threat environment and structural and technological changes in financial services and markets (U.S. Department of the Treasury, 2022; U.S. Department of the Treasury, 2024). International efforts face weaknesses such as the lack of a universally agreed-upon definition of terrorism, inadequate efforts, and limited resources and expertise (Doğan, 2019). Furthermore, counter-terrorism measures, particularly targeted financial sanctions like asset freezes, must be balanced with human rights considerations, as inadequate due process protections can undermine credibility and effectiveness (ODIHR, 2008).

In response to these complex challenges, international cooperation is crucial. The AML/CFT regimes aim to detect and prevent illicit proceeds from reaching harmful actors (U.S. Department of the Treasury, 2024). International standards, including those from the UN Security Council and the Financial Action Task Force (FATF), provide a framework to suppress terrorist financing (CTITF Working Group, 2009). The UN International Convention for the Suppression of the Financing of Terrorism is a key instrument in this regard, encouraging states to criminalize terrorist financing and implement measures to freeze assets (UN, 1999). Enhancing domestic and international cooperation, particularly through the effectiveness of financial intelligence units (FIUs) and collaboration between public and private sectors, is paramount (CTITF Working Group, 2009; FATF, 2015). Providing accurate and forward-looking guidance to the private sector improves their monitoring and reporting processes for sensitive transactions (FATF, 2015). National authorities are encouraged to leverage financial intelligence and promote international information-sharing to identify and target financial collection points within terrorist organizations, shifting investigative focus to ultimate



recipients (FATF, 2015). Despite these efforts, the continuous adaptation by terrorist organizations to counter law enforcement responses means that vigilance and an evolving understanding of their financial management practices remain critical in detecting, preventing, and sanctioning terrorist and terrorist financing activity (FATF, 2015).

Concept and Strategies for Terrorism Financing

Terrorism financing (TF) is broadly defined as the financial support, in any form, of terrorism or of those who encourage, plan, or engage in it (World Bank and International Monetary Fund, 2003). It encompasses the raising, storing, concealing, and transferring of funds, as well as the utilization of these funds to sustain terrorist organizations and their infrastructure, or to support specific terrorist attacks (CTITF Working Group, 2009; Stringer, 2011; FATF, 2015). Unlike other criminal activities where financial gain is the primary objective, the ultimate goal of terrorism financing is to enable destructive acts or to intimidate populations and compel governments to act or abstain from acting (FATF, 2004). In conceptualizing terrorism financing, the Nigerian Terrorism Prevention and Prohibition Act (2022) posit that a person or an entity, within or outside Nigeria, in any manner who, directly or indirectly, and willingly provides, solicits, acquires, collects, receives, possesses, or makes available property, funds or other services, or attempts to provide, solicit, acquire, collect, receives, possess or make available property, funds or other services with the intention or knowledge , or having reasonable grounds to believe that it will be used, in full or in part to finance a terrorist or terrorist groups.

Key Characteristics and Components of Terrorism Financing:

- i. Fund-Raising: Terrorist organizations require substantial income to survive, continue operations, and carry out daily activities (Doğan, 2019; FATF, 2004). These funds can originate from a combination of legitimate and illicit sources (GIABA, 2013; CTITF Working Group, 2009; FATF, 2004).
 - a. Legitimate Sources: Funds can come from legitimate activities such as private donations (FATF, 2015), employment income, social assistance, family support, or bank loans (FATF, 2015). Businesses may also be intentionally established to generate revenue for terrorist activities, as observed with foreign terrorist fighters (FTFs) (FATF, 2015). Non-profit organizations (NPOs) and charities can be exploited, either unwittingly or knowingly, as conduits for financial or



logistical support to terrorism, sometimes under the guise of humanitarian aid (GIABA, 2013; ADB, 2003; FATF, 2015; CTITF Working Group, 1999).

