



**Committee: Security Council**

**Topic: Preventing and Combating the Financing of Terrorism**

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## **Introduction**

The United Nations (UN) Security Council was established in October 1945 under the United Nations Charter (1945) and held its first session in January 1946. (H, 2022). Since then, the Security Council has grown to be the most powerful body within the United Nations. Nowadays, it stays permanently at the UN's New York City headquarters. (H, 2022). The Security Council, as part of its mission statement to maintain peace and security, has great discretion to decide what constitutes a threat and how to respond to it. Its resolution is binding on the entire United Nations General Assembly. (*UNITED NATIONS SECURITY COUNCIL*, 2017)

According to the UN Charter, the Security Council is made up of representatives from 15 member states. The five permanent members are the United States, United Kingdom, France, the Russian Federation (formerly the Soviet Union), and China, these are permanent because of their importance and post-World War II power structure. The ten other members are elected by the UN General Assembly for two-year terms. (*UNITED NATIONS SECURITY COUNCIL*, 2017)

The United Nations should not only provide an international security mechanism but also promote international cooperation on economic, social, and humanitarian issues.

The act of committing violent and illicit activities that are organized, supported, or led by a recognized foreign terrorist organization or state is defined as terrorism. (*Terrorism — FBI*, n.d.) In addition to understanding what terrorism is, it is crucial to understand how these terrorist activities are carried on (*Terrorism — FBI*, n.d.) To support operations and carry out their terrorist activities, terrorist organizations need income. This might include income from trusted sources, like charitable activities, and private donors, and from illicit sources including extortion, fraud, drug trafficking, and smuggling of things like weapons and other objects. (*Terrorist Financing*, 2017). Therefore, the main objective of those organizations engaged in financing terrorism is not required to uncover the sources of the funds, but rather to hide both the financial activity and the nature of the financed action. (L, 2004)

As a result of the regulations that were enacted after 9/11, there has been a significant investment made in preventing the financing of terrorism. (L, 2004)

Combating Financing of Terrorism regulations has not only made it harder for potential donors to send money to terrorist organizations but has also increased front staff at

banks and other monetary institutions' awareness of the potential for terrorist financing. (*What Is Terrorist Financing? - Financial Investigation Unit*, n.d.)

## Development

President George W. Bush targets Al-Qaeda on September 23, 2001, before the US launches airstrikes against the Taliban or Special Forces at Osama bin Laden's compound in the early days of the "War on Terror," signed Executive Order 13224. "Prohibit" "dealing" with terrorist suspects. "Money is the lifeblood of terrorist activity," then-President Bush said, "We call on the world to stop paying." He called on countries to prevent and limit" (L, 2004).

The war against terrorist financing has failed after more than 15 years. Today, the amount of terrorists has increased by more than 100%, with more money. According to research by King's College London and accounting company Ernst & Young, the self-proclaimed Islamic State of Iraq and Syria (aka ISIS) has a budget of up to \$1.7 billion in 2015, making it the richest terrorist organization in the world. Only three of its countries, Israel, Saudi Arabia, and the United States, have seized more than \$1 million of it (L, 2004).

For years, governments have tried to prevent terrorists from accessing the global financial system. They create blacklists, freeze assets, enforce a slew of rules, and cost the public and commercial sectors billions of dollars. (*Financing of Terrorism*, 2018)

Terrorists may have been discouraged from accessing the international banking system as a result of this method. However, there is no evidence that it has deterred terrorist activity. Most attacks require little money, and terrorists often use a variety of modes of transport and financing, many of which escape the international financial system. (*Combating Terrorist Financing*, 2017). Instead of looking for needles in a haystack, nations are reconsidering their approach to counter-terrorism financing, turning their attention away from the financial sector and adopting broader strategies that include diplomatic options. (*Financing of Terrorism*, 2018). Military and security laws must be pursued. Otherwise, countries will be wasting time and money on strategies that do not provide security for years. (*What Is Terrorist Financing? - Financial Investigation Unit*, n.d.)

Sapin's (Minister of the Economy and Finance) speeches were by no means unusual. Even when governments become more aware of the various sources of terrorist funding, they continue to primarily target them through the financial system. (R, 2017). The obvious explanation is that in most countries, the responsibility for holding terrorist funds rests with the Treasury Department, which is cut off from broader counter-terrorism policy. (OAS:: *CICTE: Program of Legislative Assistance and Financing of Terrorism*, 2009). As a result, governments typically step up due diligence procedures, require banks to freeze more assets, and the Financial Action Task Force, an intergovernmental body that oversees international standards for money laundering and terrorist financing. (OAS:: *CICTE: Program of Legislative Assistance and Financing of Terrorism*, 2009). Then-U.S. Treasury Secretary Jacob Lew, speaking at the same Security Council meeting, made clear that taking money from the terrorists was not a

viable option, but to "protect the international financial system," was the viable option. (L, 2004)

These resolutions failed for two reasons.

