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## The Identification and Exploitation of Terrorist Financing

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A Senior Thesis submitted in partial fulfillment  
of the requirements for graduation  
in the Honors Program  
Liberty University  
Spring 2016

Acceptance of Senior Honors Thesis

This Senior Honors Thesis is accepted in partial fulfillment of the requirements for graduation from the Honors Program of Liberty University.

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## Abstract

Terrorism and the threat of terrorist attacks have forced the United States to place a high priority on developing a comprehensive counterterrorism strategy. A crucial component of this overarching strategy focuses on targeting the finances of a terrorist organization, hoping to eliminate or stifle their sources of funding in an effort to render the organization incapable of launching successful operations due to an absence of funding. By analyzing the most common financing options that terrorist groups use, the United States can hone its ability to disrupt the funding operations for terrorist groups. Likewise, developing a method for tracking the laundering and transference of terrorist funds should be a high priority for federal law enforcement and the Intelligence Community. The complicated methods that terrorist groups use in order to launder money and transfer funds require diligence and specialized knowledge to track, and ultimately to shut down, terrorist financing. By establishing effective methods for identifying and exploiting the terrorist financing process, the United States can more effectively counter terrorist attacks and terrorist groups around the world.

### The Identification and Exploitation of Terrorist Financing

As the threat of terrorism continues to escalate, the Intelligence Community and federal law enforcement agencies are working to develop effective strategies for countering acts of terror and deterring the expansion and plans of terrorist groups. Though this multi-faceted and highly complex problem requires a comprehensive and diverse strategic response, one key operational strategy involves identifying and tracking financial transactions and transfers. This technique, used effectively in criminal investigations, can be instrumental in locating terrorist cells, neutralizing their operational plans, and limiting the organizational capacity of active cadre to launch terrorist attacks against the United States and its allies.

### **The Importance of Counter-Terrorism**

During its history, America has always faced threats and enemies. The American culture and way of life have attracted many that would seek for nothing better than to destroy the foundations of American society. Terrorist groups such as the Islamic State, Al Qaeda, Hezbollah and many others seek to bring destruction, death, and devastation to America. As the sophistication of these terrorist networks has increased, the capabilities of these individuals to attack American interests have become much more substantial and potent. While some of the individuals that are targeting the US act alone, many terrorist attacks are planned through extremely well funded and highly organized networks of terrorists, which have only continued to become more and more dangerous as their capabilities continue to grow. From 2001 until 2011, there were 207 terrorist attacks against the United States (Rogers, 2013). That number fails to account for attacks that were foiled or prevented, and successful attacks would likely be much higher if not for

the efforts of the existing counterterrorism efforts of law enforcement and the intelligence community. Between September 11<sup>th</sup>, 2001, and the end of 2014, over three thousand Americans have been killed in terrorist attacks (START, 2015).

In the face of such a growing threat, it is imperative that the United States develops a robust and thorough plan to combat terrorist groups and prevent terrorist activity against US interests. Having a strong counterterrorism policy and strategy allows for mechanisms to be in place that will provide a coordinated response to any and all attacks that might occur against American interests, while also providing confidence and security in light of the looming threat. Also, a strong counterterrorism strategy can identify, track and proactively monitor potential terrorist activity and provide useful intelligence to keep American lives safe. In addition, when political and judicial powers are seen taking a strong stance against those who would seek to incite fear in the American people, it can bolster courage and encourage patriotism amongst American citizens rather than the fear that terrorists so strongly desire to bring.

