



Occasional Paper

Missing Connections

Crime-Enabled Terrorism Financing in Europe

Gonzalo Saiz and Stephen Reimer

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RUSI Occasional Paper, May 2023



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About Project CRAFT

Project CRAFT is an academic research and community-building initiative designed to build stronger, more coordinated counterterrorist-financing capacity across the EU and in its neighbourhood. Project CRAFT is funded by the EU's Internal Security Fund – Police, and implemented by a Consortium led by RUSI Europe, along with the University of Amsterdam, Bratislava-based think tank GLOBSEC and the International Centre for Counter-Terrorism (ICCT), based in The Hague. For more information, visit <projectcraft.eu>.

Executive Summary

Concern about the so-called ‘crime–terror nexus’, a centrepiece of discussion, debate and research in the counterterrorism field, has yielded a vast body of academic and policy literature regarding the nature of symbiotic relationships between organised criminal formations and terrorist organisations. Recognising a spectrum of possible synergies – including direct interactions between criminals and terrorists, the adoption of criminal tactics by terrorists, and even the merging of these artificial categories altogether in certain cases – regard for the ‘crime–terror nexus’ has largely ignored the question of whether and how relationships between crime and terrorism may yield opportunities for terrorist financing, particularly in the European context.

Such uncertainty risks giving way to speculation about the true extent of what might be called ‘crime-enabled terrorist financing’ (CETF), speculation driven in part by contemporary examples of petty criminality having played a significant role in the financing of violent terrorist attacks in Europe in the recent past. Should distinct linkages between crime and terrorist financing be identified, entry points for disruption by law enforcement may arise, and it is for this purpose that the research for this paper was conducted. The paper queries the nature and extent of CETF in Europe, including the importance of this financing stream in relation to others. In doing so, the paper also evaluates the present policy and law enforcement response to CETF, and endeavours to assess whether it is properly calibrated to the degree and character of the threat.

The paper finds that terrorists and their financiers do indeed exploit European criminal markets for acquiring important materiel and raising funds, but that CETF is not a dominant form of terrorist financing for most actors, though not all. Specific foreign-based terrorist organisations that use Europe as an economic staging ground to finance violence committed overseas were revealed as the most likely to engage in CETF in Europe, and the most competent at doing so. That these groups typically do not (and are unlikely to) launch violent attacks within Europe means a prime motivator for countering their CETF activity is lacking, which along with other conditions poses a challenge to law enforcement agencies.

Overall, Europe’s CETF problem is not its dominant terrorist-financing threat, though a proportionate reconfiguration of its counterterrorist financing response is needed to preclude terrorist organisations from abusing Europe’s economy to finance destabilising operational activity in its near neighbourhood.

Introduction

IN RECENT YEARS, the international counterterrorism (CT) policy community has focused attention on addressing the implications of the potential relationship between crime and terrorism – the so-called ‘crime–terror nexus’. In 2019, the UN Security Council (UNSC) passed Resolutions 2462 and 2482, which highlighted the potential for terrorists to benefit from links to transnational organised crime as a source of financing and logistical support. In the same year, the Global Counterterrorism Forum and the UN Interregional Crime and Justice Research Institute (UNICRI) published ‘The Hague Good Practices on the Nexus between Transnational Organized Crime and Terrorism’, and its Policy Toolkit,¹ which showed the many ways in which a crime–terror relationship could manifest and emphasised the importance of further research as a precondition for developing effective countermeasures.

This paper seeks to respond to this call by addressing a notable research gap in the relationship between crime and terrorism. Over the past two decades, a significant stream of research has identified ways in which criminals and crime overlap with terrorists and terrorism, both in terms of interactions between actors and in the activities themselves. This research has shaped a variety of schools of thought, from those seeing a relationship between distinctive organised criminal groups (OCGs) and terrorist organisations, to more diffuse connections among loosely connected networks. However, much of the discussion has focused either on radicalisation and recruitment of criminals into extremist ranks, or on group interactions in conflict zones. Despite the prompts regarding finance and logistics provided by the UNSC, less work has been conducted on how the relationship plays for the purposes of terrorism financing (TF), or what might be termed ‘crime-enabled terrorist financing’ (CETF).

This is of particular policy concern for the EU and its near neighbourhood, given indications of potential CETF in past major attacks. The role that petty criminality such as bank fraud, theft and counterfeiting played in funding the perpetrators of attacks such as the 2015 assault on the offices of *Charlie Hebdo* magazine in Paris and the suicide bombing of the Manchester Arena in 2017 is well established.² However, as indicated by Europol (the EU’s policing agency), there remains considerable uncertainty about the actual – rather than imagined – nature of

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1. Global Counterterrorism Forum, ‘The Hague Good Practices on the Nexus between Transnational Organized Crime and Terrorism’, <https://unicri.it/news/article/hague_good_practices_nexus_crime_terrorism>, accessed 8 March 2023; UNICRI and the Global Counterterrorism Forum, ‘Policy Toolkit on The Hague Good Practices on the Nexus between Transnational Organized Crime and Terrorism’, <https://unicri.it/sites/default/files/2021-12/PT_EN_0.pdf>, March 2019, accessed 8 March 2023.
 2. For an overview of fraud as a TF method for lone-actor and small-cell terrorists, see Helena Wood et al., ‘The Silent Threat: The Impact of Fraud on UK National Security’, *RUSI Occasional Papers* (January 2021), pp. 29–43.

the ‘crime–terror nexus’ in Europe, and its implications for CETF. This paper thus seeks to address these issues by asking how, and to what extent, both criminals (as actors) and crime (as an activity) enable TF in Europe, and their relative significance vis-à-vis other forms of TF. In addition, it considers whether present policy and law enforcement responses are effective and what improvements might be made.

In so doing, this study finds a complex and nuanced picture. There are indications that terrorist groups and their operational cells can periodically interact with OCGs for the specific purposes of acquiring important materiel, some of which – including fake documents – are of use for TF. Further, some established terrorist groups engage in serious and organised crime to generate revenue, although this is largely to conduct violent activity outside Europe. In these instances, Europe is primarily an economic staging ground, as opposed to a target. There is also evidence of self-activating terrorists (SATs) – also known as ‘lone actors and small cells’ – using a range of minor crimes, such as varieties of fraud, to part-fund their attacks. However, although there is a range of examples of a crime–terror crossover, evidence suggests that CETF is only one among many forms of financing, and that it varies in importance across the ideological complexion of terrorist groups: there is little to suggest that crime plays a substantial role in the financing activities of extreme right-wing terrorists, for example.

In presenting its findings, the paper proceeds as follows. The first chapter lays the definitional groundwork and introduces some key frameworks for understanding the results of the study that follow. The second and third chapters, respectively, present research outcomes pertaining to: (a) the risks and threats of CETF; and (b) responses from EU- and country-level officials to these issues. The paper concludes with a summary of key findings and consequent policy recommendations.

Methodology

The project ran from January 2022 to April 2023, starting with a targeted literature review of English-language sources from government and multilateral organisations, academia, think tanks and the third sector, and credible media organisations. Groups, networks and individuals representing all terrorist ideologies operating in Europe were considered, though most materials pertained to jihadist, far-right and separatism/irredentism-motivated terrorism.

The primary data collection technique employed was a survey sent to national financial intelligence units (FIUs) in 30 European countries (all EU member states and the UK, Norway and Switzerland). FIUs were chosen to respond to the survey owing to their position as a key intelligence-collection point on TF, as mandated by the international standard setter on anti-financial crime measures, the Financial Action Task Force (FATF). The survey asked respondents to report case studies of CETF and to share perceptions of both specific CETF risks in their jurisdictions, and the quality of cooperation and effectiveness in combating CETF at national

and EU levels. Concerted efforts were made to reach all FIUs targeted,³ although several – including those of France, Germany and Sweden – did not participate. Alongside the survey data, 18 expert consultations were held, remotely and in person where possible, with experts from public and third sectors in some of the 30 European countries surveyed, and from international organisations and fora, including the EU and the UN. These consultations helped to contextualise some of the initial findings of the survey, and provide insight drawn from experts' experience with measuring, understanding and/or responding to CETF.

The project's research design was subject to several limitations, not least of which was the opacity of the topic. Open-source material on TF and organised crime is limited, and much material known to law enforcement and security agencies cannot be shared with the public for legal or operational reasons. Moreover, even where evidence is available, it can be difficult to ascertain the precise motivation behind criminal activity: that is, whether an activity is purely aimed at personal enrichment, or has ideological motivations – an issue raised in expert consultations. A further challenge was the variety of language used by practitioners to refer to the actors involved. In expert consultations, the conceptual categories of 'terrorist' and 'criminal' often became blurred, although this yielded important research findings concerning the assumed utility of definitive labels. Recognising the possibility that linguistic ambiguity could colour the survey findings, contextualising information and definitions were included at the beginning of the survey in an attempt to limit definitional disagreement among respondents. Further, having employed a survey of perceptions, findings that can be drawn from a survey of national FIUs alone are inherently limited, despite being extracted from some of the most informed actors within national law enforcement agencies with jurisdiction over TF. Due to resource and time limitations, the authors were unable to corroborate survey results about the effectiveness of the private sector at identifying CETF with sector participants themselves.

3. Completed surveys were received from the FIUs of: Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Finland, the Republic of Ireland, Italy, Latvia, Lithuania, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Norway, Switzerland and the UK. Austria, Denmark and Sweden declined to complete the survey, while the following countries failed to reply to our request or submit a response: France, Germany, Greece, Hungary and Luxembourg.

I. Groundwork: Definitions and Frameworks

This paper uses several key terms, definitions of which are provided below.

Terrorism

TERRORISM IS AN activity the definition of which has proved extremely controversial for both governments and academics. In view of the limited space afforded in this paper, the paper refers to the UN 1994 General Assembly Declaration on Measures to Eliminate International Terrorism, which describes terrorism as ‘criminal acts intended or calculated to provoke a state of terror in the general public, a group of persons or particular persons for political purposes’.⁴ However, terrorism also denotes terrorist actors, as well as terrorist acts, and there are potentially several categories of these, on which, again, there is limited terminological consensus. The paper therefore focuses on two primary categories, which dovetail into the broader discussion around crime and terrorism:

- a. **Terrorist groups:** This category refers mainly to ‘OCG-type groups’,⁵ which obtain their funds by engaging in activities such as trafficking in arms, drugs and other commodities. This classification applies to groups such as Hizbullah, the Kurdistan Workers’ Party (PKK) and dissident Irish republican groups. However, given the cross-border nature of international terrorism and organised crime, territory-controlling groups⁶ based beyond Europe’s borders that have de facto control over territory and its licit and illicit resources are also included. This typology includes groups such as the Islamic State in Iraq and Syria, Al-Shabaab in Somalia, and the Taliban in Afghanistan.
- b. **Self-activating terrorists (SATs):** SATs⁷ – also called lone actors and small cells – have fewer financial needs, limited to operational financing to commit attacks, which is typically destined for the purchase of attack components. These funds are mostly obtained from licit sources such as salary income, social security and loans, but also come from petty crime such as small-scale fraud and counterfeiting.

