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The Funding Needs and Methods of Foreign Terrorist Fighters

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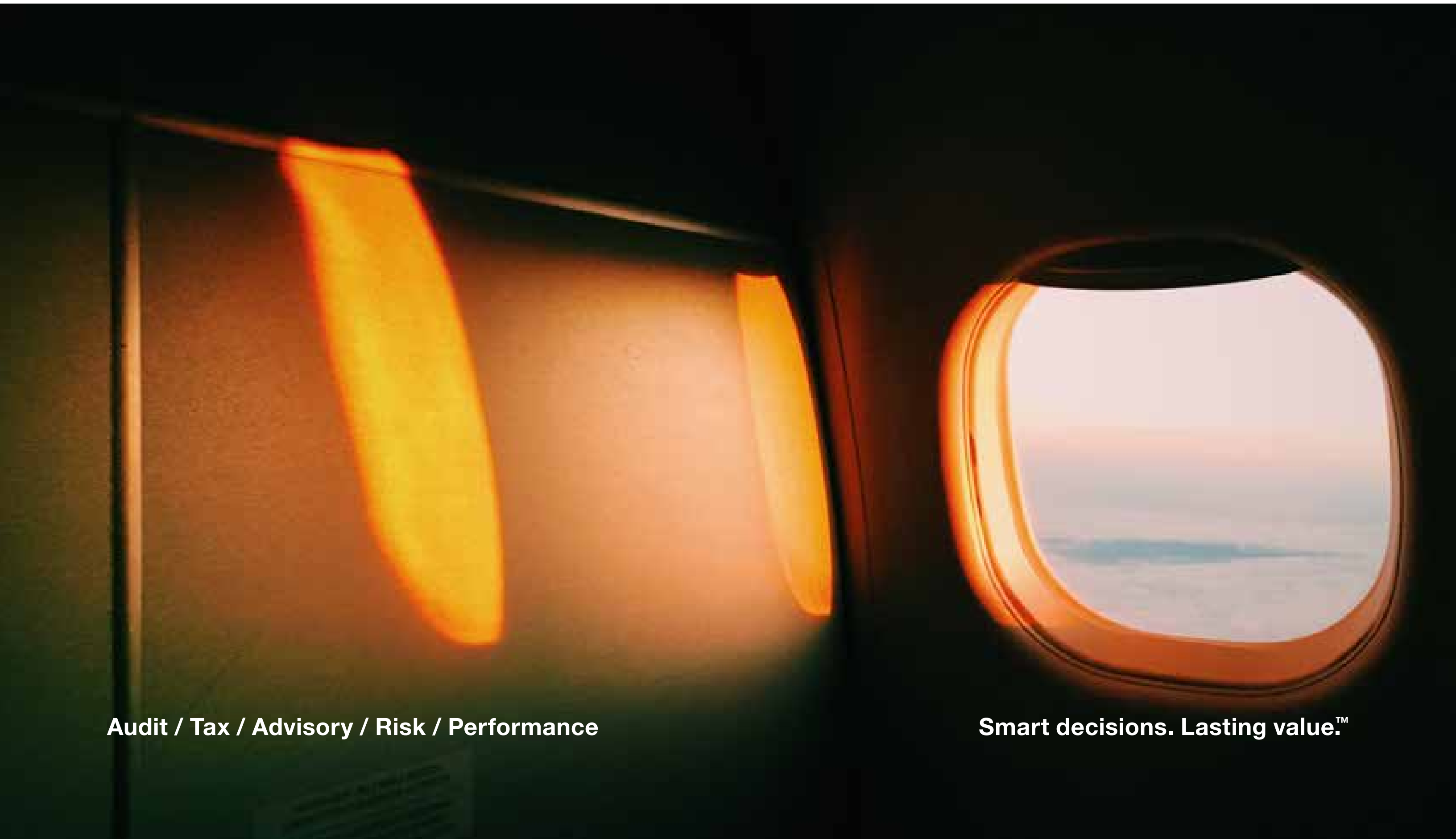

Preventing the flow of foreign terrorist fighters (FTFs) to combat zones has become a key issue for many countries, and it has proven to be a difficult task. An effective strategy in preventing FTFs from reaching combat zones is to disrupt their financing, particularly the funds that support travel-related expenses.

Increase of FTFs

A prominent threat in the fight against terrorism is the emergence and continued increase of FTFs in the Middle East, particularly in Iraq and Syria. In September 2014, the United Nations Security Council defined foreign terrorist fighters as individuals who travel or attempt to travel to a state other than their states of residence or nationality "for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts, or the providing or receiving of terrorist training."[1]

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Terrorist groups such as the Islamic State (IS) and Jabhat Fateh al-Sham (al-Qaida's affiliate in Syria) have begun to use social media and the internet to convince people around the world to travel to the Middle East and participate in the ongoing conflict. An estimated 30,000 foreign terrorist fighters currently operate in Iraq and Syria.[2] One of the primary concerns about FTFs is their potential return to their home countries with combat experience and other skills they developed while fighting with a terrorist group.