- b. **Illicit Sources:** A significant portion of terrorist funds is derived from criminal activities. These include proceeds from organized crime like drug trafficking, kidnapping for ransom (KFR), fraudulent trade-based practices, identity theft, insurance fraud, loan fraud, and tax crimes (GIABA, 2013; FATF, 2015). Extortion of local and diaspora populations and businesses is also a recognized method (FATF, 2015; Human Rights Watch, 2006). Some terrorist groups, such as the PKK, generate revenue through taxing illegal drug shipments, protection taxes, human trafficking, and cigarette smuggling (FATF, 2015; Europol, 2015, 2014, 2013). State sponsorship, though reportedly declining, remains a serious threat to international peace and security (FATF, 2015; GIABA, 2013; Levitt and Jacobson, 2008). Domestic violent extremists (DVEs), particularly racially and ethnically motivated violent extremists (RMVEs), often rely on self-funding (U.S. Department of the Treasury, 2024).
- ii. **Storing and Concealing Funds:** Terrorist financial management involves planning and accounting for all resources and assets. Large groups, such as Al-Qaeda in Iraq (AQI) and its successor ISIL, employ advanced financial management practices, including specialized financing functions, tracking spreadsheets, and standardized accounting reports, to efficiently manage revenue and minimize losses (FATF, 2015; Telegraph, 2014; Ottawa Citizen, 2014). They may establish financial shelters like bank accounts or front entities (FATF, 2015). For small cells and lone actors, financial management may be less formal (FATF, 2015).
- iii. **Transferring Funds:** Terrorists use a variety of mechanisms to move funds, often internationally, to their end points without detection (FATF, 2015).
 - a. **Formal Financial Systems:** The regulated financial system, including banks and money remitters, remains a primary method for moving funds, though these transactions can be small-scale, making them difficult to distinguish from legitimate activity (U.S. Department of the Treasury, 2022; FATF, 2015).



- b. Informal Financial Systems and Cash: Unregistered Money Service Businesses (MSBs), cash, and alternative remittance systems like *hawalas* are commonly used, especially where banking services are limited or regulations are weak (U.S. Department of the Treasury, 2024; FATF, 2015; GIABA, 2013). Physical transportation of cash is prevalent, facilitated by porous national borders and informal economies (FATF, 2015; GIABA, 2013).
 - c. New Technologies: Terrorists exploit new payment products and services, such as prepaid cards and online payment systems (e.g., PayPal), due to their anonymity, global accessibility, and rapid transfer capabilities (FATF, 2015). Virtual assets (like Bitcoin) are also increasingly used, with some individuals providing instructions on how to use them to mask fund provision (U.S. Department of the Treasury, 2024; FATF, 2015).
 - d. Social media: Social media platforms are exploited for fundraising campaigns, sometimes reaching thousands of 'sponsors' and raising significant amounts of cash. Funds are often raised under the guise of legitimate charitable or humanitarian activities, with donors sometimes unaware of the true end-use (FATF, 2015).
- iv. Utilization of Funds: Funds are used for operational needs (e.g., explosives, arms, vehicles), logistical support (personal upkeep, travel, accommodation for members and families), propaganda, recruitment and training, and even to provide social services to local populations to gain support and undermine legitimate governments (Doğan, 2019; FATF, 2015; GIABA, 2013).

Implications of Terrorism Financing for International Security

Terrorism financing poses a profound and persistent threat to international security, impacting the stability of nations and the global order (U.S. Department of the Treasury, 2024; U.S. Department of the Treasury, 2022). The ability of terrorist organizations to raise, move, and utilize funds is fundamental to their operations and their capacity to achieve destructive objectives, making the disruption of these financial flows a critical component of counter-terrorism efforts (FATF, 2015; GIABA, 2013; U.S. Department of the Treasury, 2022; CTITF Working Group, 2009).



The impact of terrorism financing on international security is evident through several key aspects:

Enabling Terrorist Operations and Goals: Operational Needs: Terrorist organizations require substantial funds not only for direct operational costs, such as acquiring explosives, arms, and vehicles for attacks, but also for their daily functioning, including propaganda, recruitment, and training (Doğan, 2019; FATF, 2015). Even seemingly small sums, ranging from hundreds to tens of thousands of dollars, can be sent by U.S.-based supporters to foreign terrorist groups (U.S. Department of the Treasury, 2022). Successful terrorist groups must be able to build and maintain an effective financial infrastructure (FATF, 2015). Some groups, like ISIL, have actively recruited financial professionals to manage revenues and minimize losses within their controlled areas (FATF, 2015). They may also use funds to provide social services to deprived communities, thereby building support and undermining legitimate governance (GIABA, 2013).