### **Overview of Common Counter-terrorism Strategies**

The problem of terrorism does not affect merely a single sector of the American defense system, but it intersects a wide variety of specific areas and spreads across multiple facets of society. Terrorists groups can target US military and defense forces, steal secret classified intelligence information, harm innocent civilians, or act with the motivation of procuring funds. Because terrorism can affect so many different areas, it must be countered with equally varied and multifaceted response efforts. Some potential ways to respond to terrorism include direct military action (such as much of the US involvement in Afghanistan), intelligence operations undertaken against terrorist cells,

law enforcement tracking of known and potential terrorists, and diplomatic engagement with potentially dangerous groups to alleviate tensions and establish peaceful international relationships. The National Strategy for Combating Terrorism, published by the Central Intelligence Agency (CIA) in 2003, states that:

The struggle against international terrorism is different from any other war in our history. We will not triumph solely or even primarily through military might. We must fight terrorist networks, and all those who support their efforts to spread fear around the world, using every instrument of national power— diplomatic, economic, law enforcement, financial, information, intelligence, and military. (p. 1)

Due to the overwhelming complexity involved with handling the issue of terrorism, it is imperative that any strategy to fight terrorism have a variety of options included and utilize elements of several of these approaches.

However, after conducting thorough research on this topic and exploring these and other options for responding to terrorist activity, one particular strategy has proven itself to be effective in a large variety of cases, a strategy that law enforcement often refers to as “following the money” (O’Driscoll, Schaefer, & Hulsman, 2001). Despite the level of sophistication, secrecy, or subterfuge involved in a terrorist operation, money and funding must come from somewhere in order to keep the operation going. Large amounts of money are vital to supporting a terrorist network. At the height of his power, Osama bin Laden had approximately \$300 million in total assets to fund several thousand militant fighters and their activities (O’Driscoll et al, 2001). The acquisition of weapons, explosives, equipment, and basic necessities are all expenses that terrorist networks need

to provide for and manage. There are many ways that terrorist groups accomplish the acquisition of funds, and while the following list is not exhaustive by any means, it does cover the most commonly identified means and methods of terrorist financing.

### **Sources of Terrorist Financing**

Terrorist organizations receive funding from a wide variety of sources. This section will cover the five main areas and strategies by which terrorist groups receive funding. These include State Sponsors, Legitimate Enterprises, Illegal Enterprises (Contraband and Counterfeit, and Narcotics) and Cybercrime.

#### **State Sponsors of Terrorism**

State sponsorship of terrorism is a complex ideological, diplomatic and political challenge. The motivations and reasons behind why a nation-state would sponsor a terrorist organization are varied and warrant a comprehensive analysis that is beyond the scope of this paper. While the United States has been clearly against the development or establishment of any and all terrorist groups within its border, some countries have a different viewpoint. In many cases, terrorist groups receive funding from governments in order to help run their operation. This can serve as a way to help the government control the actions of the terrorist organization and allows the state to use terrorist groups as mercenary groups through which they can advance their goals as an unofficial state actor, yet still yield devastating results. In such a case, the agenda and strategy of the government and the terrorist group would typically overlap, and their interests would be similar enough as to allow the terrorist group freedom to coordinate their operations and attacks with minimal input from the state government beyond the initial funding.

The existence of many terrorist groups is often due to their support from state sponsors. This unique “sheltered” status makes terrorist groups brutally efficient in their efforts due to the strong support and backing that they receive from the state that is sponsoring them. Currently, Iran, Sudan, and Syria have all been designated as state sponsors of terrorism according to the US Department of State (U.S. Department of State, n.d.). Each country contributes to the spread of terrorism in a different way. For example, the Sudanese government has knowingly allowed terrorist groups to operate on their soil, while Syria has given open political support to Hezbollah and other terrorist organizations (Calamur, 2015).

Iran has had many ties to terrorist activities and continues to be the largest and best known state sponsor of terrorism. The Lebanese terrorist group Hezbollah has been the recipient of Iranian funds to help them fulfill a variety of their goals. While some of these funds are well hidden or from disguised sources, Iran has made others well known. In al-Dahiyeh, a suburb of Beirut, Hezbollah has spent over \$400 million in rebuilding after 2006 Israeli air strikes decimated many of the homes and buildings there. The area has long been a stronghold of Hezbollah, and their rebuilding efforts of al-Dahiyeh are vital to the success of Hezbollah being able to launch attacks against its targets. According to the Secretary General of Hezbollah, Sheikh Hassan Nasrallah, over half of the money being put into this project was received from Iran (BBC News, 2013).