One of the main reasons for the recent increase in FTFs in Syrian and Iraqi conflict zones is the relative ease of travel to the front lines, which contrasts with other recent conflicts such as the war in Afghanistan. Instead of having to travel to remote, inaccessible regions, many FTFs are able to travel to Syria's neighboring states and cross the border into the conflict zone. Airfare and other transportation methods to neighboring countries, such as Lebanon and Turkey, are inexpensive as well. Other generally modest expenses that an FTF may incur while traveling include lodging, clothing, food, camping supplies, and mobile phones. FTFs may also need to purchase weapons just prior to entering the conflict zone.[3]

Once in the conflict zone, costs are generally low because terrorist groups are able to generate their own revenue, particularly the IS. The ability to generate revenue from large areas of controlled territory to avoid relying on outside financing is one of the unique aspects of the IS. Some potential warning signs that an individual may be traveling to become an FTF include purchase of one-way travel tickets to areas bordering the conflict zone and uncharacteristic ATM withdrawals or money transfers to areas bordering the conflict zone.

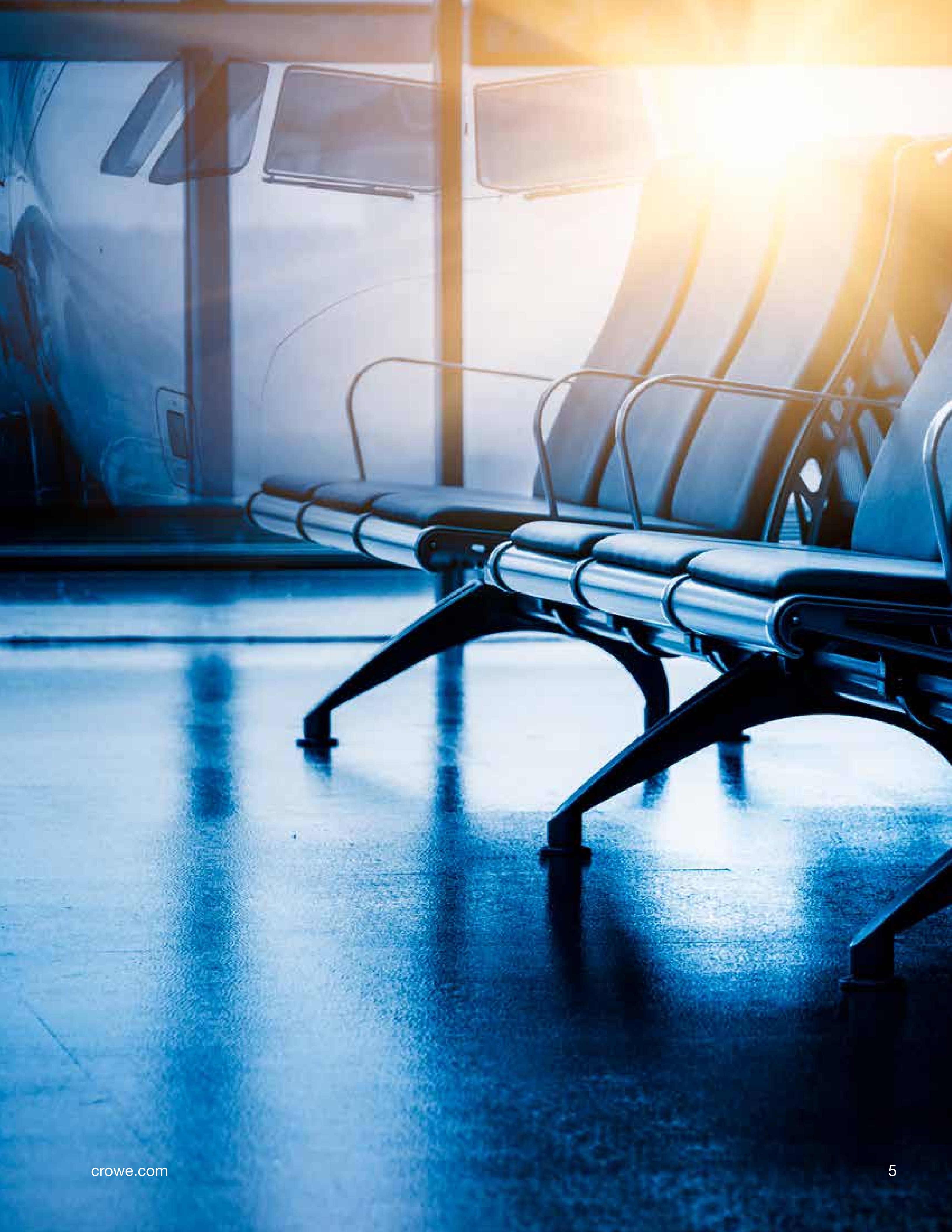
Methods and Schemes

Although the travel costs and funding needs of FTFs are generally low, these terrorists use a wide array of methods to secure funding. One of the more common and well-documented schemes involves payday loans, secondary market services (SMS) loans, or small personal loans. SMS loans are similar to payday loans and are growing increasingly popular. Individuals can apply for them using mobile phone accounts. These loans feature large fees, short repayment terms, and incredibly high interest rates.[4] However, they are popular options because they generally require minimal underwriting or due diligence processes for the borrowers. Moreover, FTFs consider default risks to be almost nonexistent because many leave with no intention of ever returning or of repaying the loans. A 2015 Financial Action Task Force (FATF) report titled “Emerging Terrorist Financing Risks” provides the following case study on the use of personal loans to fund travel.

