

What is terrorist financing

The FATF Glossary defines terrorist financing as the [“financing of terrorist acts, and of terrorists and terrorist organisations”](#). In general terms, terrorist financing is the provision or collection of funds from legitimate or illegitimate sources with the intention of, or in the knowledge that these funds are intended to be used to carry out any act of terrorism, whether or not those funds are in fact used for that purpose.

Alongside the use of money, terrorist financing can also involve facilitating terrorist acts, or supporting terrorists, by using other assets or stores of value. For example:

- › natural resources, e.g. oil, gas, phosphate, precious metals, precious stones, wheat and grain
- › property
- › legal documents
- › financial instruments and
- › items of archaeological, historical, cultural and religious importance.

Terrorist financing is a pre-requisite of organised terrorist activity and, as such, poses a threat to peace and security worldwide.

Terrorist organisations usually need to raise funds to:

- › carry out terrorist acts
- › spread their ideology and recruit people to their cause
- › pay for travel and transport
- › purchase weaponry and ammunition and
- › support involved persons, for example by providing food and accommodation to foreign terrorist fighters and their family members and by funding terrorist cells.

Individual terrorists (sometimes referred to as a lone actor/wolf) also require funding for similar purposes.

In Jersey, terrorist financing is a criminal offence, as required by the Financial Action Task Force ([FATF](#))’s [Recommendation 5](#). Specific provisions relating to these offences are noted under the Terrorism (Jersey) Law 2002 and the Sanctions and Asset-Freezing (Jersey) Law 2019.

Stages of terrorist financing – linear process

Terrorist financing contrasts with other types of criminal activity where financial benefit is generally the ultimate objective. The process of terrorist financing is linear, and the money generated is used to facilitate terrorism activities through stages. Not all steps are required. Raising funds, for example, will suffice for terrorist financing to have occurred.



Raising of funds

Modern terrorist organisations, terrorist cells and individual terrorists employ various methods and channels to finance their operations, such as:

- › direct donations (salaries, welfare benefits, fundraising events, profit from legitimate commercial enterprises, prepaid cards etc.)

- › use of charities and non-profit organisations (NPOs) (grants, diversion of charitable donations through affiliated individuals, sham NPOs)
- › State sponsorship of terrorism (e.g. North Korea, Iran and Syria)
- › proceeds of crime (extorting local and diaspora populations and businesses, kidnapping for ransom, counterfeiting, cultural racketeering, drug and human trafficking, illicit trades and other fraudulent activities such as subsidies abuse and tax exemption schemes)
- › solicitation on social media and crowdfunding platforms (e.g. via mobile applications, chats, online funding platforms, e-wallets).

Moving of funds

Funds may be transferred through a range of methods. For example:

- › bank and ATM transactions
- › money services businesses (money remittance and currency exchange providers)
- › internet based payment services (e.g. Apple Pay, PayPal)
- › informal value transfer systems (e.g. hawala) and foreign exchange houses
- › smuggling of cash and other high value commodities such as precious stones and antiquities
- › virtual asset transfers.

Storing of funds

Some examples of methods used to store raised funds include:

- › banks and other financial accounts
- › pre-paid cards
- › bulk cash warehousing
- › art/antiques
- › exploitation of natural resources (e.g. gas, oil, timber, diamonds, gold, wildlife, charcoal, gemstones)
- › virtual assets.

Monetary value may initially be stored in one form, then later converted into another.

For example, funds are paid out of a bank account, the cash is used to purchase a piece of art. The artwork may be an investment hedging against inflation. It may be sold for a profit and the funds may be donated to a number of non-profit organisations. The funds may then be diverted for terrorist activities.

Management of funds

Terrorists may employ professional managers and larger terrorist organisations may use financial committees. They may seek to rely on one or multiple managers for services such as:

- › budgeting
- › making and managing investments
- › professional services from, for example, bankers, accountants, estate agents, lawyers, investment houses, lenders, trust company services providers etc.