When viewed through an objective strategic mindset, the relationship between a terrorist organization and the government they work under has certain advantages for both parties. The symbiotic relationship allows the state to have plausible deniability in the case of actions that the terrorist group may take against other groups or nations, and



the terrorist group receives funding for their operation with minimal expectations on the use or expenditure of those funds. The state government and the terrorist group benefit each other in a remarkably effective and mutually beneficial relationship. This entire strategy hinges upon the similar goals and ambitions of the state government and the terrorist group, but when this crucial condition is met, the state sponsorship of terrorism can be a powerful and effective way for the terrorist groups to receive funding.

### **Legitimate Business Enterprises**

Terrorist groups also use legitimate business operations to finance their objectives and goals. Sometimes referred to as “fronts,” these places of business can often serve multiple purposes for the terrorist organization. Generating income through the operations of the business is clearly a goal, and while using some of the funds that they receive in order to further the goals of the terrorist group is part of their strategy, the business can also be used as a safe location for meetings, storing supplies and weapons, training, communications, and even as a terrorist cell’s base of operations. At first appearance, many of these businesses operate in the same manner as other businesses, and it may be difficult for investigators to establish what businesses are fronts for terrorist operations and which are not. The key to executing this strategy is to manage the financials of the business in such a way as to hide the true meaning behind the business. While it can be difficult to determine the authenticity of a business and whether or not it is being operated as part of a terrorist network, there are several indicators that police and intelligence agencies can use. One is to monitor the physical traffic in and out of the business through detailed surveillance. Possible indicators that the business may not be what it appears to be can include large numbers of people going in and out of the

business at odd times of the day or there being extremely few customers over a long period of time. Also, high Internet and communications usage, if they are out of place for the type of business, can also be indications that the business may be a front.

Several examples of businesses fall into this category. One such example involves a group of retail shops that were operated in the Middle East by Osama bin Laden. The main good in these stores was honey, which is highly sought after for its purported medicinal and healing powers, as well as for its taste. These stores were not only being used to generate profit, but also to move individuals, weapons, and drugs throughout Osama bin Laden's Al Qaeda network (Miller & Gerth, 2011). Another example of legitimate business operations profiting terrorism is the operations of the Irish Republican Army (IRA). As part of their fundraising efforts, they not only used criminal acts such as kidnapping and ransom notes, but also legitimate businesses. One of the most lucrative of these businesses was the IRA's "black" taxicabs that operated in Belfast – with an annual income of over \$1 million. The IRA also generated funds from other operations, including shops, restaurants, and other businesses (Horgan & Taylor, 1999).

Non-profit organizations can also serve to provide funding for terrorist operations. In many cases, the existence of a non-profit organization can be a disarming strategy that provides legitimacy to an operation and serves to pacify potential inquiries as to the details of how the organization may function. While the business must operate differently than its for-profit counterpart, and the revenue stream may be smaller, non-profits can spread awareness of the group's agenda and goals and also reach out to potential donors for monetary support. While private donations from active or passive supporters can be a source of revenue for terrorists apart from a non-profit, having a "charitable"

organization that appears to serve a greater goal is an excellent platform from which to solicit money, as well as to hide the group's true intentions. In addition, using a non-profit provides terrorist groups with potential recruitment opportunities and legitimate communication channels through which to communicate. This can help to camouflage the real intent behind the non-profit's existence, and even help to dissuade accusations should evidence begin to point to the occurrence of terrorist activities.

### **Illegal Enterprises**

While some terrorist groups are funded through business enterprises, many terrorist groups generate income through illicit business efforts. These groups utilize the sale and distribution of counterfeit or contraband goods as a frequent source of funding for their operations.