4. United Nations General Assembly, ‘Declaration on Measures to Eliminate International Terrorism’, December 1994, <<https://undocs.org/A/RES/49/60I>>, accessed 20 December 2020.

5. Tom Keatinge and Florence Keen, ‘A Sharper Image: Advancing a Risk-Based Response to Terrorist Financing’, *RUSI Occasional Papers* (March 2020), p. 30.

6. *Ibid*, p. 19.

7. This paper will use the term as it is defined in Stephen Reimer and Matthew Redhead, ‘A New Normal: Countering the Financing of Self-Activating Terrorism in Europe’, *RUSI Occasional Papers* (May 2021).

Terrorism Financing (TF)

TF relates to the role finance plays in supporting terrorists and their activities.⁸ Contemporary academic⁹ and official international¹⁰ definitions of TF recognise that terrorists' financial activities have two main purposes: 'operational' and 'organisational' financing. The first term refers to the use of funds to prepare and execute terrorist attacks, often including target and weapons research and reconnaissance, and the procurement of items required for an attack. Organisational financing refers to the funding of the ongoing activities of a terrorist group, network or cell; providing a sustained platform from which to conduct operational activities. Typical organisational requirements can include funds for recruitment and training, welfare support for operatives and their dependents, and the production and dissemination of propaganda. Researchers have further observed that terrorists undertake different types of financial task to support these objectives, comprising raising, using, moving, storing, managing and obscuring funds.¹¹ It has been noted that these activities feature in relation to both operational and organisational financing, but that although many 'of the same methods and techniques' are used, these differ 'in scope and scale' between established groups and smaller cells.¹²

Counterterrorism Financing (CTF)

CTF covers all those aspects of intergovernmental and national policy that are targeted at the disruption of TF. The term typically refers to the criminalisation of TF and the devotion of law enforcement and intelligence resources to its disruption, the use of targeted financial sanctions against groups and individual terrorists, military attacks on terrorist financial apparatus, and measures required of the private sector to ensure that terrorists are unable to use the financial sector.¹³ These measures are contained within the FATF's Recommendations on anti-money laundering and countering the financing of terrorism,¹⁴ the core elements of which include

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8. For a fuller definition of TF as it is understood in international law, see United Nations, 'International Convention for the Suppression of the Financing of Terrorism', 1999, <<https://treaties.un.org/doc/db/Terrorism/english-18-11.pdf>>, accessed 19 April 2023.
 9. For a recent overview of the literature, see Jessica Davis, *Illicit Money: Financing Terrorism in the 21st Century* (London: Lynne Rienner, 2021), pp. 1–6.
 10. For example, see Financial Action Task Force (FATF), 'International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: The FATF Recommendations' (adopted February 2012, updated February 2023), Recommendation 5, p. 13, <<https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>>, accessed 26 April 2023.
 11. Davis, *Illicit Money*, pp. 4–5.
 12. *Ibid.* See also Jimmy Gurulé, *Unfunding Terror: The Legal Response to the Financing of Global Terrorism* (Cheltenham: Edward Elgar, 2008).
 13. Davis, *Illicit Money*, p. 194.
 14. FATF, 'International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation', Recommendation 5, p. 13.

client due diligence (CDD), ongoing monitoring, and obligations to report to the national FIU when suspicions are aroused.¹⁵

Crime-Enabled Terrorism Financing (CETF)

This term has been coined by the authors in order to bring out the distinctive TF aspects of the discussion of crime–terror links. CETF covers all engagement with criminal actors and in criminal activities designed to support TF in either of its aspects – operational or organisational – or in specific activities. CETF is intended to overcome the common term ‘crime–terror nexus’, which has been a subject of discussion in academia and policymaking for several decades. Much of the ongoing debate has been nurtured by a limited evidence base and a tendency to focus on conflict and post-conflict zones in the search for viable examples,¹⁶ rather than on more stable regions such as Europe. The major academic approaches to the ‘crime–terror nexus’ can be divided into four main schools:

1. ‘Monoliths’ school.
2. ‘Transformation’ school.
3. ‘Network’ school.
4. ‘Milieu’ school.

In its early stages, scholarship on the ‘crime–terror nexus’ focused on interactions between structured terrorist organisations and OCGs, observed as indivisible units and perceived as hierarchical structures that acted uniformly when engaging with other entities: in effect, as institutional monoliths.¹⁷ The ‘monoliths’ school was rooted in the view that terrorists are motivated by a political–ideological agenda, while criminals are profit-driven,¹⁸ which informed conclusions that any contingent relationship between terrorists and OCGs will ultimately fail to become long-term collaboration, a conclusion that deeply influenced some policy thinking.

15. For a description of the FATF framework, see Matthew Redhead, ‘Deep Impact? Refocusing the Anti-Money Laundering Model on Evidence and Outcomes’, *RUSI Occasional Papers* (October 2019), pp. 5–9.

16. United Nations Office on Drugs and Crime, ‘Crime and Instability: Case Studies of Transnational Threats’, February 2010; John de Boer and Louise Bosetti, *The Crime–Conflict ‘Nexus’: State of the Evidence* (Tokyo: United Nations University Centre for Policy Research), Occasional Paper 5, July 2015.

17. This school can be found represented in texts by Chris Dishman, ‘Terrorism, Crime, and Transformation’, *Studies in Conflict and Terrorism* (Vol. 24, Issue 1, 2001); Louise I Shelley and John T Picarelli, ‘Methods Not Motives: Implications of the Convergence of International Organized Crime and Terrorism’, *Police Practice and Research* (Vol. 3, Issue 4), 2002; Steven Hutchinson and Pat O’Malley, ‘A Crime–Terror Nexus? Thinking on Some of the Links between Terrorism and Criminality’, *Studies in Conflict and Terrorism* (Vol. 30, Issue 12), 2007; Marinko Bobic, ‘Transnational Organised Crime and Terrorism: Nexus Needing a Human Security Framework’, *Global Crime* (Vol. 15, Issue 3–4), 2014.

18. Shelley and Picarelli, ‘Methods Not Motives’.

A major example of this can be seen in the UN Secretary-General's report on Security Council Resolution 2195, which states that 'terrorism and transnational organized crime are distinct phenomena, and have different modus operandi, aims and international legal frameworks'.¹⁹

Further development of the monoliths school led some scholars to blur the lines between groups. Most notably, the 'transformation' school is represented by Tamara Makarenko's reconceptualisation of the relationship between crime and terror as a process of transformation along a continuum with opposites at either end,²⁰ until groups become so intertwined they are almost indistinguishable. Makarenko's work remains one of the most influential accounts in the field, with a powerful impact on the understanding of policymakers. For example, UNICRI's Policy Toolkit for the 'Hague Good Practices on the Nexus Between Transnational Organized Crime and Terrorism'²¹ shows the influence of this approach. It divides the continuum into a 'transactional nexus' – with alliances and appropriation of tactics – and an 'organisational nexus', which includes the different stages of integration, hybridisation, transformation and what it refers to as 'the black hole', characteristic of geographical areas lacking governance and security, and territorial control.²²

The 'network' school evolved as post-9/11 international counterterrorism efforts forced Islamist extremist groups to break down into smaller units or disperse their operations, and the idea of interaction between organisational monoliths became increasingly redundant.²³ Instead of seeing interactions between structured groups, scholars in this school focused on networked groups and decentralised cells, as well as their individual members.²⁴ Therefore, they placed a greater focus on lower to mid-level criminals and terrorists who had begun taking advantage

19. United Nations Secretary-General, 'Report of the Secretary-General on the Threat of Terrorists Benefiting from Transnational Organized Crime (Security Council Resolution 2195 (2014))', S/2015/366, 21 May 2015.

20. The main defining text for this school is Tamara Makarenko, 'The Crime–Terror Continuum: Tracing the Interplay between Transnational Organised Crime and Terrorism', *Global Crime* (Vol. 6, Issue 1, 2004), but also Dishman, 'Terrorism, Crime, and Transformation'; Santiago Ballina, 'The Crime–Terror Continuum Revisited: A Model for the Study of Hybrid Criminal Organisations', *Journal of Policing, Intelligence and Counter Terrorism* (Vol. 6, Issue 2, 2011); Thomas M Sanderson, 'Transnational Terror and Organized Crime: Blurring the Lines', *SAIS Review of International Affairs* (Vol. 24, No. 1, January 2004).

21. Global Counterterrorism Forum, 'The Hague Good Practices on the Nexus between Transnational Organized Crime and Terrorism'.

22. UNICRI and the Global Counterterrorism Forum, 'Policy Toolkit on The Hague Good Practices on the Nexus between Transnational Organized Crime and Terrorism'.

23. Dishman, 'Terrorism, Crime, and Transformation'.

24. This school is reflected in Dishman, 'The Leaderless Nexus: When Crime and Terror Converge', *Studies in Conflict and Terrorism* (Vol. 28, Issue 3, 2005); John T Picarelli, 'Osama bin Corleone? Vito the Jackal? Framing Threat Convergence Through an Examination of Transnational Organized Crime and International Terrorism', *Terrorism and Political Violence* (Vol. 24, Issue 2, 2012); Glenn E Curtis and Tara Karacan, 'The Nexus Among Terrorists, Narcotics Traffickers, Weapons

of their increasing independence to form ‘synergistic ties’ with criminal counterparts to find funding and source fraudulent documents, transport and safe houses.²⁵ In further developments of the network school, the ‘milieu’ school²⁶ emerged with an influential 2016 study of jihadist terrorists in Europe, against the backdrop of a wave of SAT attacks on the continent.²⁷ This school identifies not a convergence of organisations or groups, but an overlapping of social networks, noting that OCGs and terrorist networks have come to recruit members from the same pool of people, creating ‘(often unintended) synergies and overlaps that have consequences for how individuals radicalise and operate’.²⁸ The 2016 article pays particular attention to the issues of radicalisation and recruitment.

While each approach has something useful to say about aspects of the links between crime and TF, the desire to answer the larger question of how the phenomena of crime and terrorism interact overall appears to have crowded out a dedicated assessment of the TF issue. What is necessary, therefore, is a more pragmatic approach that lifts the question outside the ongoing headline debate about ‘crime and terror’, and looks instead to an evidence-driven study which identifies where crime (either via criminal actors or criminal activity) has enabled TF. It is for this reason that this paper will use the term CETF, rather than the existing academic terminology of a ‘crime–terror nexus’. It will also focus on less theoretically freighted categories as a framework for analysis, as explored in the next section.

Proliferators, and Organized Crime Networks in Western Europe’, Library of Congress – Federal Research Division, December 2002.