Exploitation of Global Financial Systems: Funds for terrorism can originate from both legitimate and illicit activities (GIABA, 2013; FATF, 2015). Legitimate sources include private donations, employment income, social assistance, bank loans, and the establishment of small businesses (FATF, 2015). Non-profit organizations (NPOs) and charities are particularly vulnerable to abuse, either by terrorist organizations posing as legitimate entities, or by being unknowingly exploited as conduits for funds, sometimes under the guise of humanitarian aid (ADB, 2003; FATF, 2015; GIABA, 2013; CTITF Working Group, 2009). Illicit sources involve proceeds from organized crime such as drug trafficking, kidnapping for ransom (a growing revenue source for groups like ISIL, generating hundreds of millions of dollars), various types of fraud (including VAT fraud, courier and phishing frauds), extortion, and trade-based money laundering through false invoicing (FATF, 2015; GIABA, 2013). Some terrorist groups, like the Liberation Tigers of Tamil Eelam and the Taliban, have even taxed civilians within their territories (Doğan, 2019).

Terrorist financiers constantly adapt their methods to avoid detection, utilizing diverse channels to move funds across borders (Doğan, 2019; U.S. Department of the Treasury, 2024; FATF, 2015). Banks and money remitters remain primary methods for moving funds raised in the United States (U.S. Department of the Treasury, 2022; FATF, 2015). Small, legitimate-looking transactions are often preferred to avoid scrutiny (U.S. Department of the Treasury, 2022;



Doğan, 2019). Informal Value Transfer Systems (IVTS), Unregulated systems like *hawalas* are exploited, especially in conflict-prone countries with limited banking access, making detection difficult due to commingling with legitimate family remittances (FATF, 2015; GIABA, 2013; CTITF Working Group, 2009).

Physical Movement of Cash is prevalent in terrorist operations, facilitated by porous national borders, weak border security, and informal economies. Small amounts are often smuggled, making detection challenging (FATF, 2015; GIABA, 2013; CTITF Working Group, 2009). Some groups even exploit cultural norms, using women as cash and weapon couriers in Islam-dominated areas (GIABA, 2013). New Technologies such Prepaid cards, online payment systems, social media (for fundraising campaigns and crowdfunding), and virtual assets are increasingly used due to their anonymity and speed, posing emerging vulnerabilities for combating terrorism financing (FATF, 2015; U.S. Department of the Treasury, 2024; U.S. Department of the Treasury, 2022). While social media companies generally cooperate with authorities, the relative ease of integrating electronic payment mechanisms and the potential for donors to be unaware of the end-use of funds are significant risks (FATF, 2015).

Undermining National and Global Stability: Exploitation of Weak Regimes, Sophisticated illicit actors deliberately target jurisdictions with weak anti-money laundering/combating the financing of terrorism (AML/CFT) legal frameworks, supervision, and international cooperation (U.S. Department of the Treasury, 2022; U.S. Department of the Treasury, 2024). This creates significant barriers for international law enforcement and allows illicit proceeds to fund activities that harm national security (U.S. Department of the Treasury, 2022). There has been a notable increase in state, state-funded, and state-affiliated actors laundering and moving funds to wage war, facilitate terrorism, and undermine global security and stability (U.S. Department of the Treasury, 2024). State sponsorship of terrorism is a long-standing threat to international peace and security, and to regional stability (FATF, 2015; GIABA, 2013). Recent examples include Russia's war against Ukraine and the Hamas terrorist attack in October 2023, which highlight how state-affiliated actors exploit the global financial system's openness to hide illicit wealth and support destabilizing activities (U.S. Department of the Treasury, 2024). Terrorism itself is a transnational problem, as exemplified by the September 11, 2001, attacks, which necessitates a coordinated global response (Doğan, 2019; U.S. Department of the Treasury, 2022). The lack of a universally accepted definition of "international terrorism" and inadequate efforts, limited resources, and expertise remain weaknesses in international anti-



terrorism initiatives (Doğan, 2019).

International Security and the Imperatives of Counter-terrorism Financing

Counter-terrorism financing (CFT) strategies are a cornerstone of international security efforts, aimed at disrupting the financial lifelines of terrorist organizations to prevent them from carrying out their destructive objectives (U.S. Department of the Treasury, 2024; U.S. Department of the Treasury, 2022; FATF, 2015). The fundamental need for terrorists to raise, move, and use funds has remained constant, even as the nature and scope of terrorist groups evolve (FATF, 2015). Therefore, effective CFT measures are crucial for detecting, preventing, and sanctioning terrorist and terrorism financing activities (FATF, 2015).