### **Counterfeit & Contraband Goods**

Known for their skills at adaptation and their increasing levels of sophistication, terrorist cells use inventive and creative methods in the production, purchase, and sale of counterfeit items. Commonly counterfeited items used by terrorists are cigarettes and other forms of tobacco, along with goods that sell for significantly different prices across state or international lines. Not only do terrorists acquire or manufacture counterfeit goods at a very small cost, they can also be savvy and creative in the sale of such items, often taking products from one jurisdiction into another where they can receive the greatest return on their investment.

An example of selling cigarettes to fund terrorist activities comes from the state of North Carolina, where nine members of a suspected Hezbollah cell were indicted for "conspiracy to traffic in contraband cigarettes" and other related charges. The cigarettes

were purchased by members of this cell in North Carolina and then transported to New York. This allowed them to evade the higher tax on cigarettes in New York and to sell their products at a much higher price. The tax on cigarettes in North Carolina was \$4.50 per carton of ten packs, while the total combined tax in New York was \$58.50 per carton. Many of these members operated retail stores that allowed them to purchase the cigarettes in a legitimate way, but then sell them through illegitimate means in New York. Also, the members of this group attached fake tax stamps to the packaging of the cigarettes to make it appear as though they were in compliance with New York tax law. Over the course of about a year, the cell transported and sold about 22,205 cartons of contraband cigarettes, resulting in a tax loss for New York of approximately \$1,224,947.50 (US Department of Justice, 2016).

In 2014, a similar case revealed that members of a terrorist cell were transporting and selling cigarettes that were stolen from Virginia and Tennessee to North and South Carolina. The group, which consisted of 12 conspirators total, sold the stolen cigarettes to retail businesses and other associates who were willing to take the goods at a lower market value. From August 2009 to November 2011, more than 486,000 cartons were smuggled, worth an estimated \$20 million (US Department of Justice, 2014).

Another item that is often used to finance terrorist operations is gold. Because of its ability to retain its value even when currencies become devalued or inflated, it is a reliable source of income in difficult economic times. Another unique property of gold is its ability to be melted into nearly any shape. This allows gold to be specifically molded to fit into hiding places that conceal its presence. While its weight can make disguising it difficult in some instances, gold is a common method for financing terrorist operations.

The Middle East, in particular, has many markets where gold is sold and purchased and many bridal dowries in that area of the world are largely in gold (Freeman & Ruehsen, 2013). Al Qaeda and the Taliban also use gold as an incentive to get new members to join their organization (Cassara and Jorisch, 2010).

### **Narcotics**

In addition to the sale of counterfeit goods, terrorists frequently use the sale of narcotics to finance their operations. The drug trade in America is a huge, billion dollar industry that the criminal justice system has been at war with for several years. Despite the diligence of a plethora of federal agencies that operate throughout the United States and international waters, drugs continue to pour into America. Terrorists take advantage of this thriving drug trade and use it to finance their operations. The origin and type of drug involved is varied, typically depending on what region of the country the group is based in, or where the group was originally based.

The connection between drug trafficking and terrorist financing operations is very strong. Often, the same routes used for the transfer of illegal weapons, supplies, and money that terrorists are using in their daily operations are ideally suited for the transportation of illegal drugs (Saviano, 2015). Likewise, the United Nations Office on Drugs and Crime states “the link between terrorism and other related crimes, such as drug trafficking, is evident” (2016). This connection is a crucial element of terrorist financing operations, and illustrates the vast complexities and intricacies of terrorist networks and operations.

Terrorists can make money off of many facets of the drug trade to and through America. Some terrorist operations smuggle drugs into the US and sell the drugs to a

middleman, while others conduct the entire operation from start to finish. Sales of drugs are not limited to only the US, but also occur in Mexico and other Latin American countries and around the world. The funds that are generated from this practice are often quite substantial, and the drug trade continues to provide terrorists with another source of viable income.