Obscuring of funds

Some examples of methods to obscure the origin or owner of the funds include:

- › using third parties to layer and complicate the tracing of transactions
- › using proxies, for example, placing money in third party sympathisers' bank accounts, those individuals not being known to law enforcement
- › using false names, for example pretending to employ a person who does not exist, in reality paying the 'salary' to a terrorist organisation via a proxy recipient.

Using funds

Terrorist organisations, terrorist cells and individual terrorists use funds in different ways. They are often driven by demands placed upon them in the area where they operate. For example, if a terrorist organisation or a terrorist cell occupies territory, it will need to ensure that funds are spent on securing that area, for example by paying their fighters a salary to maintain check-points along access roads. They may also need to ensure that they can provide social services such as schooling, medical facilities and other 'public services' within the occupied territory.

Terrorist organisations

Terrorist organisations often spend substantial amounts on promoting their ideology, e.g. via social media campaigns and magazines. This gains them a certain gravitas and 'legitimacy'. It can attract both funding and resource, such as money, weapons and/or foreign terrorist fighters.

To operate undisturbed in a territory, terrorist organisations pay bribes. They sometimes purchase land and buildings for training camps. They may also pay for social services, such as providing salary and accommodation for their leadership, veterans, foreign terrorist fighters and families of those who have died for the cause. Terrorist organisations may also pay patronage, such as seed money, to new terrorist cells, or for attacks to be carried out in their name.

Terrorist cells

Terrorist cells may pay for training and knowhow, as well as weapons and ammunitions. They may also pay for their member's living expenses. They sometimes pay for transport costs and travel expenses. At times they may also send money to its affiliated terrorist organisation. It is not unusual that members of a cell are self-financing their activities.

Individual terrorists

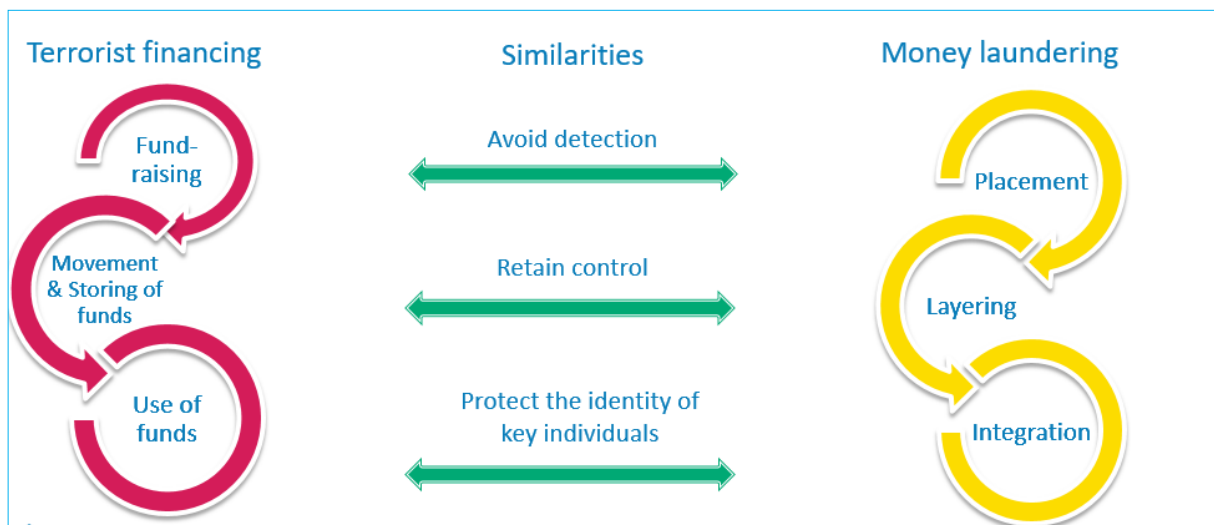
Individual terrorists may, on occasion, receive sponsorship from a terrorist organisation or a cell. More commonly they are self-financing their activities. They use funds for similar purposes as does a terrorist cell.

