

Summary of Session II Financing of terrorism and ancillary crime

by

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As it was pointed out by all the speakers during the Session II, the financing of terrorism is crucial to the existence of such organisations as without their financial resources, there would be no mechanism for which they could have the influence, both criminal and political, they so desire. The financing of the terrorist organisation 'Islamic State' is a clear example. IS is largely funded by the exportation and smuggling of oil to Syria and its sale across borders. The revenue gained from these activities has allowed IS to expand its military strength and political influence as a terrorist organisation. Therefore the prevention of financing of terrorism and ancillary crimes are of the utmost importance, and are the first step to stopping future terrorist and other criminal activities. This is something which is not only being recognised at this Conference. Recently the United Nations Security Council, in response to the threat posed by IS and in relation to their financing, it took the opportunity to remind countries to ensure that no-one engages in commercial or financial transactions with IS. It did this in an attempt to stem the funding of IS, clearly in recognition of much which has been said at the Conference, which is that money leads to power and influence. It is therefore clearly an issue of global importance which must be tackled globally through the co-operation and partnership of the states involved.

Mr Verhelst examined in his presentation the financing of terrorism in respect of the challenges faced by three different organisations. Firstly he discussed the objectives of CFT (combating financing of terrorism), particularly the importance of preventing terrorism through cutting off their financial support and also locating terrorists through tracking of their funds. This emphasised the point already made, which is that cutting off financial support to terrorists can really impact on their ability to function as terrorist organisations. He then went on to talk about the significant role of the FIU (financial intelligence unit), particularly concentrating on the Belgian FIU. From the perspective of the Belgian FIU Mr Verhelst identified various typologies which had been identified as being used for the financing of terrorism. These typologies ranged from the lesser known methods including the use of charities, corporate structures and transfer of social security benefits, to the better known methods, including holding hostages for ransom and extortion. These examples really highlighted the number of different methods with which law enforcement agencies have to monitor and detect in their attempt to prevent such financing.

Finally Mr Verhelst shared with us the findings of Moneyval and the problems that they face, particularly in relation to international co-operation. He stated that despite the financing of terrorism being a clear cross-border activity, the overall conviction rate for this type of offence is still very low, and the freezing and confiscation of terrorist assets are still quite rare. He detailed the results of the last plenary session of Moneyval, focusing specifically on looking at the implementation of freezing sanctions of individuals related to ISIL and the AL Nusra front. He stated that following the relevant UN resolutions and EU regulations, the countries shall be required to clarify the measures they have undertaken to implement the new sanctions related to the newly designated individuals. Discussing implementation is extremely important, particularly due to the cross-border nature of this crime and the role that the Council of Europe can play in helping to implement such potentially effective resolutions and regulations.

Terrorism and the financing of terrorism is a very broad concept which can often be left undefined. Mr Verhelst talked about definitions in relation to different interpretations of terrorism (one man's terrorist is another man's freedom fighter). Mr Piacente also did this and began by defining the financing of terrorism and the different ways of financing terrorism. He specifically differentiated between the meanings of the financing of a terrorist act and the financing of a terrorist organisation. Mr Piacente then went on to consider the wider implications of the financing of terrorism, focusing on ancillary crimes committed to finance terrorist activities.

A specific issue was examined in a number of presentations and this was the relationship between organised crime and terrorist organisations. Organised crime, much like terrorist organisations, also survive through their ability to finance their criminal activity. Furthermore their ability to obtain and transfer illicit funds, and the necessity to keep such funds undetected by the authorities, also make them similar in function. In this regard, the investigative methods used to detect the financing of terrorist activities can equally apply to the tracking of money used and produced by organised crime, and so it is useful to compare and analyse the methods used by law enforcement agencies in both these branches of criminality.

Mr Piacente addressed the comparison between terrorist groups and other criminal groups in relation to their co-existence, the methods used by law-enforcement agencies in relation to the investigation of these groups, and the need for synthesis between prosecution offices for these two groups. He highlighted the need for a different approach in the identification within the law enforcement agencies of the stakeholders in the investigations and prosecution of terrorist and criminal groups and that prosecution offices need to concentrate in the same units terrorism and organised crime cases.

This would allow the pooling of resources and greater efficiency in the fight against these two types of criminality.

The issue of the type of financing used for terrorism was addressed by Mr Velichko who concentrated on the distinction between external and internal sources of financing of terrorism. In relation to external sources of funding he discussed the use of facilitative crimes such as drug trafficking and money laundering to finance terrorism. He mentioned in particular the use of the “hawala system”, an alternative money transfer system which is based on the performance and honour of a huge network of money brokers primarily located in the Middle East and North Africa, and which operates in parallel to traditional banking channels. This system is illegal in some US States and in India and Pakistan, and a number of brokers have been prosecuted for money laundering under this system.

In relation to internal sources of funding, such as the proceeds of predicate crimes, Mr Velichko discussed both the illegal activities, including counterfeiting of money and illegal trading of petroleum products and the legal businesses used to finance terrorism. He further addressed specific difficulties in relation to combating the financing of terrorism, such as the use of “electronic money” and of the participation of former mercenaries in providing financial support to terrorist organisations. Such analysis is extremely important in order to be able to identify other areas of criminality which are linked to terrorism and to tackle them as a prerequisite to tackling the financing of terrorism.

As mentioned previously the United Nations is regularly involved in the issues surrounding the financing of terrorism. Such involvement includes the United Nations Security Council Resolution 1373 (2007) which is the most universal instrument in tackling the financing of terrorism as it is the only one that obliges all states. Mr Hinojosa Martínez focused his presentation on the implementation of this Resolution in order to highlight the importance of international co-operation in combating the problem of the financing of terrorism. He addressed the problem of the constant evolution of financial markets and services as a barrier to the fight against the financing of terrorism and discussed the efforts made by international organisations, such as the Counter Terrorism Executive Directorate (CTED), the Financial Action Task Force (FATF) and Moneyval to mention a few, in this area. He highlighted that despite the many positive developments, including legislative frameworks designed to tackle terrorism financing, many states still suffer from crippling problems, including the high degree of expertise and resources that are required in this area to challenge the problem and the problems with the already enacted legislation.

As Mr Hinojosa Martínez stated, many international organisations, including Moneyval, make many efforts in this field of crime. These organisations, such as Moneyval however face very specific problems. As an international organisation designed to tackle the problems of money-laundering and terrorism financing on an international level, international co-operation is key. For example where money is transferred from a Council of Europe member state which provides full co-operation to a non-member state or a member state who has no anti money- laundering regulations or protocols in place or who does not comply with any request for information, there can be no full investigation or development on the matter. This is why, as highlighted by most of the speakers at the conference, international co-operation is key in the fight against financing terrorism and money-laundering.

With international co-operation being so key in this area, the Council of Europe has a clear role to play in order to ensure that there is effective international communication and co-operation in the exchange of information and expertise. As I said before, both terrorism and organised crimes are not only a global problem but a similar global problem. It is therefore also important not only that there is global co-operation but that both of these crimes (organised crime and terrorism) are considered together in order to synthesise intervention and investigative techniques between these two crimes to increase our efficiency and skill in tackling them.