Afghanistan has a thriving drug trade that provides terrorist groups with opportunities for generating funds. Farmers in the region produce the largest amount of cannabis in the world, and the opiate trade in the country is over \$61 billion (Falk, 2011). The drug trade throughout Afghanistan illustrates the inherent partnership that drug cartels and terrorist groups have with each other. Suicide bombers and terrorists form bonds and networks with anti-government groups and criminal organizations for shared control and manipulation of the country's drug trade. This "marriage of convenience" creates drug cartels that are directly tied to terrorist groups like the Taliban (Falk, 2011). In 2007, the International Narcotics Control Board estimated the Taliban's income from morphine and heroin production to be between \$259 and \$518 million, a substantial increase from the estimated \$28 million in 2005 (Ehrenfeld, 2009). With these massive funds, the Taliban can easily provide the necessary financial support through its networks across the Middle East.

The Drug Enforcement Agency (DEA) recently uncovered a "complex web of drug sales" that was being used to finance the Islamic terrorist group Hezbollah. This network involved relationships between Hezbollah and the South American drug cartel La Oficina de Envigado, an important supplier of illegal drugs to large portions of Europe and the United States. The network was not only exposed and dismantled, but the United

States also levied new sanctions against Hezbollah for their involvement in the drug trafficking operation (Perper, 2016).

### **Cybercrime**

The Internet has created an entirely new dimension in the culture and has altered nearly every aspect of our society in some way. The Internet has affected the criminal justice system, enabling law enforcement agencies to investigate more thoroughly, keep better records, and communicate more efficiently. However, criminals and terrorists have made use of this technology, quickly filling the pages of the Internet with scams that led to identify theft, false advertisements, and other illegal activities.

Identity theft is one of the primary methods that terrorists use to siphon money into their operations. By initiating phishing scams and fraudulent emails that ask for personal information, terrorists can obtain control over bank accounts, identify insurance information, and exploit other personal sources of income. They also can obtain information about an individual's buying habits through stealing their credit card information. This can be done by accessing data from a large company, copying customers data at a retail location, or hacking online shopping accounts and other Internet purchases. These schemes can generate considerable revenue for terrorists, and can be executed many times and with a large degree of anonymity due to the nature and sophistication of the crime (Democratic Staff of the Homeland Security Committee, 2005).

The Bureau of Justice Statistics estimates that from 2007 to 2008, the financial loss caused by identity theft was over \$17.3 billion (Rosenstein & Fine, 2015).

Consumers often receive the results of the spread of identity theft through higher prices

for the goods and services that they use everyday (Rosenstein & Fine, 2015). Identity theft, while having crippling economic consequences, is a non-violent crime. However, in the case of terrorist financing operations, it can have deadly consequences. In 2002, a series of bombings was organized in Bali nightclubs that killed over 200 people, many of whom were foreign visitors. The perpetrator of this attack, Imam Samudra, partially financed the operation with money collected from credit card fraud (Sipress, 2004). While in prison, Samudra wrote a book with a chapter containing instructions about how to commit credit card fraud (Sipress, 2004). Identity theft has been used all over the world to steal millions from credit card companies, with the funds that were collected going towards the support of terrorist activities in the Middle East and other parts of the world (Lighty, 2001).

### **Local and State Responses to Cybercrime**

While cyber crime has “become a growing concern to law enforcement officials at the state and local level,” there is a distinct lack of training among officers which can have “severe consequences” (Taylor, Fritsch, Liederbach & Holt, 2011, pp. 238-239). While “a relatively small number of these agencies” have put into place appropriate cyber defense strategies, “these agencies have largely been limited by several factors, most notably a lack of funds, personnel, and technology” (Taylor et. al, 2011, p. 240). Local and state officials should not let federal agencies such as the FBI continue to investigate the majority of cyber-related crimes. Only a unified, cooperative effort between appropriately trained law enforcement agencies at all three jurisdictional levels can significantly diminish cyber crime and its exploitation by terrorist groups. Often, local law enforcement officers are the first to notice terrorist activities during the execution of



their normal duties, and they are often the first line of defense to respond against acts of terrorism.