25. *Ibid.*

26. The key article in this school is Rajan Basra and Peter R Neumann, ‘Criminal Pasts, Terrorist Futures: European Jihadists and the New Crime–Terror Nexus’, *Perspectives on Terrorism* (Vol. 10, Issue 6, 2016). Other examples include Sam Mullins, ‘Parallels Between Crime and Terrorism: A Social–Psychological Perspective’, *Studies in Conflict and Terrorism* (Vol. 32, Issue 9, 2009); Jonathan Ilan and Sveinung Sandberg, ‘How “Gangsters” Become Jihadists: Bourdieu, Criminology and the Crime–Terrorism Nexus’, *European Journal of Criminology* (Vol. 16, No. 3, 2019); Paige V Pascarelli, ‘Identities “Betwixt and Between”: Analyzing Belgian Representation in “Homegrown” Extremism’, *Behavioral Sciences of Terrorism and Political Aggression* (Vol. 10, Issue 3, 2018).

27. Basra and Neumann, ‘Criminal Pasts, Terrorist Futures’.

28. *Ibid.*, p. 26.

II. CETF Risks and Threats

JUDGING FROM MATERIAL obtained through desk research, expert consultations and an FIU survey, it seems clear that CETF is at relatively modest levels across Europe as a whole. There is evidence of some interaction between criminal and terrorist actors at different levels, and indications of terrorist groups and more loosely knit networks of a variety of ideological complexions engaging in CETF both for organisational and operational fundraising purposes. While crime does not appear to be an overwhelmingly important source of TF, the picture is far from uniform, and there are regional and national variations. Indeed, some of the most interesting findings suggest that the organised terrorist groups most heavily involved in CETF in Europe are using the continent to support their activities elsewhere, rather than treating Europe as a target.

As noted in the previous section, studies of the ‘crime–terror nexus’ have mostly been focused on conflict and post-conflict contexts. The cross-border impact of international terrorism and organised crime poses the question of whether the dynamics of CETF are only intra-EU, or whether they relate to events beyond the bloc’s borders. Furthermore, it is often the case that events outside the EU fall beyond the jurisdictions of European law enforcement agencies (LEAs) and FIUs, who cannot fully observe the impact of terrorist activity and illicit flows coming into the continent. The success of terrorists further afield can serve to provide support to terrorists – either active or dormant – in Europe, sometimes in material or financial ways, but also inspirationally. As Europol frames it, ‘while it may not affect the EU directly, outside of the EU, terrorist organisations constantly fight to gain control over infrastructure or criminal activities that may ultimately finance terrorist operations or expand their overall profits and capabilities’.²⁹ At the same time, the illicit flows in which these actors are involved have Europe as one of their main destinations. In fact, a particular point to be highlighted in this regard is the role of Europe, the consumer destination, as an instigator and enabler of these circumstances. The European single market presents a major business opportunity for the continent to foster trade relations. However, this licit market is shadowed by a parallel illicit market. Incoming illicit flows will contribute to the strengthening of organised criminals operating within Europe, and will at the same time provide access to weapons and fundraising opportunities for terrorists in the EU, as described below. Yet while the single market (and its shadow market) represents a pooling on the part of member states, policing this market and rooting out crime is mostly done nationally, with real challenges persisting at Europol and other EU agencies for cross-border responses.

29. Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2022* (Luxembourg: Publications Office of the European Union, 2022), p. 20, <https://www.europol.europa.eu/cms/sites/default/files/documents/Tesat_Report_2022_0.pdf>, accessed 18 October 2022.

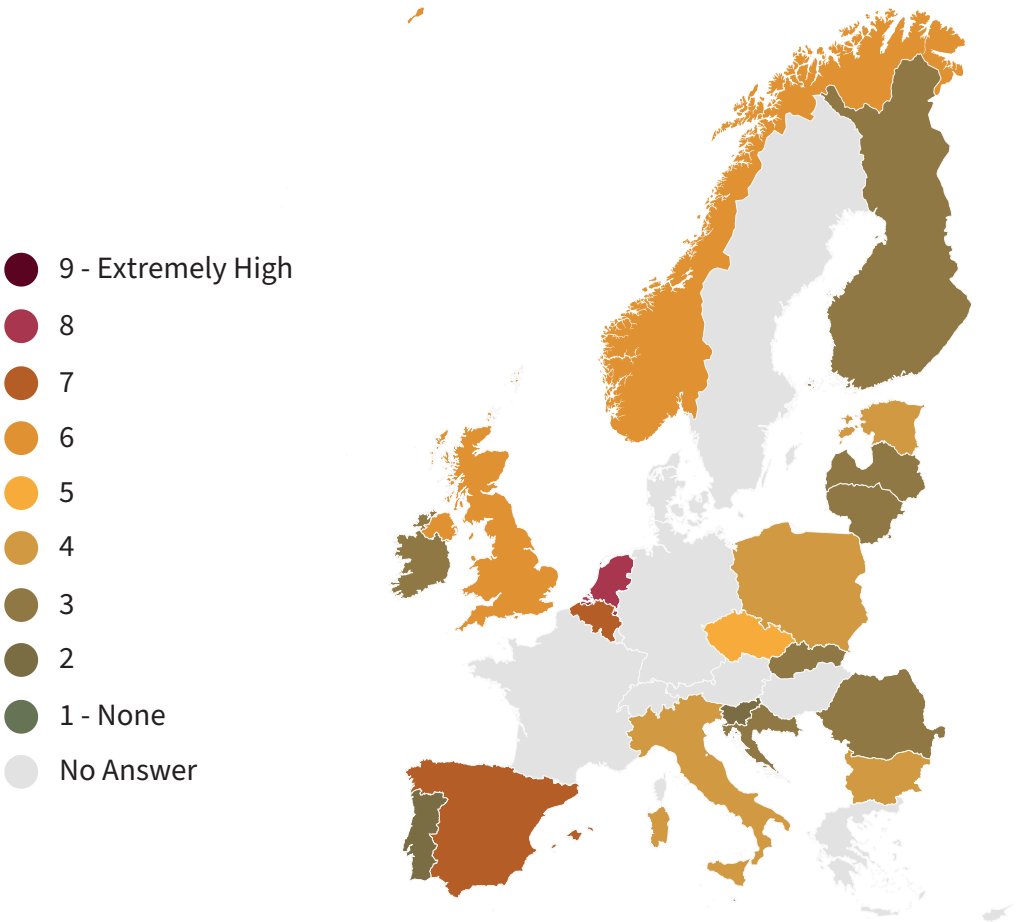
For this reason, the survey shared with European FIUs sought to shed light in particular on their perceptions of the likelihood of cross-border criminal activity related to TF. Cross-border crime, both within the EU and outside the single market, was not seen as a major TF stream by most respondents (see Figures 1 and 2). Countries that were concerned with cross-border crime funding terrorism were geographically clustered in northwest Europe, suggesting that CETF may be more of a regional issue than a pan-European preoccupation. Several of these countries see cross-border aspects outside Europe as well. Norway, for instance, as a rich country with substantial outflows of remittances, reported concern over unregistered and unlicensed payment service providers and *hawaladars*³⁰ that ‘pose a high risk for ... terrorism financing’ where funds are sent abroad.³¹ Further, as the host countries of two of Europe’s largest ports, Belgium and the Netherlands have broad exposure to CETF involving drugs and other illicit commodities entering the EU through Antwerp and Rotterdam.

30. *Hawala* is a remittance system that operates outside traditional banking systems, in which person A contacts a *hawala* service provider, or *hawaladar*, and provides funds to be transferred to person B. The *hawaladar* then contacts their counterpart where person B is located, who remits the funds to that person.

31. Survey response from FIU Norway.

Figure 1: Country Perceptions of Likelihood of Cross-Border CETF Within the EU

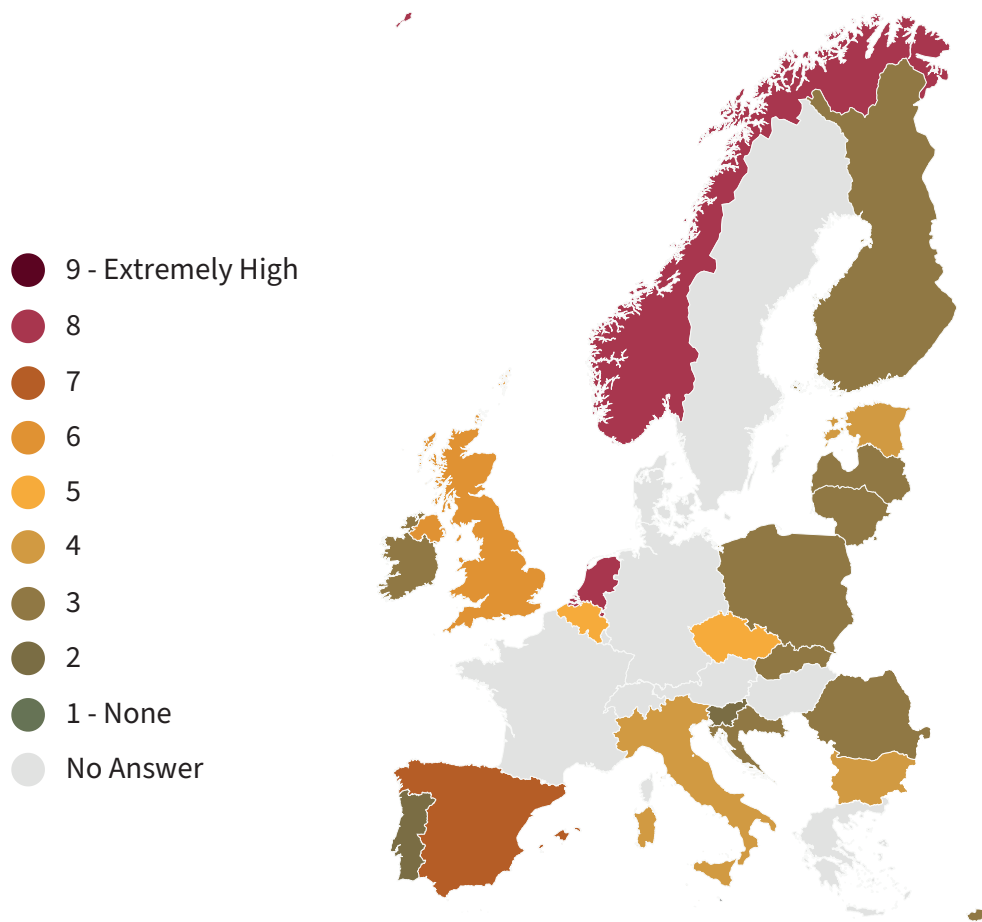
‘In your country, what is the likelihood of cross-border criminal activity *within the EU* supporting TF activity? (Cross-border criminal activity within the EU involves the movement of people, goods, or funds – or the provision of services – between EU member states via physical or virtual means) (1 = none and 9 = extremely high)’.



Source: Authors’ research interviews with national FIUs, FIU survey results.

