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Written statement* submitted by Himalayan Research and Cultural Foundation, a non-governmental organization in special consultative status

The Secretary-General has received the following written statement which is circulated in accordance with Economic and Social Council resolution 1996/31.

[18 August 2022]

* Issued as received, in the language of submission only.

Terror Financing through Digital Means

The availability of digital currencies and online payment systems has increased significantly in recent years. Transfers by digital means are largely unregulated and are not subject to strict regulatory requirements. The digital age, despite its blessings, has made the concept of financing more obscure than ever. Though the lives of human beings have become easier due to the digitization of monetary means across all platforms, this ease has repercussions. So, the issue of terrorist financing through digital means has emerged as a new threat for the security of countries in this digital world. Financing of terrorism involves fund raising, storing and concealing funds, using funds to sustain terrorist organizations and infrastructure and transferring funds to support or carry out terrorist attacks. Digital transfer of funds to terrorist organizations presents a serious challenge to combating the financing of terrorism worldwide. The United Nations General Assembly in its resolution 60/288 adopted by all Member States by consensus on 8 September 2006 underscored the importance of addressing the issue of financing of terrorism and stressed the need for Member States to adopt comprehensive measures to deal with the problem.

Rapid technological development, availability of tools, and streaming of online transactions have made it harder for traditional counter terrorism mechanisms to intervene. Digital currencies provide a mechanism for money laundering and terrorists and their supporters transfer money internationally with a lower risk of detection than transfers carried out through normal banking channels. Terrorist organizations have taken advantage of this means of escape, and in many cases, have funded organizational, operational, and recruitment-related endeavors via digital means. Crypto currency and block chain networks are new entries in this regard. Despite growing concerns, there is no all-encompassing framework to deal with the new challenges.

The Financial Action Task Force (FATF) refers to terror financing as “funds or other assets that may be used, in full or in part, to facilitate the commission of terrorist acts”. The term “fund”, hence includes,“[a]ssets of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including, but not limited to, bank credits, travelers’ cheques, bank cheques, money orders, shares, securities, bonds, drafts, letters of credit.”

Crypto currency does not represent all different sources of digital means. They are mostly “digital units created and transferred between the users through the use of cryptography”. The features of these digital currencies are somewhat similar since they share the feature of “a store of value but no legal tender status issued or guaranteed by any jurisdiction”. This atypical issue of “legality” makes it easier for terrorist organizations to find out loopholes in cross-border financing and exploit them for their own purpose.

Countries face threats from illegal use of crypto networks or digital means of terror financing. Organized criminal groups, terrorists, and even small-scale gangs use such digital transaction in which any currency can get a two or multilevel conversion through different platforms and be used for any legal or illegal purpose. Local terror hubs involved in small to medium scale attacks, adopt crypto currency as the alternative medium of financing due to crypto’s pseudo-anonymity in transactions. The potential adoption of crypto currency allows terrorist groups to expand into neighboring regions, without leaving a trail. The use of crypto currency enables fast distribution of finances into other regions and facilitates recruitment missions. With the new generation of educated, tech-savvy engineers and skilled professionals joining the terrorist groups, they adopt crypto currency as the medium of their operations.

When it comes to the crime-terror nexus, drug cartels and their connections with terrorism is a substantial issue. Besides, false transactions take place through over-invoicing and under-invoicing. That new financial and payment technologies using methods including crypto currencies and digital crowd sourcing are enabling terror groups for collecting and transferring funds, there is need to strengthen counter-financing structures to curb terrorism. It is time that the countries muster enough political will and take resolute action to implement the United Nations Security Council resolution 2462 to counter the financing of terrorism (CFT). There is need for increased awareness of the challenge both at the national, regional

and international levels, so as to check the prevalence of terrorism finance. The linkages of terrorism finance with drug trafficking, crime, money laundering and corruption need to be understood and explained to the people, institutions, Non Government Organisations (NGOs), which are the potential target of such illegal transfer of funds through digital means. There is urgent need for close coordination among the national, regional and international agencies involved in combating the financing of terrorism. A strategy of prevention, protection and pursuit is required to be followed. The member states which provide financial assistance and safe havens to terrorists need to be called out and held accountable.