“An individual received two personal loans totalling JOD [Jordanian dinar] 7,500. After he stopped making repayments, the bank tried to call the individual, and his employer, who mentioned that the individual had been away from work for a long period of time. After requesting information from its counterpart, the FIU [Financial Intelligence Unit] was told that this individual travelled to country (H) and then on to Turkey.”[5]

Other popular fraud schemes used by potential FTFs include value-added tax (VAT) fraud and vishing fraud. VAT fraud involves selling goods with a government-required sales tax, but then not paying said tax to the government. Similar to loan schemes, this fraud is popular because the perpetrators will most likely have left the country before authorities realize fraud has taken place.[6] Vishing fraud entails targeting vulnerable individuals (such as the disabled or elderly) with phone calls purporting to be from the police or other government authorities. The fraudster then convinces the individual to send them money that is used to finance their journey.[7] According to the FATF, vishing fraud is prevalent in the United Kingdom.

The IS and other terrorist groups also have a large presence on social media, which can be used to help facilitate travel and answer any funding- or travel-related questions for potential FTFs. Social media interactions that have been documented include questions about how to travel to Syria, how to get money to travel to Syria, how much money to bring to Syria, and living conditions and financial stability once in Syria. Some social media posts appear to have documented that terrorist groups and foreign sympathizers are willing to fund travel to conflict zones.[8]



Monitoring Trends

The increase of foreign terrorist fighters will continue to be a major issue in the prevention of terrorist financing for organizations such as FATF and the United Nations. Although their funding needs are relatively modest, a number of transaction patterns and activities can be used to detect potential FTFs. FTFs have utilized a variety of documented fraud schemes to raise funds for their travel. The role of social media in disseminating advice and information to FTFs is a trend that needs to be monitored and researched further.

The danger that FTFs pose both domestically and abroad makes interrupting their financing methods a crucial issue for governments, the private sector, and financial institutions.

Financial institutions can play an important role in preventing the travel of foreign terrorist fighters by monitoring transactions and utilizing FTF profiles to prevent them from accessing funds. Examples of activity that can be monitored using automated systems include combinations of account holder age and gender, usage patterns involving the purchase of travel tickets to areas surrounding conflict zones, changes in account usage and unusual account dormancy, out-of pattern use of remittance services, and ATM and credit card activity in areas surrounding conflict zones.[9] Although these factors on their own may not be indicative of FTF activity, a combination of several together may identify individuals who present an elevated risk to the financial institution. Additionally, the exchange of information (including intelligence data) between the government and the private sector is crucial for financial institutions to be able to intercept FTF activities.

Financial institutions should actively monitor guidance released by organizations such as the FATF and intelligence services that detail both current and potential future trends related to foreign terrorist financing methods. This guidance can play a crucial role in helping enhance the transaction monitoring capabilities of financial institutions. Shared data could consist of suspected FTF profiles, their traveling patterns, aliases, and personal data. The danger that FTFs pose both domestically and abroad makes interrupting their financing methods a crucial issue for governments, the private sector, and financial institutions.

Learn More

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[1] Monthly Forecast: Counter-Terrorism, Security Council Report, May 2015, http://www.securitycouncilreport.org/monthly-forecast/2015-05/counter-terrorism_6.php

[2] Jack Moore, "Iraq, Syria Has 30,000 Extremists Ready to Return Home," Newsweek, July 5, 2016, http://www.newsweek.com/iraq-syria-holding-30000-terrorists-ready-return-host-countries-un-477789

[3] "Emerging Terrorist Financing Risks," Financial Action Task Force Report, Oct. 2015, p. 24, http://www.fatf-gafi.org/publications/methodsandtrends/documents/emerging-terrorist-financing-risks.html

[4] Elisabeth Braw, "Foreign Fighters Financing: The Very Non-Halal Ways Potential Jihadists Are Funding Their Work," Foreign Affairs, Oct. 25, 2015, https://www.foreignaffairs.com/articles/syria/2015-10-25/foreign-fighters-financing

[5] "Emerging Terrorist Financing Risks," p. 26.

[6] Braw, "Foreign Fighters Financing."

[7] "Emerging Terrorist Financing Risks," p. 27.

[8] Tom Keatinge, "Identifying Foreign Terrorist Fighters: The Role of Public-Private Partnership, Information Sharing and Financial Intelligence," Occasional Paper, Centre for Financial Crime and Security Studies, August 15, 2015, pp. 19-23, https://rusi.org/publication/occasional-papers/identifying-foreign-terrorist-fighters-role-public-private-partnership

[9] Ibid, p. 29.

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