### **Money Transferring Techniques**

As this thesis has demonstrated, terrorists have multiple avenues and opportunities to acquire the funds needed to fuel their operations. Once terrorist groups have acquired the funds necessary through one of the methods previously covered or through another manner, these funds must be disseminated throughout the various parts of the organization. Terrorist organizations utilize money laundering techniques, as well as transfer methods such as the *hawala* system. This combination of highly varied sources and sophisticated transfer techniques makes tracking and seizing terrorist funds a significant challenge. Two key elements of transferring money include Money Laundering and the *hawala* system.

### **Money Laundering**

When these sources of terrorist financing are successful in generating funds for the organization, often the next step involves money laundering. This multifaceted and complicated issue is often carried out on a global scale, making it even more difficult to track. Commonly undertaken in a three-step process, money is first placed into an account, and then carefully layered in so as to camouflage its origins. Finally, the money is integrated so that those funds can generate wealth. Each of these elements will be examined in detail.

Commonly used to hide the illicit acquisition or transfer of illegitimate or criminal funds, terrorists use money laundering to either conceal their funds from law enforcement

or intelligence sources or to prepare them to be spent on supplies or the acquisition of resources without fear of being discovered or exposed.

Once the money is deposited into a bank account or other form of security, the origin of the money is disguised. This is where the profit and non-profit organizations that terrorists utilize can be effective in concealing the intended purpose and purchase that the money is involved in. By shuffling funds around in seemingly legitimate ways, terrorists hide the fact that their resources are being used to buy weapons, ammunition, explosives, plane tickets, and other supplies to aid in the pursuit of their radical ideological goals. After the funds have been moved around and sufficiently disguised, the money is then used to purchase the aforementioned supplies and resources that the terrorists may need.

At any point in this process, investigators can receive information that will allow them to get in the middle of the money-laundering scheme. If excessive activity is detected on a possible business front that the terrorists are suspected of using, further investigative measures can be implemented to stop the money before it becomes transferred and disguised. Even after supplies are purchased, investigators can still determine connections between purchases of suspiciously interconnected items (i.e. remote controls or sensors and explosives) and then backtrack from these purchases and follow the money trail back to the original acquisition of the funds.

Terrorist groups using money laundering is a common occurrence, and their methods are becoming increasingly complex and intricate. One such scheme involved importing cars from Britain into the Middle East, stealing identities and credit card

information from unsuspecting online victims, and funneling all of the money back to terrorist organizations (Owen, 2015).

### **The Hawala System**

Many options exist for terrorist organizations to transfer funds as well. One such option is the *hawala* system, an ancient method of transferring money that is integrated into Arab culture and is based on trust. Upon request by a customer, a *hawala* dealer in one location can inform another *hawala* dealer regarding the transfer request. After confirming that the receiving party is the intended recipient of the money (usually by means of a password or code), the other *hawala* dealer in the secondary location gives the recipient the money (Jamwal, 2002). This system is based entirely on honor and does not involve any physical transfer of money. It was originally established in India but now is used across many parts of the world (Jost, n.d.). Because it relies on an ancient, well-established culture of trust, the *hawala* system can thrive in international markets and is often an excellent alternative to normal banking services, even for those that are not involved in terrorist or criminal activities.

Because of the nature of this transfer, it makes it nearly impossible to track where the money is being transferred, whom the money is being transferred to, and how much is exchanging hands. In money laundering investigations, there is often a “paper trail” of information that leads the investigators towards the money and is a confusing and jumbled yet decipherable pattern to look for money transfers. The *hawala* system functions to the opposite extreme. Instead of trying to create a confusing, tangled paper trail that would make it difficult to track the transfer of money, the *hawala* system eliminates the need for paper documents of any kind. This type of system is very difficult

to decipher and requires immense time and effort to penetrate and infiltrate. Researchers are still developing methods for the undermining of this system, and more research needs to be directed in this area. If more terrorists begin to utilize this method of money transfer, it could render the operations of much of the United States' current counterterrorism strategy obsolete and require a refocused strategy in a different direction. Research into infiltrating and tracking money that is transferred through *hawala* needs to be the number one priority for experts in this field.