Figure 2: Country Perceptions of Likelihood of Cross-Border CETF Outside the EU

'In your country, what is the likelihood of cross-border criminal activity with jurisdictions outside the EU supporting TF activity? (Cross-border activity with jurisdictions outside the EU involves the movement of people, goods, or funds – or the provision of services – between an EU member state [or states] and jurisdictions outside the EU, via physical or virtual means) (1 = none and 9 = extremely high)'.



Source: Authors' research interviews with national FIUs, FIU survey results.

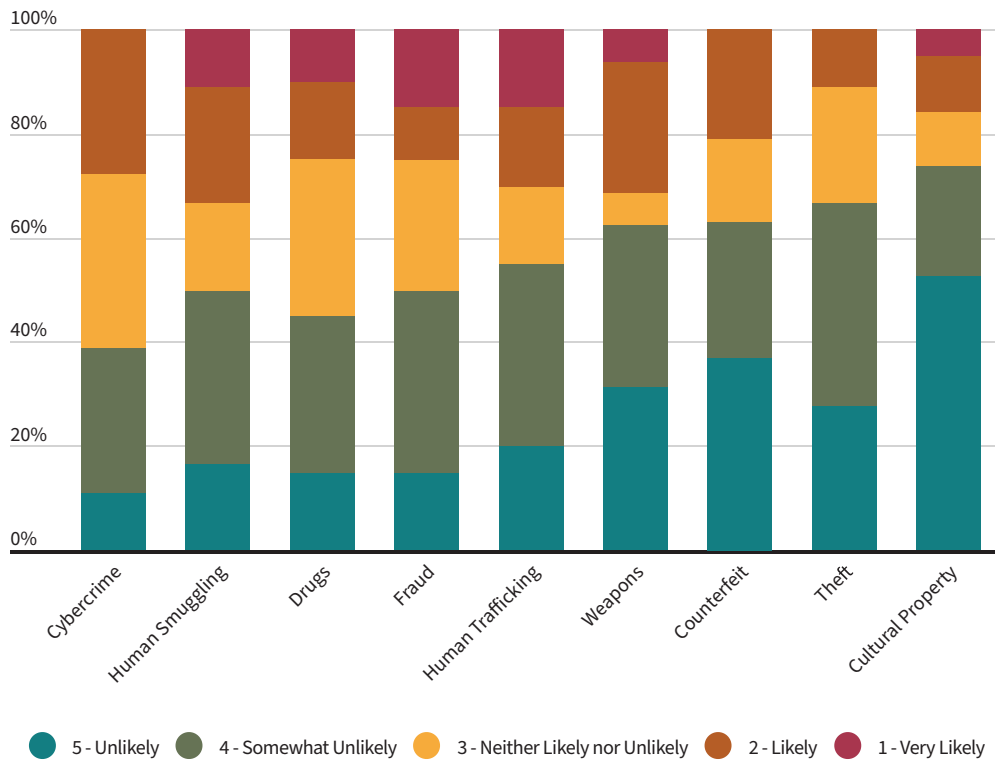
Countries' perceptions of the likelihood of nine major crime types being involved in TF reflect a wider perception among FIUs that criminality per se is not a major source of TF in their jurisdictions. Across these nine crime types,³² no more than 40% of respondents perceived any

32. The nine crime types included in the survey are among the top concerns for Europe, and were drawn from Europol's 2021 Serious and Organised Crime Threat Assessment and the EU's 2022–2025 priorities for the fight against serious and organised crime. See Europol, *European Union Serious and Organised Crime Threat Assessment: A Corrupting Influence: The Infiltration and Undermining of Europe's Economy and Society by Organised Crime* (Luxembourg: Publications

one crime type to be ‘likely’ or ‘very likely’ to be involved in financing terrorist activity or groups (see Figure 3). Countries that reported a high likelihood of a cross-border crime–terror nexus – both within and outside the EU – were also high scorers for individual crime types. For example, Belgian authorities perceived human trafficking, human smuggling and trafficking in cultural property and drugs to all be very likely to be implicated in TF. Similarly, Norway perceived drug trafficking and fraud to be very likely related to TF, while the Netherlands took this view about human trafficking and fraud.

Figure 3: Country Perceptions of Crime-Type Likelihood for TF

‘Rate these crime types based on their likelihood of being involved in the financing of terrorist activity or dedicated terrorist groups in your country (1 = very likely; 5 = unlikely)’.



Source: Authors’ research interviews with national FIUs, FIU survey results.

Office of the European Union, 2021), <<https://www.europol.europa.eu/publication-events/main-reports/european-union-serious-and-organised-crime-threat-assessment-socta-2021>>, accessed 19 April 2023; Council of the EU, ‘Fight Against Organised Crime: Council Sets Out 10 Priorities for the Next 4 Years’, press release, 26 May 2021, <<https://www.consilium.europa.eu/en/press/press-releases/2021/05/26/fight-against-organised-crime-council-sets-out-10-priorities-for-the-next-4-years/>>, accessed 19 April 2023.

Some countries that perceived a low likelihood of cross-border CETF did provide high scores for individual crimes. For example, Bulgaria rated a connection between TF and human trafficking and smuggling, trading or smuggling of counterfeit goods and trafficking in drugs, weapons and cultural property as 'likely'. Other jurisdictions in southeastern Europe were high raters of individual crimes, while judging the overall likelihood of existing cross-border CETF to be low: Croatia perceived human smuggling and trafficking in drugs and weapons to be 'likely' to be involved in TF, while Slovenia perceived a TF connection with human trafficking and smuggling and trafficking in weapons to be 'very likely'. This would seem to suggest that for some countries, particularly those on the Balkan peninsula, there is a solid basis of casework from which to infer which crime types terrorists *would* profit from, should they chose to do so, in the absence of evidence for a robust nexus between crime and TF. The regional dynamic of these findings also underscores a fundamental issue, of the Balkan corridor being a prominent trafficking route for drugs, weapons, other illicit goods, and people. Despite being positioned along a major human smuggling/trafficking route across the Mediterranean, authorities in Italy, by contrast, perceive such crimes as being only episodically associated with TF. Interestingly, Spain, despite being situated along similar trans-Mediterranean routes, perceived less risk of TF connections with such crimes.

Cybercrime is one of the highest-rated crimes to be likely connected to TF, but there is limited evidence in the FIU surveys to support this assessment. FIUs may have limited knowledge of the extent of CETF from cybercrime in Europe, given the relative novelty of this crime type.³³ Similarly novel TF risks pertaining to new technologies have similarly been exaggerated, with actors erring on the side of caution by interpreting the presence of mere vulnerabilities as real and present risks.

These results illustrate several main points about country-level perceptions of CETF in Europe. There is substantial regional variation across Europe regarding concern about and perceptions of CETF. Countries in northwestern Europe, including the UK, Norway, Belgium and the Netherlands, see terrorists and their financiers engaging with crime to meet financing needs, and perceive these crimes to be cross-border in nature, both within Europe and outside it. However, they do not yet offer the necessary insights into whether the connection between crime and terrorism takes place through interactions between criminal and terrorist actors, or through the engagement of terrorists themselves in criminality. As noted above, rather than seeking to apply existing theoretical models, this research will explore the following conditions:

- **Enabling Interactions:** Where OCGs or other types of criminal actor have *supported* the TF activities of terrorists and terrorist groups.
- **Terrorist Criminality:** Where established terrorist groups and SATs have *used criminal means* to support TF.

33. See Stephen Reimer and Matthew Redhead, 'Bit by Bit: Impacts of New Technologies on Terrorism Financing Risks', *RUSI Occasional Papers* (April 2022), p. vii.

Enabling Interactions

The assessment of CETF at EU level is best reflected in Europol's Terrorism Situation and Trend Reports (TE-SATs) and Serious and Organised Crime Threat Assessment (SOCTA) reports, which have in recent years addressed the possibility of an existing nexus. In these documents, Europol consistently judges that the 'core motivations' of terrorists and criminals 'remain largely divergent', a situation that precludes the establishment of a long-lasting nexus. Thus, Europol concludes that 'there is little evidence of systematic cooperation between criminals and terrorists', and that this cooperation seems to be mostly 'transaction-based'.³⁴

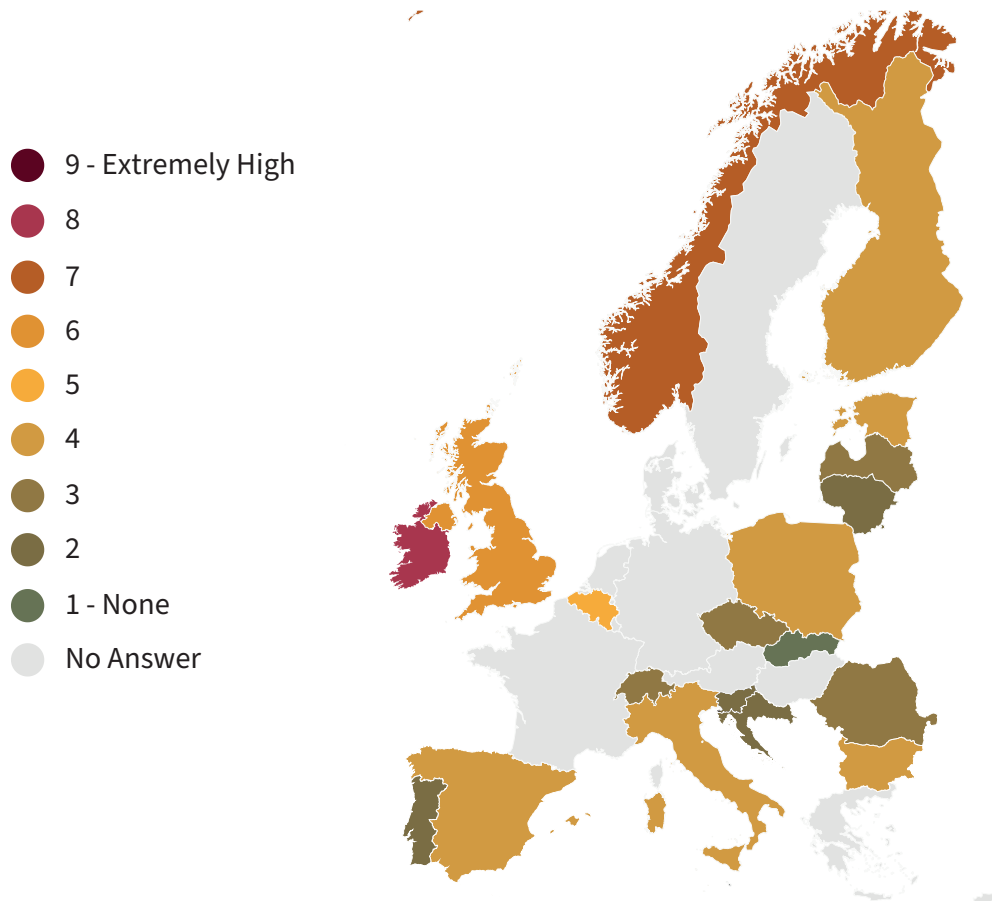
When asked to assess the likelihood of a relationship existing between criminal actors and TF, less than 30% of this research's respondents expressed any confidence in the existence of such a nexus. The geographical divide in the responses is stark, with countries in northwestern Europe again perceiving a higher likelihood of criminal actors being linked to TF, compared to countries in southern and eastern Europe (see Figure 4). Italy is a partial exception to this, which is reflected in its concern over connections forged between both domestic and foreign organised crime networks and individuals investigated for closeness to terrorist organisations.³⁵

34. Europol, *European Union Serious and Organised Crime Threat Assessment* (2021), p. 25; Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2021* (Luxembourg: Publications Office of the European Union, 2021), p. 31.

