

Terrorist Financing: Emerging Role of Cryptocurrency

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Introduction

In this new multilateral era of state relations and connectivity, changing dynamic in every aspect, spanning from a smaller to bigger context, is an absolute given. Moreover, in this current world order with every aspect of it has shown the tendency to alter and evolve. In regards to this particular aspect, Terrorism, this is a key issue that concerns the entirety of the globe and is a key threat to the international peace and security, has also been evolving in terms of its operations and outreach. In regards to militancy, it is necessary to mention that, terrorist organization themselves are incapable of functioning without the help of financing. The terrorist financing is a key aspect towards ensuring that a militant group manages to maneuver and fulfill the activities in concern without a hitch. However, this is necessary to mention that the relevant authorities have often managed to stay tow to tow with the militant groups, often disrupting this flow of monetary assistance and leading to a the border line immobilisation of terrorist groups in particular instances. Thus, the militant groups have always kept working towards ensuring new ways to navigate amidst this clamping down from the relevant authorities, and the utilization of crypto currency has emerged as a new method of channeling financial assistance towards the terrorist groups.

Understanding Terrorist Financing

The concept of terrorist financing or financing of terrorism is rather straight forward, to ensure collecting resources through various nefarious, and even legal means, and providing the much needed and required resources to ensure the fruition of various terrorist acts, operations and activities. Terrorist financing is the backbone of every militant group, spanning from local to

regional to global. Every action conducted by the terrorist organization does require a substantial sum of money. The terrorist organisations have been able to not only find way to navigate around the current existing financial structure to ensure the flow of money from various willing and unwilling sources towards them through various different means. The surge of internet and global connectivity has also provided a major leeway to help the terrorist groups to be able to connect to the different sources of financing, many of which are functioning under the guise of legal institutions.

Major terrorist groups around the world, utilize internet to spread their propaganda and message of hate, although not only on this prospect. Groups such as Al Qaeda, Hamas, Lashkar e-Taiba have also utilised the digital sphere extensively to transfer funds to further their activities. The Internet's appeal in this regard for terrorist groups is readily apparent—offering a broad reach, timely efficiency, as well as a certain degree of anonymity and security for both donors and recipients.¹ However, it is necessary to mention that, governments around the world have attempted to highlight the importance of addressing the role of internet among terrorist groups and thus there have been major attempts towards ensuring the disruption in this chain, while being successful in many cases. This has resulted in the groups adopting new and improved measures towards ensuring the free flow of money to promote their propaganda and their activities. The most recent means that has come into the frontier is the use of crypto currency to fund their endeavors, which adds a major new dynamic towards the already complex and often neglected aspect of the financing of terrorism.

Cryptocurrency and its role in terrorist financing

Before delving into the role of cryptocurrency in regards to terrorist financing, it is necessary to understand what exactly cryptocurrency is. This is particularly important due to the fact that although many are familiar with the term itself, most of the general populace still do not have the adequate knowledge in terms of what this modern phenomenon actually is. Cryptocurrency is basically a digitised form of currency that works like other forms of currencies towards purchasing online goods and services. However, unlike other forms, cryptocurrency uses a strong ledger towards ensuring that the transaction is safe and secure. This concept of security

¹Jacobson, M., 2010. Terrorist financing and the Internet. *Studies in Conflict & Terrorism*, 33(4), pp.353-363.

associated with transaction without oversight and scrutiny has helped cryptocurrency reach soaring levels of popularity, reaching almost astounding levels of price hike in its valuation within a very short period of time. Nevertheless, there are dark aspects to cryptocurrency as well. There are major environmental ramifications due to the levels of energy required towards the mining of cryptocurrency. The most popular one among other forms of cryptocurrencies, Bitcoin, is probably the biggest offender. There is a huge amount of energy required towards the mining process of bitcoin, which is usually conducted by a huge number of super computers working in unison.

The toll on energy isn't the only issue concurring with cryptocurrencies such as bitcoin. There are other worrying aspects concerning the cryptocurrency as well. The bitcoin itself is not regulated by any centralized body, like a central bank. This makes the currency itself decentralized by nature. This lack of oversight often provides the platform for illegal money transactions. The currency itself is often used very powerful tool for corrupted individuals to exploit the loopholes and evade the grasp of law to launder and move around their black money, which has even proven rather effective.

The most alarming aspect to this is that, militant groups have realized this as alternative to opt for in regards to terrorist financing is the lack of oversight, still complicated nature of this currency, and the opportunity to avoid leaving digital footprint behind during online transactions.

