



**BEYOND BANKING: THE SOURCES OF FUNDING FOR ISIS AND AL-QAEDA
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"NO MONEY FOR TERROR" CONFERENCE
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Excellencies, ladies and gentlemen,

My name is Peter Neumann, I am a Professor of Security Studies at King's College London and Founding Director of the International Centre for the Study of Radicalisation (ICSR).

First of all, let me make it clear that I am only speaking for myself, not for any government or any of the institutions represented here today.

It's been a popular thing for governments to say: follow the money – it sounds tough and smart. Everyone gets it.

There's hardly any G7 or G20 Summit which doesn't end with a statement on countering terrorist finance.

And no doubt there have been some success stories.

But especially when looking at Daesh – or ISIS – and al-Qaeda, countering terrorist finance hasn't been as successful as it could, should, and must be.

ISIS has often been called the richest terrorist group in history, and countering terrorist finance hasn't been able to prevent that.

So before we rush to come up with more resolutions, more declarations, and more tough statements, let's take a step back and try to understand what hasn't worked, and what needs to be done to fix it.

In my view, there isn't just one reason why the system has not been successful, there are numerous.

But if I had to pick one, it would be that we've been looking in the wrong places.

To be more specific, I am convinced that, when it comes to countering terrorist finance, there has been an excessive, an exaggerated, an over the top focus on the formal financial sector,

We've been spending too much of our energy and effort looking for terrorist money in banks and international financial institutions.

But that is not where a lot of their money can be found. You need to follow the money. And most of it, especially in the case of al-Qaeda and ISIS, is not in the international financial system.

FOUR FACTS ABOUT TERRORIST FINANCING

Let me make four brief points to illustrate this.

First point, the importance of **cash**.

Most of the transactions that ISIS has made have been in cash. And that's because most people in Syria and Iraq don't have bank accounts. Only 2 per cent of them do. Even fewer have credit cards.

So when you buy a car, or you pay someone who works for you, you put cash on the table. You don't make a transfer.

And that's why looking for ISIS's money in the international financial system is completely beyond the point. In fact, the single most successful blow to ISIS's finances was something that had little to do with what people typically associate with countering terrorist finance.

It was an American military air strike against a cash depot of ISIS in Iraq. In a single day in January 2016, it destroyed an estimated 50 million dollars -- nearly the same amount that had been frozen and confiscated in 15 years of countering terrorist finance through the international financial system.

So as far as ISIS is concerned, following the money means following cash.

Second point, **territory**.

When terrorist organisations hold territory, the way they make money changes.

They start taxing people, they start selling resources. Oil, for example.

Much of their money, in other words, comes from within the areas they control. It's hard to cut them off from outside.

That's what happened with ISIS. By 2015, ISIS had become the richest terrorist group in the world. But a study by my centre at King's College London and the auditing company EY found that 90% of their income came from within their own territory.

As a result, the single most important thing in cutting off their finances has been to take away their territory – and with it, the basis of their income.

Countering terrorist finance, in ISIS's case, meant defeating them on the ground.

Third, **smuggling**.

Whether it's al-Qaeda in the Islamic Maghreb, whether it's ISIS in Syria and Iraq, whether it's the Taliban in Afghanistan,

In conflict zones, terrorist and insurgent groups are often closely linked to illicit economies.

The people who have smuggled foreign fighters *into* Syria are the same people who have smuggled oil and antiquities and cash *out* of Syria.

They were smugglers before ISIS came along, and they are likely to be smugglers after ISIS disappears.

They are not terrorists. They are in the business of doing business. They will smuggle anything for anyone and any reason – as long as the price is right.

In short, terrorist financing often involves the convergence between criminal and terrorist networks, and countering terrorist finance, therefore, is also about countering illicit economies.

And my fourth point, **small-dollar terrorism**.

Whilst terrorist organisations like ISIS often have a big budget, individual attacks are cheap.

None of the attacks in Europe since 2014 cost more than 10,000 Euros. The majority cost less than 1,000 Euros. Some of them had no financial cost at all.

In most cases, they were funded by the terrorists themselves.

They used their savings, their salaries, money they borrowed from their friends or parents.

In nearly half of the cases, attacks were funded from the proceeds of crime. Drug dealing, robberies, thefts and burglaries, trading in counterfeit goods.

Practically none of it went through the formal financial system, there are no suspicious transactions that could have been identified.

THREE RECOMMENDATIONS

So, as you start your deliberations, I am urging you to re-think the whole concept and system of countering terrorist finance, which in my view has been excessively – and wrongly – focused on banks and the formal financial system.

It misses the point. It's not where the terrorist money is. At least not in the case of ISIS and al-Qaeda.

Let me close by making 3 recommendations.

First, countering terrorist finance needs to be guided by evidence.

The response you formulate needs to fit the reality. And that can mean doing different things in different places. In some cases, it may involve the international financial system. In other cases, it won't.

Second, countering terrorist finance has to be less narrowly focused on the financial sector. It needs to be more holistic.

The tools that you use to counter terrorist finance are not always financial tools, they can be political, diplomatic, military, or law enforcement.

In many cases, they require partnerships with the private sector.

Third, countering terrorist finance needs to be more integrated with the rest of counter-terrorism.

Far too often, countering terrorist finance has been practiced as an activity that's completely separate from the rest of counter-terrorism.

That doesn't make sense.

It should be coordinated and integrated closely.

To conclude, I am convinced that getting to the terrorists' money is key to defeating them.

To make that happen, we need to be more creative, more imaginative than we've been so far.

This conference offers a great opportunity. Let's seize it.