35. Analysis provided by FIU Italy.

Figure 4: Country Perceptions of Relationship between Criminal Actors and TF

'In your country, what is the likelihood of a nexus existing between criminal *actors* and terrorism financing? (1 = none and 9 = extremely high)'.



Source: Authors' research interviews with national FIUs, FIU survey results.

In the view of one national FIU, the acquisition of the means of committing attacks (such as firearms, ammunition and explosives) forms the primary linkage between terrorists and criminals overall.³⁶ This cooperation between actors appears to be based purely on reciprocal economic convenience,³⁷ with OCGs collaborating largely on the basis of shared backgrounds and profiles. However, it should be noted that these observations are limited to interactions between OCGs and Islamist actors.³⁸

36. Survey response from FIU The Netherlands.

37. Survey response from FIU Italy.

38. A question was raised by an expert on European organised crime as to whether this purported reluctance for OCGs to interact with terrorists is only found when engaging with jihadists, and whether criminals would face the same situation when supplying right-wing extremists.

Apart from attack components, one of the main types of goods supplied to terrorists by criminals is forged documents, which can in turn also serve as useful means of TF. Forged documents range from passports and other forms of identification, to so-called 'breeder' documents – administrative documents such as birth certificates, marriage records, and work and residence permits, that can be used to fraudulently obtain other identification documents.³⁹ Case studies involving the provision of forged documents typically pertain to complex, multi-jurisdictional cases involving jihadist terrorists for the purposes of facilitating the smuggling of migrants as a profit-generating enterprise, or to disguise the identity of individual terrorists.⁴⁰ Document forgery, like other forms of terrorism resourcing, tends to be a criminal service afforded to terrorists on a one-off basis, often where the service provider is underinformed (perhaps deliberately) about the identity of their client.⁴¹ One month before the November 2015 terror attacks in Paris, Belgian police investigating a large-scale forgery ring in Brussels discovered a sophisticated factory that had been creating hundreds of fake identification cards, driving licences and social security cards. Among the negatives found were fake IDs that had been produced for the 'supercell' that perpetrated both the attacks in Paris in November 2015 and those in Brussels in March 2016.⁴² As was the case here, loans can be obtained with forged documents, and jihadists regularly travel on forged passports. In the ongoing trial in Belgium in relation to the 2015 Paris attacks, one of the suspected accomplices is charged with supplying false documents.⁴³

The procurement of forged documents from criminal actors is directly connected to TF, as it presents a means for terrorists to obtain further financing by facilitating the commission of other profitable crimes. However, law enforcement must understand that other types of services provided by criminals are also of significant relevance. The procurement of weapons is a clear example, yet the contrast lies in the fact that weapons are related to traditional resourcing, rather than to financing. Research shows that, given the generally closed character of these markets, 'only terrorists with the right criminal connections' can acquire firearms in illicit firearms markets in the EU, especially military-grade ones.⁴⁴ Along similar lines, we find access to migrant smuggling routes provided to terrorists by criminal actors, with Europol confirming that

39. Europol, 'Forgery of Administrative Documents and Trafficking Therein', <<https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/forgery-of-administrative-documents-and-trafficking-therein>>, accessed 18 April 2022.

40. Survey from FIU Italy; interview with Spanish National Police, 8 June 2022.

41. Interview with Europol, 5 July 2022; interview with FIU Belgium, 10 May 2022.

42. Basra and Neumann, 'Criminal Pasts, Terrorist Futures', p. 37.

43. *Reuters*, 'Belgium Starts Trial of Suspected Paris Attack Helpers', 19 April 2022, <<https://www.reuters.com/world/europe/belgium-starts-trial-suspected-paris-attack-helpers-2022-04-19/>>, accessed 25 April 2022.

44. Nils Duquet and Kevin Goris, *Firearms Acquisition by Terrorists in Europe: Research Findings and Policy Recommendations of Project SAFTE* (Brussels: Flemish Peace Institute, 2018), p. 134; Emilie Oftedal, *The Financing of Jihadi Terrorist Cells in Europe* (Kjeller: Norwegian Defence Research Establishment, 2015), p. 37.

such routes are used by terrorists to travel to and through the EU.⁴⁵ Again, while these services do not entail a financial gain for terrorists, they are relevant, given the expenditure of funds entailed for these actors and the key services they obtain in return to further their operations.

The connections in such cases appear to be episodic and instrumental, that is, based on the contingent reciprocal convenience of criminal syndicates and terrorists, and entailing expenditure of funds by the latter in exchange for material resources needed, either for launching violent attacks or for further revenue generation. Crime–TF linkages are more likely to involve single criminal actors than criminal business in general. Europol confirms that links to larger criminal networks appear to be less common in TF.⁴⁶ The sheer volume of organised criminal activities would provide a certain degree of cover for the movement of an illicit supplier. However, if a terrorist link is suspected, it would bring about the involvement of counterterrorism units with greater budgets and enhanced investigative techniques that would facilitate the interception of the criminal agent involved.

Cases also suggest a wariness on the part of OCGs to engage with terrorist actors, the logic being that interactions with terrorists will attract unwanted attention from law enforcement and intelligence agencies. This reluctance to engage with terrorists might be one of the reasons for an overall low supply of firearms to terrorist actors, and the need for personal connections to access such criminal networks.

While there is little evidence of systematic cooperation between criminals and terrorists in the EU,⁴⁷ that this cooperation is not ‘systematic’ should not make it irrelevant from a CTF perspective. Without the capacity to tap into the resources of the criminal world – often through the criminal background of terrorist actors – terrorists would be further inhibited, both from gaining access to materials needed to stage an attack and from generating revenue.

Terrorist Criminality

European law enforcement and FIUs have identified persons linked to terrorist groups who are active in criminal activities themselves, generating funds through fraud schemes, theft, people smuggling, the drugs trade and other forms of crime. In contrast to the enabling interaction with OCGs with the broader aim of resourcing, crimes in which terrorists engage independently have the specific purpose of raising money.

Respondents were broadly homogeneous in their assessment of TF linked to criminal actors (see Figure 4) and criminal activity, with the latter including the use of organised crime tactics by terrorists themselves (see Figure 5). Belgium and Bulgaria reported a slightly greater likelihood of TF involving criminal activity than of TF involving criminal actors themselves, suggesting that these countries are more likely to see terrorists adopting criminal tactics on their own

45. Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2022*, p. 19.

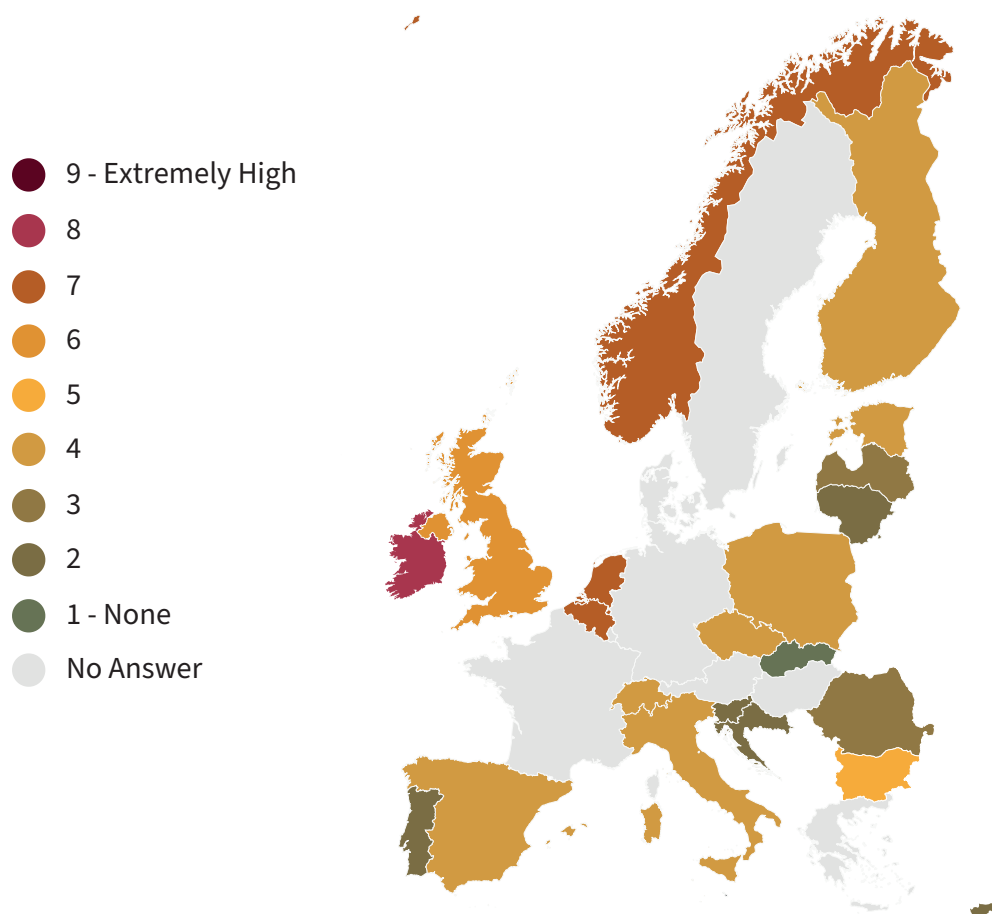
46. Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2021*.

47. *Ibid.*, p. 31.

for operational or organisational financing purposes. In fact, for Belgium and neighbouring France, the tendency for SATs to secure operational financing through petty crime in this way is well documented, particularly among younger extremists flitting between jihadist and criminal lifestyles.⁴⁸

Figure 5: Country Perceptions of a Nexus Between Criminal Activity and TF

'In your country, what is the likelihood of a nexus existing between criminal *activity* and terrorism financing? (1 = none and 9 = extremely high)'.



Source: Authors' research interviews with national FIUs, FIU survey results.