The global fight against terrorism financing is a complex and dynamic undertaking that requires a multifaceted approach involving robust legal frameworks, enhanced financial intelligence, extensive international cooperation, and continuous adaptation to emerging threats and methods (Germany, 2020; U.S. Department of the Treasury, 2024; CTITF Working Group, 2009). Effective CFT requires strong domestic and international cooperation, a shared understanding of "terrorism financing," and robust information exchange between public and private sectors (Germany, 2020; U.S. Department of the Treasury, 2022; CTITF Working Group, 2009). Financial intelligence is a necessary component for all counter-terrorism activities, providing valuable insights often unavailable from other sources (FATF, 2015; CTITF Working Group, 2009). Strategies involve prioritizing targeted measures to disrupt illicit finance, strengthening global AML/CFT standards, and developing sustainable funding models for non-bank financial institution supervision (U.S. Department of the Treasury, 2022; U.S. Department of the Treasury, 2024). Financial sanctions, including asset freezes, are a central component of these efforts, although their implementation must be balanced with due process and human rights protections (Germany, 2020; CTITF Working Group, 2009). States are urged to criminalize the financing of terrorism and comply with the International Convention for the Suppression of the Financing of Terrorism (CTITF Working Group, 2009).

Constant vigilance and adaptation are needed to address emerging risks such as foreign terrorist fighters (FTFs), social media fundraising, new payment products, and the exploitation of natural resources (FATF, 2015). Authorities must work to identify and target financial collection and aggregation points within terrorist organizations, focusing on the ultimate recipients of funds (FATF, 2015). The U.S. government, for instance, focuses on enhancing identification and



analysis of financial activity of domestic violent extremist (DVE) actors and collaborating with financial institutions to improve detection and reporting (U.S. Department of the Treasury, 2022; U.S. Department of the Treasury, 2024).

Strategic Pillars and Priorities of CFT

Combating the financing of terrorism effectively hinges on several strategic pillars:

Robust Legal and Regulatory Frameworks: A primary step in CFT is the criminalization of terrorism financing as a predicate offense for money laundering (ADB, 2003; "money-laundering-terrorism; CTITF Working Group, 2009). States are strongly encouraged to ratify and fully implement international instruments such as the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism and relevant UN Security Council Resolutions, particularly UNSCR 1373 (ADB, 2003; CTITF Working Group, 2009). These frameworks aim to establish strict rules for transparency, accounting, and auditing to prevent the abuse of legitimate funds for terrorist purposes (ADB, 2003). Germany, for instance, prioritizes AML/CFT within the European framework and monitors supervisory divergences (Germany, 2020). The U.S. government continuously updates its National Strategy for Combating Terrorist and Other Illicit Financing, focusing on strengthening the U.S. AML/CFT regime and keeping the international financial system from being exploited by illicit actors (U.S. Department of the Treasury, 2022; U.S. Department of the Treasury, 2024).

Enhanced Financial Intelligence and Information Sharing: Financial intelligence is indispensable for all counter-terrorism activities, providing insights often unavailable from other sources (FATF, 2015; CTITF Working Group, 2009). Effective CFT requires a shared understanding of "terrorism financing" among all relevant agencies and robust information exchange between public and private sectors (Germany, 2020; U.S. Department of the Treasury, 2022; CTITF Working Group, 2009). Financial institutions are on the front lines of detecting and reporting suspicious transactions (U.S. Department of the Treasury, 2022). Authorities should engage with the private sector to improve detection and reporting of illicit financial activity, including by sharing clear guidance on information sharing and inviting feedback on the effectiveness of CFT measures (U.S. Department of the Treasury, 2022; CTITF Working Group, 2009). Strong domestic and international cooperation, facilitated by established coordinating mechanisms or central coordinating bodies, is essential for effectively addressing illicit finance threats (U.S. Department of the Treasury, 2022; CTITF Working Group, 2009).



This includes collaboration between financial intelligence units (FIUs), law enforcement, and intelligence services (Germany, 2020; CTITF Working Group, 2009).

Targeted Measures and Financial Sanctions: Asset freezes and targeted designations are central to disrupting terrorism financing (CTITF Working Group, 2009; "international terrorism and terrorism financing"). These measures aim to deny funds and resources to designated persons and entities (CTITF Working Group, 2009). However, their implementation must be carefully balanced with due process and human rights protections to maintain the system's effectiveness and credibility (Germany, 2020; "international terrorism and terrorism financing.pdf"; CTITF Working Group, 2009). Authorities may also strategically delay freezing assets to gather more intelligence on terrorist networks and identify unknown players (CTITF Working Group, 2009).