One example of *hawala* being used to fund a terrorist attack is Faisal Shahzad, a terrorist who was planning to bomb Times Square in New York City. In February of 2010, Shahzad received \$4,900 through a *hawala* dealer to finance his planned terrorist attack. A few months later, he received another \$7,000 from a different *hawala* dealer. All of these transfers were conducted based on mutual trust, and left no paper trail or substantial evidence behind (Freeman & Ruehsen, 2013).

The Islamic State in Syria (ISIS) is also using the *hawala* system to finance its extensive operations in the region and internationally. The relative anonymity and lack of scrutiny of the transaction is perfect for maintaining secrecy of ISIS's operations (Caulderwood, 2014). Security officials from the United States that are part of the coalition against ISIS warn that "jihadists are using hawala to transfer money from the group's headquarters in Syria and Iraq to its affiliate in Libya and possibly other regions" (Legorano & Parkinson, 2015).

### **Investigation and Exploitation**

After examining the various sources of funding terrorist groups receive financial support through, as well as techniques that terrorists use to hide and transfer money, it is

important to identify ways of interrupting this process and exploiting these various channels of distribution and acquisition in order to bring terrorists to justice. An excellent place to start is by examining the key differences between a terrorist and an ordinary criminal.

### **Terrorist v. Criminal**

While these characteristics obviously have their exceptions, here are a few general attributes that members of these groups typically possess. When trying to understand criminals and bring them to justice, its important to understand that the motivation for their criminal acts is usually personal in someway, either out of desperation, monetary need, or concern for someone else. When confronted or cornered, most criminals will likely put up a brief struggle or just outright surrender. Criminals are also usually open to negotiations and plea-bargaining, which is the practice of pleading guilty to a lesser charge in exchange for a reduced sentence. Therefore, most police investigations will pursue a strong, forceful, and confident line of questioning and investigatory examination in their procedures as they explore the case. Once the perpetrator of the crime is identified, it is likely that law enforcement will get an arrest warrant as soon as possible and go effect the arrest on the offender. Law enforcement is particularly adept at tracking money, using aggressive strategies such as placing officers undercover in criminal networks and placing covert tracking devices in bundles of stolen money.

Contrast this scenario with that of a terrorist. These individuals are motivated by ideology and are focused on accomplishing their mission. Because of this mission focus, there is little to distract or detract them from succeeding in fulfilling their goals and carrying out their objectives. Rather than risk being caught or discovered, terrorists will

likely run or fight tenaciously to avoid being captured. Also, there is little leverage that investigators or interrogators can have over terrorists due to their strong mission focus and disposable view on the value of their own human life and the lives of others. Often young and impressionable, the human psyche of terrorists has frequently been seared to the point that they are so filled with brain washed rhetoric and their minds are so bombarded with radical ideology that there is little that will open to the door to common ground or allow interviewers the ability to form any rapport with them. They are psychologically and fundamentally different from ordinary criminals, despite participating in some of the same acts.

If it can be determined that the criminal activity being investigated involves a terrorist organization, specialized education and experience in this area may be required to further monitor and investigate the finances of the terrorist organization in an effective manner. The psychological characteristics of terrorists require a unique investigatory approach that differs from standard techniques. Because of the volatile, radical and possibly suicidal tendencies of terrorists, standard methods such as interviews, lineups, interrogations, and other criminal justice techniques may be too overt. The advantage of these techniques is that they tend to produce clues and leads in a timely, direct manner. However, when investigating criminal activity by terrorists, these poignant and direct methods can trigger an aggressive response, either encouraging the terrorist group to attack, to severely limit activity, or to go into hiding. Thus, using criminal profiling to establish behavioral characteristics of terrorist should be a factor when investigating significant financial crimes.