48. See Peter Neumann, 'Don't Follow the Money: The Problem with the War on Terrorist Financing', *Foreign Affairs* (Vol. 96, No. 4, July/August 2017), p. 98. Examples in Reimer and Redhead, 'A New Normal' include that of Saïd and Chérif Kouachi, who attacked the offices of *Charlie Hebdo* magazine in Paris in 2015 and purchased their weapons with the proceeds of drug trafficking and illicit trade in counterfeit goods. Also cited was the example of Ayoub El-Khazzani, who had previous criminal convictions and whose attack on an intercity train between Paris and Brussels was at least partly financed through petty robbery and drug sales. Reimer and Redhead, 'A New Normal', p. 10.

Two exceptions are noteworthy. Irish authorities perceive CETF involving both criminal actors and criminal activity to be prolific but see little scope for such activities to be conducted across international or intra-EU borders. This suggests that CETF on the island of Ireland is a geographically self-contained issue, limited to the Republic of Ireland and the UK – which is to be expected given the locally focused nature of CETF for dissident republican groups, the island’s prime TF concern. Second, Spanish authorities report a high likelihood of cross-border CETF both within and outside the EU, but a low likelihood of a nexus existing between either criminal actors or activities and TF. One potential interpretation of this could be that Spain perceives there to be high rates of cross-border crime and thus suspects, but has little evidence of, TF occurring amid these high rates of criminal flows.

Analysis from Italy’s FIU underscores that CETF in that country is most commonly witnessed where an individual participant in an organised criminal network in the country has a generic commitment to a terrorist cause and may act on this through financial support.⁴⁹

While not indicating the absence of crime as a source of financing, these findings do suggest that terrorist groups and SATs typically draw on a wide and diverse variety of funding sources.⁵⁰ This is in line with expectations, particularly as northwestern Europe features some of the heaviest concentrations of known Islamist networks and recent terrorist attacks.⁵¹ Further, nationalist and loyalist terrorists operating in Ireland and the UK are well known for turning to organised crime to finance their operations,⁵² underlining the strength of the response from these countries.

In order to observe the differences in dynamics found between the involvement in crime by terrorist groups and by SATs, the analysis of terrorist criminality is further detailed below in bespoke sections for each actor typology.

Criminality at Group Level

It is a perhaps unsurprising finding of this research that OCG-type groups have exceptional fundraising abilities among terrorist groups engaged in CETF in Europe, and are likely prime

49. Survey response from FIU Italy.

50. Reimer and Redhead, ‘A New Normal’; Davis, *Illicit Money*.

51. The most recent figures available from Europol state that in 2021, France, Germany and Sweden experienced the most terrorist attacks in the EU, with attacks by jihadists being most common. See Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2022*, p. 7.

52. House of Commons Select Committee on Northern Ireland Affairs, Fourth Report, ‘The Financing of Terrorism in Northern Ireland’, <<https://publications.parliament.uk/pa/cm200102/cmselect/cmniaf/978/97803.htm>>, accessed 1 March 2023; HM Treasury and the Home Office, ‘National Risk Assessment of Money Laundering and Terrorist Financing 2020’, December 2020, <<https://www.gov.uk/government/publications/national-risk-assessment-of-money-laundering-and-terrorist-financing-2020>>, accessed 1 March 2023, pp. 44–6.

examples of the relationship between crime and terrorism identified by the ‘transformation’ school, discussed above.

The case of dissident republican groups in Northern Ireland is of particular interest given their evolved capabilities in engaging in crime-enabled TF. Irish authorities report that these terrorist groups have funded and continue to fund their activities through various criminal activities, such as fuel laundering, cigarette smuggling and the production of counterfeit currency.⁵³

Elsewhere, members of the PKK are allegedly involved in organised crime activities such as money laundering, racketeering, extortion and drug trafficking.⁵⁴ In 2012, the US Department of the Treasury’s Office of Foreign Assets Control designated three Moldova-based individuals as Specially Designated Narcotics Traffickers acting on behalf of the PKK. One of them was identified as both a high-ranking member of the PKK and a member of a Romania-based drug-trafficking organisation.⁵⁵ Furthermore, the PKK is reportedly involved in cocaine trafficking through the port of Antwerp.⁵⁶ There are few open-source examples of PKK-related individuals involved in drug trafficking in Europe. However, Spanish authorities confirmed the collection of funds by the PKK through the extortion of Turkish diaspora communities in the EU.⁵⁷ PKK financing through the forcible extraction of ‘community’ or ‘revolutionary’ taxes has also been recorded in France, where members of the Kurdish diaspora have been harassed by PKK operatives into making financial contributions to the group based on an estimation of their income.⁵⁸ French authorities estimate that the PKK has raised funds in this way in southeastern France to the tune of approximately €2 million every year.⁵⁹

53. Survey response from FIU Ireland.

54. Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2022*, p. 74.

55. US Department of Treasury, ‘Treasury Sanctions Supporters of the Kurdistan Workers Party (PKK) Tied to Drug Trafficking in Europe’, press release, 1 February 2012, <<https://home.treasury.gov/news/press-releases/tg1406>>, accessed 19 April 2022.

56. Hasan Esen, ‘PKK Drug Smuggling Network Busted in Belgium’, *Anadolu Agency*, 2017, <<https://www.aa.com.tr/en/europe/pkk-drug-smuggling-network-busted-in-belgium/899976>>, accessed 20 April 2022.

57. Interview with Spanish National Police.

58. In a recent trial in Paris, 11 PKK members were convicted of TF through such modes of extortion, whereby community members had been threatened with bodily harm or excommunication from the community were they not to pay. See *AFP*, ‘Onze cadres du PKK jugés pour «financement du terrorisme» en France’ [‘Eleven PKK Members on Trial for Terrorist Financing in France’], 4 April 2023, <<https://ici.radio-canada.ca/nouvelle/1968400/france-onze-cadres-pkk-proces-financement-terrorisme>>, accessed 19 April 2023; *Voice of America*, ‘French Court Convicts 11 Turkish Kurds of PKK Terror Financing’, 14 April 2023, <<https://www.voanews.com/a/french-court-convicts-11-turkish-kurds-of-pkk-terror-financing/7051348.html>>, accessed 19 April 2023.

59. *Voice of America*, ‘French Court Convicts 11 Turkish Kurds of PKK Terror Financing’.

Hizbullah is another terrorist actor with great prominence in the criminal world, and as such is labelled an OCG-type terrorist group.⁶⁰ According to Europol, the network of collaborators built by Hizbullah in the EU is 'suspected of managing the transportation and distribution of illegal drugs into the EU, dealing with firearms trafficking and running professional money laundering operations that include the provision of money laundering services for other criminal organisations'.⁶¹ An investigation involving seven countries led to the arrest of 'top leaders' of a Hizbullah 'European cell' on charges of 'drug trafficking, money laundering, and procuring weapons for Hizbullah's use in Syria',⁶² and numerous operatives have been arrested for their engagement in 'money laundering, narcotics trafficking, counterfeit currency and clothing, and other illegal schemes' in countries across Europe.⁶³ However, despite the numerous investigations into the high-volume criminal trade by OCG-type groups such as the PKK or Hizbullah, the high standard of evidence required in court to establish a TF link often leads to convictions on organised criminal grounds and no recognition of the link to a designated terrorist entity. Still, Europol and national law enforcement agencies hold that the PKK and Hizbullah's involvement in the aforementioned organised criminal activities is systematic, and represents a substantial share of their financing.⁶⁴

OCG-type groups conducting financing operations in Europe may very well have the largest CETF footprint, but their fundraising prowess is out of proportion to the meagre violent threat these groups pose, at least within Europe. Violence perpetrated by dissident Irish republican groups is already at a historical low, owing to multiple factors, including demographic changes and the current political scene vis-à-vis the UK and Brexit, which could be argued to help the republican cause. While the political arms of most dissident Irish republican groups make do with donations to fund political campaigns and the like, their military wings are quite poor and cannot run the risk of alienating supporters by fundraising through extensive, violent organised crime activity.⁶⁵ Even if this were to change, violence in Northern Ireland would be unlikely to affect countries outside the UK and Ireland, making their overall threat to Europe rather contained.

60. The military branch of Hizbullah is designated as a terrorist organisation by the EU. See 'EU Terrorist List', <<https://www.consilium.europa.eu/en/policies/fight-against-terrorism/terrorist-list/>>, accessed 26 April 2023.

61. Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2022*, p. 20.

62. Matthew Levitt, 'The Lebanese Hizbullah Financing Threat in Europe', Project CRAFT Research Briefing No. 1, 2020, p. 3.

63. *Ibid.*, p. 2.

64. Authors' interview with Europol, 1 September 2022. According to Levitt, tumbling oil prices and troubles at home compelled Iran to 'slash its annual budget for Hizbullah by as much as 40% in early 2009', forcing the group to invest in maximising returns from pre-existing criminal enterprises in Europe. Levitt, 'The Lebanese Hizbullah Financing Threat in Europe', p. 1.

65. Authors' interview with law enforcement official, 10 May 2022.

The PKK and Hizbullah, further, pursue political projects rooted in the Levant and eastern Anatolia, and under current conditions are unlikely to launch violent attacks in Europe.⁶⁶ Concerning the PKK, Germany's Federal Office for the Protection of the Constitution finds the group's adherents in Germany to be focused on fundraising both to cover organisational costs of structures in Germany and to send funds to the PKK's base in Turkey to finance violent attacks. An annual fundraising campaign in 2020–21 set a new record, with an estimated €16.7 million raised, though it is unknown what proportion of this stayed in Germany to cover PKK-related organisational costs and structures there, and what proportion was sent to Turkey.⁶⁷

Support for Terrorism Abroad

Like those OCG-style groups who use Europe as a financial staging ground for bankrolling operations abroad, there are plenty of recent examples of territory-controlling terrorist groups such as the Islamic State or Al-Qa'ida benefiting from European-based donors or financiers transferring funds raised by criminal means, including fraud. A traditional fraud methodology for terrorists is social security, or welfare, fraud.⁶⁸ This was confirmed by Irish authorities interviewed, which observed funds raised through welfare fraud being transferred from individuals in their jurisdiction to people affiliated with an Islamic terrorist organisation.⁶⁹ This case also involved fraud related to the subletting of state-owned properties to third parties. Throughout the Covid-19 pandemic, fraudulent cases related to state financial support to individuals and businesses have been reported to be connected to TF.⁷⁰ In the UK, the diversion of Covid-19 loans for TF purposes has been confirmed, with cases of a former pub landlord and

66. Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2022*, p. 74. Hizbullah's attacks outside its home region of the Middle East typically target Israeli and Jewish targets. Its last attack in Europe targeted a group of Israeli tourists in Bulgaria in 2012. See Euractiv, 'Hezbollah Links Seen in 2012 Israeli Bus Attack in Bulgaria', 22 September 2020, <<https://www.euractiv.com/section/defence-and-security/news/hezbollah-links-seen-in-2012-israeli-bus-attack-in-bulgaria/>>, accessed 26 April 2023.

67. Bundesministerium des Innern und für Heimat, 'Brief Summary 2021 Report on the Protection of the Constitution: Facts and Trends', pp. 41–2, <https://www.verfassungsschutz.de/SharedDocs/publikationen/EN/reports-on-the-protection-of-the-constitution/2022-06-brief-summary-2021-report-on-the-protection-of-the-constitution.pdf?__blob=publicationFile&v=3>, accessed 7 March 2023.