Addressing Vulnerabilities and Terrorist Financing Methods: Terrorist organizations continuously adapt their methods, requiring CFT strategies to be flexible and forward-looking. Terrorist funds can originate from both legitimate and illicit sources (GIABA, 2013; FATF, 2015). These include private donations, employment income, social assistance, bank loans, and seemingly legitimate businesses (FATF, 2015). Foreign terrorist fighters (FTFs) often self-fund their travel using legitimate income or by selling assets (FATF, 2015). These involve proceeds from organized crime such as drug trafficking, kidnapping for ransom (a significant revenue source for groups like ISIL, generating hundreds of millions of dollars), extortion, various types of fraud (e.g., VAT fraud, courier and vishing frauds), and trade-based money laundering through false invoicing (FATF, 2015; GIABA, 2013). Some groups, like ISIL and the Taliban, have also "taxed" civilians in their controlled territories (Doğan, 2019; FATF, 2015). Terrorist financiers exploit a variety of channels to move money, often across borders. Banks and money remitters remain primary methods for moving funds, particularly from the U.S. to foreign terrorist groups (U.S. Department of the Treasury, 2022; FATF, 2015). Small, legitimate-looking transactions are often preferred to avoid detection (U.S. Department of the Treasury, 2022; Doğan, 2019). Informal Value Transfer Systems (IVTS), Unregulated systems like *hawalas* are exploited, especially in regions with limited banking access, making detection difficult due to the commingling of legitimate remittances (FATF, 2015; GIABA, 2013; "Working Group, 2009).

Physical Cash Movement is prevalent in terrorist operations, facilitated by porous borders,



weak border security, and informal economies (FATF, 2015; GIABA, 2013; CTITF Working Group, 2009). Women are sometimes used as couriers in areas where cultural norms limit searches by male security personnel (GIABA, 2013). New Technologies such as Prepaid cards, online payment systems, social media (for fundraising and crowdfunding), and virtual assets (like Bitcoin) are increasingly used due to their anonymity and speed (FATF, 2015; U.S. Department of the Treasury, 2024; U.S. Department of the Treasury, 2022). Social media companies generally cooperate with authorities, but the ease of integrating electronic payments and donor unawareness of fund end-use pose significant risks (FATF, 2015). The U.S. government is actively preparing action plans and frameworks to counter the illicit finance risks of digital assets (U.S. Department of the Treasury, 2022).

Vulnerable Sectors:

- a. **Non-Profit Organizations (NPOs):** NPOs and charities are particularly vulnerable to abuse, either by terrorist organizations posing as legitimate entities or by being unknowingly exploited as conduits for funds, sometimes under the guise of humanitarian aid (ADB, 2003; FATF, 2015; GIABA, 2013; "money-laundering-terrorism.pdf"; "terrorism financing 555.pdf"; CTITF Working Group, 2009). Strategies include careful review of laws and regulations related to NPOs, avoiding rhetoric that generally ties NPOs to terrorism, and ensuring oversight is proportionate to risk (U.S. Department of the Treasury, 2024).
- b. **Non-Bank Financial Institutions (NBFIs):** Governments are working to develop sustainable funding models for NBFI supervision and enforcement, as these sectors can be exploited by illicit actors (U.S. Department of the Treasury, 2022).

International Cooperation and Continuous Adaptation: International cooperation is a common desire of all nations in countering the ever-increasing challenges of international terrorism (Doğan, 2019). **Global Initiatives** like the Financial Action Task Force (FATF), the United Nations (including its Counter-Terrorism Implementation Task Force - CTITF), the International Monetary Fund (IMF), and the World Bank are key players in setting standards and supporting CFT efforts globally (FATF, 2015; CTITF Working Group, 2009; ADB, 2003; "money-laundering-terrorism.pdf"). Germany actively participates in international AML/CFT efforts through frameworks like the United Nations, OSCE, Council of Europe, G7, G20, and



the Counter ISIS Finance Group (CIFG) (Germany, 2020). International anti-terrorism initiatives face weaknesses such as the lack of a universal definition of terrorism, inadequate adaptation and implementation of existing instruments, and limited resources and expertise in some states (Doğan, 2019). Terrorists also increasingly resort to unofficial financial support methods that are difficult to restrict (Doğan, 2019). The adaptability of terrorist organizations requires constant vigilance and monitoring of how traditional and emerging methods are being used (FATF, 2015). This includes creating "financial profiles" of foreign terrorist fighters, understanding the risks of unwitting donations through social media, and ensuring legal and operational measures address evolving threats (FATF, 2015). National risk assessments are critical for informing policymakers and implementing risk-based responses (FATF, 2015).