Terrorist property and criminal property

There are differences between terrorist property and criminal property which may make it more difficult to identify terrorist property. For example:

- › Funds may be obtained legally and may be of low value, but are ultimately used for an illegal activity – the financing of terrorism
- › Along the way, the funds may be used to legitimately purchase regular products and services, such as renting vehicles or purchasing ordinary household goods
- › International terrorist financing cases show that the non-profit sector is vulnerable to abuse. Examples include establishing charitable organisations to attract funds from multiple sources through crowdfunding, social media and collection buckets.

Terrorists may use money laundering techniques to evade attention and to protect the identity of their sponsors and the ultimate beneficiaries of the raised funds as demonstrated below.



Both illicit and legitimate sources of funds may therefore be relevant. The use of new technologies such as the internet, social media, encryption, mobile and blockchain technologies, has widened the available methods and channels of terrorist financing. Traditional payment methods are also vulnerable.

Manchester arena and London Bridge attacks

The ingredients of the 2017 Manchester Arena attack were bought online and cost less than £100. In the same year the London Bridge attacker used knives costing £4.

Operational funding versus organisational funding

Although operational funding is often hard to identify due to its smaller values and irregular activity, it is important to remember that the larger, organisational funding of a terrorist organisation is often associated with organised criminal activity. Therefore, anti-money laundering controls serve as relevant tools.

Additional resources relating to terrorist financing typologies are available on the FATF website:

[Terrorist Financing FATF's global efforts on combating terrorist financing \(fatf-gafi.org\)](https://www.fatf-gafi.org/en/publications/typologies/terrorist-financing-fatf-global-efforts-on-combating-terrorist-financing-fatf-gafi.org)

Involvement in terrorist financing

The scope of monitoring for potential terrorist financing activity extends beyond the terrorist act itself to any involvement, in whatever way, in any terrorism or terrorist entity activity, directly or indirectly, irrespective of whether funds are being sent or not.

Various forms of involvement in terrorist activities, include, but are not limited to:

- › engaging in, or being responsible for providing support, the commission, preparation or instigation of an act of terrorism
- › facilitating, promoting or encouraging terrorism
- › providing or receiving training for the purpose of terrorism
- › recruiting for terrorism, soliciting funds or otherwise procuring funds, organising, providing support for or otherwise facilitating the traveling costs of foreign terrorist fighters or other terrorists
- › being responsible for a coercive action against a person on behalf of, or in the name of, a terrorist entity.

Supervised persons, including professionals, such as lawyers, accountants, estate agents, lenders and others, are exposed to the risk of involvement in financing of terrorist activities in any way, and in any place (in Jersey, or overseas). Some examples of such involvement include, but are not limited to:

- › providing financial services
- › making economic resources available
- › procuring funds or other economic resources
- › facilitating financing of travel, recruitment or advertisement and propaganda
- › laundering proceeds of crime for the purpose of terrorism.

All of the above apply regardless of whether there are any criminal proceedings.

Targeted financial sanctions related to terrorist financing

Targeted financial sanctions related to terrorist financing (TFS-TF) measures restrict designated persons from having funds or assets made available to them, and demands the freezing of existing funds and assets.

It is a criminal offence to circumvent, or to enable or facilitate the contravention of TFS-TF.

Find out more about targeted financial sanctions related to terrorism and terrorist financing.

[Targeted financial sanctions related to terrorism and terrorist financing](#)

Terrorist financing vs money laundering and proliferation financing

Terrorist financing is a distinct financial crime. It may share certain characteristics with other forms of financial crime, such as money laundering and proliferation financing of weapons of mass destruction.

Our [comparison table](#) displays a number of differences and similarities between money laundering, terrorist financing and proliferation financing.

Country risk varies depending on the focus and whether it is on terrorist financing, money laundering and proliferation financing. Examples of these risks are highlighted in the [Appendix D2](#) of the Handbook.

Reporting suspicions of crime

For reporting requirements refer to [Section 8 of the Handbook](#).