68. Nicholas Ryder, 'Fraud-Enabled Terrorism Financing: A Neglected Dossier', Project CRAFT, Research Briefing 4, 2020.

69. Survey response from FIU Ireland.

70. As early as April 2020, German authorities had opened an investigation into an apparent fraudster linked to a militant Islamist movement who had misused €18,000 in state assistance. See *RTL News*, 'Hassprediger Soll Sich Corona-Soforthilfe für "Honig-Handel" Erschlichen Haben' ['Hate Preacher Allegedly Obtained Corona Emergency Aid for "Honey Trade"'], 20 April 2020, <<https://www.rtl.de/cms/corona-soforthilfe-fuer-erfundenen-honig-handel-kassiert-berliner-hassprediger-droht-mit-klage-keine-stellungnahme-4525140.html>>, accessed 2 February 2023.

a west London barber sending thousands of pounds from the British ‘Bounce Back’ Covid-19 loan scheme to the Islamic State.⁷¹

Box 1: Fraud Supporting Terrorist Groups Abroad – Spain⁷²

An investigation by Spanish authorities into a radicalisation and indoctrination network acting on social media revealed a complex fraud scheme involving cross-border illicit activities in Europe by terrorist actors. A number of people were identified to be part of a body of different companies engaged in the halal meat trade, and located in Denmark. Two of them were Danish citizens, one of whom was killed in Syria after joining the Islamic State. After notifying Danish authorities, Spain was informed that the companies were linked to an entrepreneurial network accused of VAT fraud amounting to €1.5 million. Danish authorities reported that funds from these companies had been used for the acquisition of drones, which may have been used by Islamic State activists to obtain pictures of potential targets. Investigation of the bank accounts of network members revealed that several were involved in defrauding motor insurance companies by claiming compensation for fake traffic accidents. The number of accident claims increased in part to pay for the travel of one of the network members to Mali to join an Al-Qa’ida affiliated group, where he gained prominence due to military experience in Spain.

Card fraud is another common methodology employed by terrorists. British Islamic State terrorist Abdel-Majed Abdel Bary was arrested in Spain in 2020 after his return from the Syrian–Iraqi conflict zone⁷³ and was discovered in the company of two other terrorists engaged in card fraud.⁷⁴ The terrorists obtained identity data from the dark web through payments and used this data to carry out scams. The proceeds of this criminal activity were used to pay the expenses of foreign terrorist fighters who returned to Europe.

71. Daniel Thomas, ‘Bounceback UK Covid Loans Used to Fund Isis, Court Told’, *Financial Times*, 3 May 2022, <<https://www.ft.com/content/00cce9e9-9252-466a-8001-3ca68d920247>>; Counter Terrorism Policing, ‘West London Man Convicted of Terrorism Offences’, 6 January 2023, <<https://www.counterterrorism.police.uk/west-london-man-convicted-of-terrorism-offences/>>, accessed 19 April 2023.

72. Survey response from FIU Spain. See also *El Confidencial*, ‘La célula yihadista que se financiaba en Melilla defraudando con pollo en Dinamarca’ [‘The Terrorist Cell Financed in Melilla Through Chicken Fraud in Denmark’], 7 May 2019, <https://www.elconfidencial.com/espana/2019-05-07/celula-yihadista-fraude-iva-pollo-dinamarca-melilla_1975606/>; and *El Confidencial*, ‘Propaganda, siniestros falsos y artes marciales: Así trabajaba la célula de Melilla’ [‘Propaganda, Fake Accidents and Martial Arts: How the Melilla Cell Worked’], 7 May 2019, <https://www.elconfidencial.com/espana/2019-05-07/celula-melilla-yihad-fraude-iva-propaganda_1975766/>, accessed 10 June 2022.

73. *Reuters*, ‘Spain Catches Rapper who Became Islamic State Fighter’, 22 April 2020.

74. Survey response from FIU Spain.

Terrorists have also been reported to use and/or periodically abuse legal businesses to raise illicit funds for TF purposes. In Italy, a second-hand car dealership was used to issue false invoices and some of the illicit profits were sent to import–export companies reportedly under the control of Middle East-based terrorist organisations.⁷⁵ Complex fraud schemes involving a specialised network are not common; however, documented cases reflect the capacity of terrorists to develop their own criminal expertise.

Criminality Among SATs

Attention to the role of petty and non-organised crime in relation to terrorism has grown in recent years, in response to the changing nature of the terrorism landscape in Europe and the growing prominence of SATs.⁷⁶ Here, employing the nuanced lens of the ‘network’ and ‘milieu’ schools is key to understanding the criminal behaviour of SATs. While the Islamic State incurred immense organisational expenses running its ‘Caliphate’ in Syria and Iraq, among its supporters abroad, it has promoted loose networks, cell structures and ‘low-cost’ attacks.⁷⁷ In fact, 90% of jihadist plots in Europe between 1994 and 2013 involved ‘an element’ of self-funding, and nearly half were entirely self-financed.⁷⁸ Jihadists have encouraged the use of ‘ordinary’ criminality to raise funds. The proceeds of theft – or any form of crime – are viewed as ‘*ghanimah*’, or ‘the spoils of war’, and their use is reinforced by the idea of ‘dispossessing the disbelievers’.⁷⁹ Studies of the financing of SATs underscore the prevalence of petty fraud as a source of financing for these actors.⁸⁰ Furthermore, in addition to the connections that individuals’ criminal pasts supply them with, some analysts conclude that, when it comes to financing, jihadists simply do what they are familiar with, with terrorist fundraising methods therefore mirroring individuals’ criminal pasts. This was the case with the terrorists involved in the *Charlie Hebdo* attack, who sold counterfeit goods to finance the attack.⁸¹ Sometimes using crime is also a part of the *modus vivendi* of an individual, where resorting to crime is part of the lifestyle of a particular actor.⁸²

Summary

CETF serves particular needs of terrorist organisations and SATs alike. While collaboration with OCGs serves as an avenue for procurement of otherwise difficult-to-acquire materials, engagement in independent criminal activities provides terrorists with financial gains that are later employed to cover organisational or operational needs. An insistent focus on full

75. Survey response from FIU Italy.

76. Reimer and Redhead, ‘A New Normal’.

77. Basra and Neumann, ‘Criminal Past, Terrorist Future’.

78. Oftedal, *The Financing of Jihadi Terrorist Cells in Europe*, p. 19.

79. Basra and Neumann, ‘Criminal Past, Terrorist Future’, p. 35.

80. Reimer and Redhead, ‘A New Normal’; Keatinge and Keen, ‘A Sharper Image’.

81. Union des Fabricants, ‘Contre-Façon et Terrorisme: Rapport 2016’ [‘Counterfeiting and Terrorism: 2016 Report’], p. 16, <https://www.inpi.fr/sites/default/files/rapport-a-terrorisme-2015_fr.pdf>, accessed 12 January 2023.

82. Interview with Spanish Guardia Civil.

transformations from terrorist to criminal enterprises has often led observers to dismiss sporadic engagements of terrorists in crime. But it is essential for law enforcement agencies to understand all streams of revenue that can enable a terrorist actor to commit a successful attack.

Nevertheless, an interesting discussion arises regarding the actual threat posed by terrorist organisations that have stable criminal agendas and are unlikely to stage attacks in the EU, such as Hizbullah or the PKK. European authorities will need to decide how much attention and resources to apply to countering the financing (through crime) of terrorist threats that pose a minimal risk of violence in Europe itself.

Box 2: Right-Wing Extremism and Crime

This research uncovered little evidence of relationships between right-wing extremists and criminality. The income sources of right-wing extremists are mostly of legal origin, and include donations, the selling of merchandise and propaganda, and the organisation of music concerts, festivals and mixed-martial-arts events.⁸³

In 2021, the FATF published a report on ‘Ethnically or Racially Motivated Terrorism Financing’. Among the financing streams covered in the report, the FATF addressed the involvement of right-wing extremists in criminal activities such as robbery, fraud and drug trafficking.⁸⁴ However, the cases presented were limited and dated. In the same year, Europol noted an overlap between right-wing extremists and OCGs, in particular with regard to weapons procurement and drug trafficking.⁸⁵ A transnational group trafficking in weapons, including military-grade weapons, and providing them to drug trafficking networks in southern Spain, was dismantled in Spain in late 2020. Three individuals were arrested, including a German citizen who was linked to right-wing extremist and neo-Nazi networks and had at his home a collection of Nazi objects, uniforms and flags.⁸⁶

The majority of cases presented in the FATF and Europol reports on events collected in 2020 refer to cases relating to motorcycle or biker gangs. In Mallorca, Spain, 16 members of the United Tribuns Nomads biker gang were arrested. This group is the Spanish chapter of an international organisation linked to drug trafficking and human trafficking for sexual exploitation. Part of the group’s proceeds in Spain was used to finance its members’ activities in violent right-wing extremist groups, including

83. Tom Keatinge, Florence Keen and Kayla Izenman, ‘Fundraising for Right-Wing Extremist Movements’, *RUSI Journal* (Vol. 164, No. 2, 2019).

84. FATF, ‘Ethnically or Racially Motivated Terrorism Financing’, June 2021, p. 18.

85. Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2021*, p. 31.

86. Guardia Civil, ‘La Guardia Civil interviene en Málaga un arsenal de armas del narcotráfico’ [‘Guardia Civil Seizes in Malaga an Arsenal of Weapons Related to Drug Trafficking’], press release, 29 December 2020, <<https://www.guardiacivil.es/es/prensa/noticias/7705.html>>, accessed 12 December 2022.

football hooligan and neo-Nazi groups.⁸⁷ In Germany, growing attention has been paid to the Turonen neo-Nazi biker gang. In June 2022, several members of this group were arrested for their involvement in drugs and arms trafficking, from which assets amounting to €3.3 million were reportedly seized.⁸⁸

Biker gangs are an exceptional case within the wider spectrum of right-wing extremists, given their greater connections to criminal financing. It could be argued that the importance of the ideological aim of these groups is secondary to their profit-seeking criminal agenda. Extremist biker gangs appear to be OCGs that have extremist ideologies, but which are unlikely to have connections to terrorist attacks. Nevertheless, their connections to other right-wing extremist organisations and actors could lead to the establishment of financial networks with such organisations, and the vast weapons stocks they possess provide an attractive source of procurement for possible terrorist plots by like-minded extremists.⁸⁹

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87. Europol, '16 Members of the United Tribuns Nomads Street Gang Arrested in Spain', press release, 24 January 2020, <<https://www.europol.europa.eu/media-press/newsroom/news/16-members-of-united-tribuns-nomads-street-gang-arrested-in-spain>>, accessed 13 December 2022.
88. Axel Hemmerling, 'Aufstieg und Ende der "Bruderschaft Thüringen"' ['Rise and Fall of the "Brotherhood of Thuringia"'], *MDR*, 29 June 2022, <<https://www.mdr.de/nachrichten/thueringen/bruderschaft-turonen-garde-neonazi-prozess-encrochat-lka100.html>>, accessed 12 December 2022.
89. See Stephen Reimer, 'Near-Sighted on Far-Right Financing: Why We Need a CTF Rethink', *RUSI Emerging Insights*, 16 January 2023.