Once the ongoing investigation has been identified as having ties to terrorism, the goal of the investigation becomes twofold: One, to track the financial criminal activity, collecting evidence necessary to identify who is responsible and prosecute them to the fullest extent of the law, and two, to use the criminal activity as an opportunity to gather information on the terrorist organization as a whole. Sometimes it may be beneficial to avoid arresting the perpetrators in order to gain more information about the terrorist cell and discover operational details. Often the second approach is more beneficial when viewed as a part of an overarching understanding of counterterrorism strategies and methods. If the proper investigative techniques are applied, criminal activity can be a successful way for law enforcement and the Intelligence Community to identify and exploit sources of terrorist financing.

### **Investigating Terrorist Finances**

As demonstrated throughout this paper, terrorists have numerous, complicated methods for acquiring and transferring massive amounts of money to fund their operations. Investigating these vast, intricate networks requires a dedicated team of subject matter experts that diligently and relentlessly pursue sources of terrorist financing and prevent terrorist groups from launching attacks against the United States and its allies. Local and state law enforcement agencies are key partners in this ongoing effort, and a crucial resource in combating terrorist financing networks. There are also several federal agencies that take a leading role in this effort; The US Department of the Treasury, the Federal Bureau of Investigation (FBI), and the Financial Action Task Force (FATF).

The US Treasury Department oversees numerous aspects of American fiscal policies and monitors the financial well being of the country. One of the key agencies inside the US Treasury Department is the Internal Revenue Service (IRS). After the terrorist attacks on September 11<sup>th</sup>, 2001, the IRS mobilized their Criminal Investigation (CI) special agents to handle cases that involved “persons engaged in fundraising activities to support terrorism” and “terrorism investigations involving complex, extensive or convoluted financial transactions” (Internal Revenue Service, 2016). While the IRS is still largely focused on enforcing tax laws in the United States, the expertise and resources of the IRS are employed across the world to investigate terrorist financing operations.

As the lead federal agency in investigation terrorism, the Federal Bureau of Investigation is well equipped to investigate sources of terrorist financing. The Terrorist Financing Operations Section (TFOS) is an entity within the FBI that is designed to build on strong relationships within the financial sector and decades of financial investigative experience to respond efficiently to new terrorist financing threats. The TFOS also works with intelligence agencies, law enforcement bodies, and prosecutors to further terrorist financing investigations (Federal Bureau of Investigation, 2016).

Created in 1989, the Financial Action Task Force is an inter-agency body that coordinates operations between numerous government organizations. The FATF works as a center for research on money laundering and other terrorist financing methods, and also creates policy recommendations based on this research. These recommendations are updated periodically to ensure that they are relevant and efficient in the fight against terrorism (Financial Action Task Force, 2016).



### **Conclusion**

The problem of terrorism is increasing in its scope and pervasiveness. Each country around the world is becoming more and more aware of the reality of terrorism, and America is no exception. Developing a strong counterterrorism strategy is a central component of the American national defense system and must be a top priority of federal law enforcement, intelligence agencies, and the American political system. While a comprehensive counterterrorism strategy should incorporate military, diplomatic, political, and other elements, one key strategy is to identify and exploit the finances of the terrorist networks. Terrorists receive money from state sponsorship, business operations, counterfeit goods, narcotics, and cybercrime. All of these components are key elements of how terrorist organizations finance their operations and transfer funds to different locations. Terrorist networks also make use of money laundering and the *hawala* system to transfer funds, using over-complex or highly simplistic methods to attempt to conceal the exchange of money throughout their networks. Handling financial crimes that involve terrorists require a distinctly different approach from traditional criminal investigations and behoove the investigator to use different methods and tactics when pursuing the investigation. Several federal government agencies, including the IRS, FBI and FATF are well equipped to investigate such cases. By identifying and exploiting the various sources of terrorist financing, law enforcement and intelligence agencies can develop a comprehensive and thorough counterterrorism strategy that will help them locate and apprehend terrorists and prevent the execution of their attacks. While terrorists may adapt their methods over time as technological advances and their operations expand, if law enforcement and intelligence agencies continue to be committed to the

pursuit and execution of justice, then the identification and exploitation of terrorist financing will continue to be a viable strategy for preventing terrorist attacks and saving American lives.

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