There have been many instances where authorities have come across cases linking groups with cryptocurrencies to ensure their online transactions. Although it is still believed that the role itself isn't that prominent yet, there is a strong possibility that cryptocurrency could become the major frontier for terrorist financing. Many international accounts on the basis of evidence suggested that, there have been examples of crypto involvement in terms of terrorist financing, albeit in a very small scale. There have been examples of the involvement of this digital currency spanning from the year 2010. In August 2020, the U.S. Department of Justice seized the cryptocurrency accounts of three Middle East-based terrorist financing operations. This was the "largest ever seizure of terrorist organizations' cryptocurrency accounts," according to the DoJ. "It is a fact that jihadi groups, led by ISIS and Al-Qaeda, have been using cryptocurrency for years," This was according to Steven Stalinsky, executive director at the Middle East Media Research Institute. He also added that "Following the fall of ISIS's caliphate, it quickly became

even more important for them.² However, Mr. Stalinsky has also mentioned that, the practice has reached such a proportion that it should be a matter of major concern. He has added that “Any arrests and public news of jihadis using cryptocurrency has so far led to the companies acting to shut down these and related accounts and this seems to be creating a balance to curb the problem.”³

In terms of South Asia, however, the scenario can be considered to be slightly different, as there have been cases identifying the use of cryptocurrency in terms of terrorist financing, cases very close to home as a matter of fact. Bangladeshi groups such as Ansar Al Islam are believed to have sent huge amount of financial aid in the forms of cryptocurrency to another extremist group in Kashmir, according to the Counter-Terrorism and Transnational Crime Unit (CTTC), who previously had arrested two AI militants, Awal Newaz alias Sohel Newaz and Fazle Rabbi Chowdhury, in September 2019. This revelation came from the confession of these two militant upon interrogations. The two militants also confessed to have had received huge funds through the Bitcoin system since 2014. The two also mentioned that they collected huge sums of money from Pakistan and Gulf countries also in the form of cryptocurrency. The militants, in the meantime, made claims about the method, mentioning that earlier they used to collect money through 'hundi', but that is now under the surveillance of the law enforcers. This is actually a strong indication towards the rising role of the cryptocurrency in regards to terrorist financing, due to how easily the money can be channeled without any particular oversight by relevant law enforcement authorities.

Moreover, the practice is not only prevalent in South Asia, but in Southeast Asia as well, As a matter of fact, the situation can actually be identified as “Considerably Worse” when it comes to South East Asia. The latest noted instance actually took place as early as last year, When in May 2020, the Philippine Institute for Peace, Violence and Terrorism Research (PIPVTR) reported that Islamic State (IS)-linked terror groups had conducted their first transactions in cryptocurrencies. According to the report, a terrorist-linked money laundering operation involving cryptocurrencies generated funds, which were then allegedly used to finance the activities of terror networks operating in the conflict-ridden Mindanao region in the southern

²SINGER, A., 2021. *Terrorists still raise money through crypto, but the impact is limited*. [online] Cointelegraph. Available at: <<https://cointelegraph.com/news/terrorists-still-raise-money-through-crypto-but-the-impact-is-limited>> [Accessed 10 April 2021].

³ Ibid

Philippines. While the adoption of cryptocurrency is not unprecedented among IS supporters, this case signals a reinvigorated push to diversify funding tactics for terrorism in Southeast Asia.

In Southeast Asia, an early proponent of using cryptocurrency for terrorism financing was an Indonesian national named Bahrin Naim, an IS fighter based in Syria (now deceased). In his online manual published in 2016, Naim listed Bitcoin as one of the fund-moving methods to launder the proceeds from “carding” (fraudulent credit card transactions). At the time, Indonesia’s Financial Intelligence Unit PPATK (Indonesian Financial Transaction Reports and Analysis Centre) reported Bahrin Naim had moved money to his associates using PayPal, with the funds actually originating from the famous cryptocurrency Bitcoin. The money was eventually used to fund a suicide attack at the Solo Police Headquarters, Central Java, in July 2016.⁴

These cases, although very prominent and helping towards understanding these new practices, are just the tip of the alarming ice berg, as these are the cases that actually have been recorded. Although reassuring, these also prove that, there are probably many more occurrences where there have successful transactions and the militants have probably fulfilled their duties without leaving a trace of the transaction and themselves. It can be taken into consideration with almost certainty, there had to have been quite a number of transactions and militants who have functioned and probably still are functioning under the radar. This where the terrifying aspect actually begins as despite their best efforts, relevant law enforcement authorities are always lagging behind, due to various underlying factors. This all sums up to a reality, where the militant groups are always “well-nourished”, and ready to perpetrate attacks that can not only lead to the loss of innocent lives, but also the all so yearning sense of peace and security by the general populace being dangerously disrupted.

Conclusion

The militant groups have few purposes in their existence. In addition to ensuring the fulfillment of their aspirations, they are also the ministers of death, disruption and chaos. They feed through disrupting the harmony within the society and financing is the only way they are capable of

⁴Arianti, V. and Yaoren, K., 2021. *How Terrorists Use Cryptocurrency in Southeast Asia*. [online] TheDiplomat.com. Available at: <<https://thediplomat.com/2020/06/how-terrorists-use-cryptocurrency-in-southeast-asia/>> [Accessed 10 April 2021].

executing their vile actions. Their constant attempt to find new ways to ensure their financing can often slip through grasps of the law enforcement authorities, despite their best efforts and their recent success towards curbing the spread of terrorism. So, it is, as a matter of fact, it is more than imperative to clamp down on all the telltale signs of terrorist financing and take adequate precautionary actions and measures to uproot the problem at the very source of its creation. If the relevant authorities are capable of bleeding the beast, that is terrorism, dry by disrupting and cutting of all forms of terrorism, a society free of terrorism, violence and death can no longer be considered a far-fetched notion, but a reality within reach.

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