In conclusion, counter-terrorism financing strategies are fundamental to international security by severing the financial support that enables terrorist activities. These strategies encompass a comprehensive and continuously evolving set of measures, from global standard-setting and legal enforcement to intelligence sharing and targeted sanctions, all underscored by the critical need for broad international cooperation and adaptability in the face of evolving threats (U.S. Department of the Treasury, 2024; U.S. Department of the Treasury, 2022; FATF, 2015; Doğan, 2019).

Conclusion

Terrorism financing takes many forms, ranging from state sponsorship and donations by sympathizers to the exploitation of legitimate businesses and criminal activities such as drug trafficking, arms smuggling, money laundering, kidnapping for ransom, and trade-based financial crimes. In recent years, the evolution of digital technologies and cryptocurrencies has introduced new pathways for terrorist financiers to move money across borders with relative anonymity, complicating traditional detection and monitoring systems. These financial flows exploit weaknesses in national and international financial regulatory frameworks, undermining efforts to cut off the resources that fuel violence and insecurity.

The impact on international security is profound. Terrorism financing enables violent groups to expand their influence, disrupt governance, and create humanitarian crises that spill over into neighboring states. For example, groups like al-Qaeda, ISIS, and Boko Haram have leveraged



diverse financing mechanisms to sustain their campaigns, destabilizing entire regions in Africa, the Middle East, and beyond. This has necessitated coordinated global responses, such as the establishment of the Financial Action Task Force (FATF), United Nations Security Council resolutions, and regional frameworks that seek to strengthen financial oversight, improve information-sharing, and enhance capacity-building in vulnerable states.

Terrorism financing is not merely a financial issue but a direct and dynamic threat to international security, demanding ongoing, comprehensive, and coordinated global efforts to disrupt the financial networks that enable terrorist groups to operate and inflict harm worldwide (U.S. Department of the Treasury, 2024; U.S. Department of the Treasury, 2022; FATF, 2015).

References

- ADB. (2003). *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*.
- Buzan, Barry, and Lene Hansen. (2009). *The Evolution of International Security Studies*. Cambridge University Press.
- Canadian Security and Intelligence Agencies. (undated). *Terrorist Financing Threats*. (As cited in Excerpts from "TERRORISM FINANCING 555.pdf").
- Central Bank of Nigeria. (2013). *Anti-Money Laundering and Combating Financing of Terrorism for Banks and Other Financial Institutions in Nigeria, Regulations*. (As cited in Excerpts from "TERRORISM 3444.pdf").
- CTITF Working Group. (2009). *Tackling the Financing of Terrorism*. United Nations.
- Doğan, N. (2019). *International Security*. Anadolu University.
- Falkenrath, R. A. (1998). Nuclear, Biological and Chemical Terrorism. In *International Security*.
- FATF. (2004). *The Financial War on Terrorism: A Guide by the Financial Action Task Force*.
- FATF. (2015). *Emerging Terrorist Financing Risks*. FATF, Paris.
- Germany. (2020). *Strategy to counter money laundering and terrorist financing*.



- GIABA. (2013). *Terrorist Financing in West Africa*.
- Heurlin, Bertel, and Kristensen. (undated). *International Security*. UNESCO – EOLSS.
- Human Rights Watch. (2006). “*Funding the Final War: LTTE Intimidation and Extortion in the Tamil Diaspora*”.
- Keatinge, T. (2015). *Identifying Foreign Terrorist Fighters: the role of public-private partnership, information sharing and financial intelligence*. Royal United Services Institute (RUSI).
- Levitt, M., & Jacobson, M. (2008). *The Money Trail: Finding, Following, and Freezing Terrorist Finances*.
- ODIHR. (2008). *Combating the Financing of Terrorism While Protecting Human Rights: A Dilemma?* Background Paper for Giessbach II Seminar.
- Payment Corridor Assessment. (undated). *Basic Scenarios for TF in a Payment Corridor*. (As cited in Excerpts from "terrorism financing 7777.pdf").
- Stringer, K. D. (2011). “Tackling Threat Finance: A Labor for Hercules or Sisyphus?”. *Parameters*, Vol. 41: 101-119.
- U.S. Department of the Treasury. (2022). *2022 National Strategy for Combating Terrorist and Other Illicit Financing*.
- U.S. Department of the Treasury. (2024). *2024 National Strategy for Combating Terrorist and Other Illicit Financing*.
- U.S. Department of the Treasury. (2024). *2024 National Strategy for Combating Terrorist and Other Illicit Financing*.
- UN. (1999). *International Convention for the Suppression of the Financing of Terrorism*.
- World Bank and International Monetary Fund. (2003). *Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism*.