To begin with, terrorists' money is difficult to come by.

Without the names, identities, or their financiers, banks have a hard time identifying possible terrorist transactions. If banks examine every possible terrorist transaction of money for which they could not immediately identify a legitimate financial justification, they would have to examine millions of transactions every day. (52016DC0050 - EN - EUR-Lex, n.d.). Because terrorist activity is cheap (a recent attack in Europe did not cost more than \$30,000), there is a need to investigate the backup behind millions of transactions under \$1,000. (R, 2017).

Second, there will be no huge quantities of terrorist money entering the global banking system. Countries where al-Qaeda and ISIS are based, such as Afghanistan, Iraq, Somalia, Syria, and Yemen, are places where most people don't have a bank account. (R, 2017). Most people do not interact with the international financial system at all because large and legitimate transactions, mostly, are made in cash. As a result, the majority of terrorist organizations' financial transactions do not reflect on bank statements.c (P, 2022).

Focusing on the financial sector is an ineffective way to deal with this problem. It has also involved innocent people and businesses. In response to policymakers' demands, financial institutions have "de-risked" sold assets and clients that could be hampered to terrorist financing. Lacking information on specific individuals and companies, banks have concluded on open source databases for due diligence. (OAS:: CICTE: Program of Legislative Assistance and Financing of Terrorism, 2009)

However, these databases contain inaccurate and outdated information. Moreover, risk reduction means that entire countries, mainly poor ones like Afghanistan and Somalia, are done with the financial system. (*Terrorist Financing*, 2017)

Three factors determine how terrorist groups realize their activities. The first is the support from the group. Few people agree that Al-Qaeda and ISIS are terrorist organizations, but most countries counted them as such. The West considers Hamas and Hezbollah to be terrorist groups, although they operate freely in many Arab nations. (*Terrorism Financing | Program on Extremism | The George Washington University*, 2020). If the group is involved in a civil war in which all sides have been accused of committing atrocities, they should search for voluntary donations from those they claim to represent charities. They can count on financial support and government support. Financial regulation cannot exclude these financial supports. (*Terrorism Financing | Program on Extremism | The George Washington University*, 2020).

The amount to which terrorist groups can use the illegal economy is a second element that influences how they are funded. Terrorists frequently profit from the illegal trafficking of antiquities, oil, tobacco, counterfeit products, jewels, and even ivory. (Pauwels, 2017) As a consequence, commodities like Iraqi oil, Sahelian tobacco, and West African diamonds that have helped terrorist organizations just reflect the illegal economy of one region or another. (Pauwels, 2017). To combat this, governments must address the

underlying economic mechanisms in these places, or at the very least delink them from terrorism. Promoting development, enhancing governance, and combating corruption are far more vital than keeping terrorists out of the international banking system. (*Human Rights, Terrorism and Counter-Terrorism*, 2015).

The third element influencing terrorists' willingness to support their actions is their ability to obtain lawful money. (*Human Rights, Terrorism and Counter-Terrorism*, 2015). The US Authorities first assumed Bin Laden was a terrorist financier, despite the fact that his family's money and the construction and agricultural enterprises he ran were fully legal. (*Terrorism — FBI*, n.d.) . Similarly, the Irish Republican Army has established a huge number of enterprises that have been formally registered and paid for, such as taxi services and hotels, but the revenues have been invested in military conflict. Terrorists have a legitimate source of funding, thus closing the faucet is more difficult than combating money laundering or organized crime. (*Terrorism — FBI*, n.d.)

With this, we refer to a simple conclusion: NO MONEY, NO PROBLEMS

## **Conclusion**

In conclusion, we know that we must begin looking for effective solutions for this issue because fighting against terrorism financing is necessary for the protection of the people.

Since the location and method of a terrorist group's financial development are just as crucial to their security and capacity to carry out activities as the way they transport and store their funds.

Money-related activities involve parties and exchanges that are not immediately connected to the terrorists, placing them outside their direct control.

They become more accessible to detection at this time. Additionally, donors, particularly wealthy ones, have become more cautious about supporting terrorist organizations with their donations or however they choose to help them financially.

The technique that terrorists gather and use money is always evolving, and the government response must be just as flexible. The fundamental framework, which focuses on avoiding the use of formal sector institutions for cross-border transfers of value, hasn't changed much despite the FATF's activities. To prevent new and innovative ways to finance terrorism, including cash transfers, collected and stored items, and unapproved value transfer methods, additional work is required.

## **Viable solutions**

- Targeting the capacities of terrorist organizations to raising funds for their criminal attacks.
- Reducing and tracking financial operations can help identify terrorist networks and perform post-attack investigations to capture terrorists and their financiers, as well as limit the flow of money needed to support their activities.

- Look into ways to identify and stop the movement of money and other assets by terrorist organizations and those who support them.
- Possible criminal penalties and violations related to money laundering.
- Preventing unauthorized cash transfers.

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