III. Policy and Law Enforcement Responses

THIS STUDY OF CETF risks and threats reflects the view that, from a pan-European policy perspective, overall linkages between crime and TF are limited. Pockets of perceived and real concern are clustered among the countries of northwestern Europe, with the most substantial issues being those of SATs financing operational activity through petty criminality, and where entrenched terrorist groups adopt OCG-style tactics for the purposes of TF. Given that these are not EU-wide problems, how well placed is the EU to respond to this? While a number of EU agencies and institutions such as Europol are tasked with addressing organised crime and TF, CETF is (rightly) not prioritised as a major issue. In this respect, the current policy framework is thus likely to be appropriate and proportionate.

Nonetheless, in the countries where CETF *is* a concern, it would appear to be a notable and pervasive one, particularly where terrorist groups based in Europe engage in criminality to generate revenue and send those funds abroad to finance terrorist activity. This raises a question: why have those jurisdictions where CETF is of greatest concern not yet tackled the issue? The greatest impediment might be that those national security and law enforcement agencies with primacy on countering terrorism will seek to convict on terrorism legislation, and not on relevant criminal legislation. While the artificial segregation of illicit enterprises into ‘terrorist’ and ‘criminal’ categories may be a necessary organising principle for institutions of law enforcement and security, this undoubtedly blurs understandings of the phenomenon posing a threat.⁹⁰ Given this, if threat actors could be genuinely treated as both terrorist groups and OCGs simultaneously, this might increase possibilities for disrupting CETF.

EU-Level Responses

EU institutions have taken an interest in the potential links between terrorism and crime for at least a decade,⁹¹ and the emergence and nature of a possible nexus between the two has been a matter of growing concern in EU policymaking.⁹² Europol has referenced the connection in its most recent threat assessments, the 2021 Serious and Organised Crime Threat Assessment and

90. Authors’ interview with UN Office for Drugs and Crime, Vienna, 2 June 2022.

91. Tamara Makarenko, ‘Europe’s Crime Terror–Nexus: Links Between Terrorist and Organised Crime Groups in the European Union’, report for European Parliament Directorate-General for Internal Policies, October 2012, p. 8, <<https://www.europarl.europa.eu/document/activities/cont/201211/20121127ATT56707/20121127ATT56707EN.pdf>>, accessed 18 October 2022.

92. Michael Plachta and Joseph A Rychlak, ‘The Crime–Terror Nexus: A Recurring Theme in the European Union and the Council of Europe’, *International Enforcement Law Reporter* (Vol. 33, Issue 10), 2017.

the 2022 TE-SAT,⁹³ although there are clear differences of tone and emphasis between the two reports. Both assessments indicate relatively low significance of CETF in the EU, forming the context of a policy response that treats serious and organised crime (SOC) and CTF as two mostly separate issues.

Serious and Organised Crime (SOC)

In the case of SOC, the EU has focused mostly on high-level activities to improve transnational cooperation between member states' individual law enforcement, judicial and border institutions since the signing of the Maastricht Treaty in 1992.⁹⁴ Since 2010, the EU has identified shared SOC risk priorities for EU member states' agencies and union institutions through the European Multidisciplinary Platform Against Criminal Threats (EMPACT), which operates in four-year cycles (the current cycle is 2022–2025).

Of the EU agencies with a major role in the fight against SOC, the three most prominent are Europol;⁹⁵ Eurojust, the union's judicial agency;⁹⁶ and Frontex, the external borders agency.⁹⁷ The agencies provide forums for shared strategic assessment, pooling of practitioner knowledge, and coordination on cross-border policy issues, and some operational activity. For example, Europol, despite not having direct policing powers, has played a pivotal role in facilitating operations against OCGs through the deployment of Joint Intelligence Teams and the scheduling of Joint Action Days against specific SOC targets.⁹⁸

Last year, the European Commission proposed further enhancement of these measures, announcing in April 2021 the first dedicated 'EU Strategy to Tackle Organised Crime 2021–2025',⁹⁹ which focuses on, among other things, implementation of the European Commission's proposed anti-money laundering (AML) plan, discussed further below.

93. Europol, *European Union Serious and Organised Crime Threat Assessment* (2021), p. 25; Europol, *European Union Terrorism Situation and Trend Report (TE-SAT) 2022*, pp. 18–20.

94. Matthew Redhead, 'Pulling Together: EU Steps up Policing Strategy', *Jane's Intelligence Review*, November 2018, pp. 42–7.

95. For more details on Europol, see <<https://www.europol.europa.eu>>, accessed 18 October 2022.

96. For more details on Eurojust, see <<https://www.eurojust.europa.eu>>, accessed 18 October 2022.

97. For more details on Frontex, see <<https://frontex.europa.eu>>, accessed 18 October 2022.

98. Europol, Operational Coordination and Support, <<https://www.europol.europa.eu/operations-services-and-innovation/services-support/operational-coordination-support>>, accessed 18 October 2022. For a major recent example, see reporting on Europol's role in international efforts in relation to 'Encrochat', an encrypted platform used by criminals; Europol, '800 Criminals Arrested in Biggest-Ever Law Enforcement Operation Against Encrypted Communication', 8 June 2021, <<https://www.europol.europa.eu/media-press/newsroom/news/800-criminals-arrested-in-biggest-ever-law-enforcement-operation-against-encrypted-communication>>, accessed 18 October 2022.

99. European Commission, 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the

CTF

The EU's current approach to CTF is fully integrated into its AML framework, which has been set out in five successive Anti-Money Laundering Directives (AMLDs) since 1990, the most recent of which was published in the EU's Official Journal in June 2018.¹⁰⁰ These directives, which must be transposed into national laws, provide minimum standards for member states, which follow FATF's 40 Recommendations.¹⁰¹ The executive agencies mentioned in the previous section – Eurojust, Europol and Frontex – also have responsibilities to improve information sharing and joint working on CT within their respective fields of competence.¹⁰² Although the CT roles of Europol and other law enforcement and judicial agencies in this framework show no indication of changing in the near future, its AML/CTF regulatory aspects are likely to undergo significant reform in the coming years.

Mirroring developments on SOC, the European Commission proposed a reformed approach to its AML/CTF plan in July 2021, which, while maintaining the fundamental requirements of FATF – private sector gatekeepers, public sector overseers – seeks to deliver the model with more uniformity across member states. Key elements of the plan include the creation of a new EU-wide AML supervisor, the AML Authority, or AMLA; a single EU regulation (often referred to as the 'single rulebook') outlining private sector CDD responsibilities, to be maintained by the Commission; and a new 6th AML/CFT Directive to outline governmental, FIU and supervisory responsibilities.¹⁰³ Currently passing through the EU's legislative process, the elements of the plan – if agreed – will probably come into force over the next two to three years, with the Commission expressing a hope that AMLA will set up in 2023 and begin most of its activities in 2024.¹⁰⁴ While no aspect of the plan is specifically targeted towards CTF issues, the European Commission believes it will improve the agility of the EU's response to both ML and TF risks, with stronger union-wide oversight fostering better cross-border coordination between national

EU Strategy to Tackle Organised Crime 2021–2025', 14 April 2021, <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0170&from=EN>>, accessed 19 October 2022.

100. For background, see European Commission, 'EU Context of Anti-Money Laundering and Countering the Financing of Terrorism', <https://finance.ec.europa.eu/financial-crime/eu-context-anti-money-laundering-and-countering-financing-terrorism_en>, accessed 19 October 2022.

101. FATF, 'International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation', Recommendation 5, p. 13.

102. See Eurojust, 'Terrorism', <<https://www.eurojust.europa.eu/crime-types-and-cases/crime-types/terrorism>>; Europol, 'Terrorism', <<https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/terrorism>>, accessed 19 October 2022; Frontex, 'Security'.

103. European Commission, 'Anti-Money Laundering and Countering the Financing of Terrorism Legislative Package', 20 July 2021, <https://finance.ec.europa.eu/publications/anti-money-laundering-and-countering-financing-terrorism-legislative-package_en>, accessed 20 October 2022.

104. European Commission, 'Questions and Answers: Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT)', 20 July 2021, <https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3689>, accessed 20 October 2022.

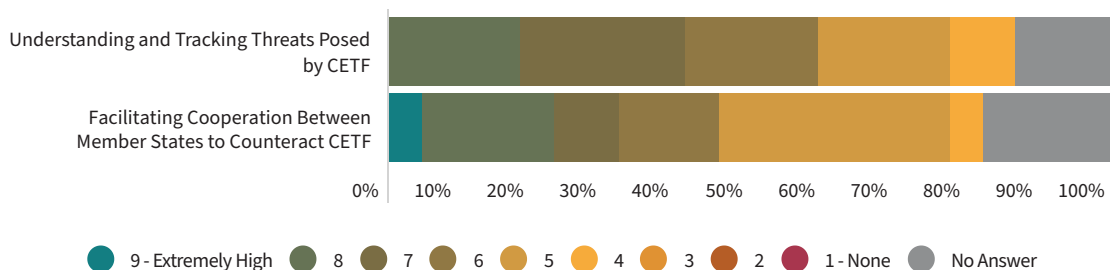
supervisors and FIUs, and the single rulebook allowing the Commission to prescribe quicker changes to private sector CDD than under the current directive-based framework.¹⁰⁵

Current Country-Level Responses and Realities

Despite the ongoing progress by EU-level institutions to improve their CTF and SOC efforts, FIUs across Europe took a somewhat pessimistic view. More than half of respondents were unsatisfied with the effectiveness of EU institutions regarding their understanding and capacity to track threats posed by CETF. Similar findings were obtained in regard to the effectiveness of EU institutions in facilitating cooperation between member states. As reflected in Figure 6, EU institutions are seen as being slightly better at understanding the threats than at facilitating cooperation to mitigate them. This largely reflects the reality that EU-level agencies are mostly non-operational, and operational cooperation, where it happens, tends to be on SOC, rather than on terrorism. The reason for the latter is the recurring tendency of member states to act with caution when conducting operations unilaterally or bilaterally outside of the EU framework. This slight distinction notwithstanding, the EU is not regarded by European FIUs as particularly effective at either task.

Figure 6: Perceptions of EU Institutions' Effectiveness

'How would you rate the effectiveness of EU-level institutions at: (i) understanding and tracking threats posed by crime-enabled terrorism financing; and (ii) facilitating cooperation between member states to counteract crime-enabled terrorism financing? (1 = none; 9 = extremely high)'.



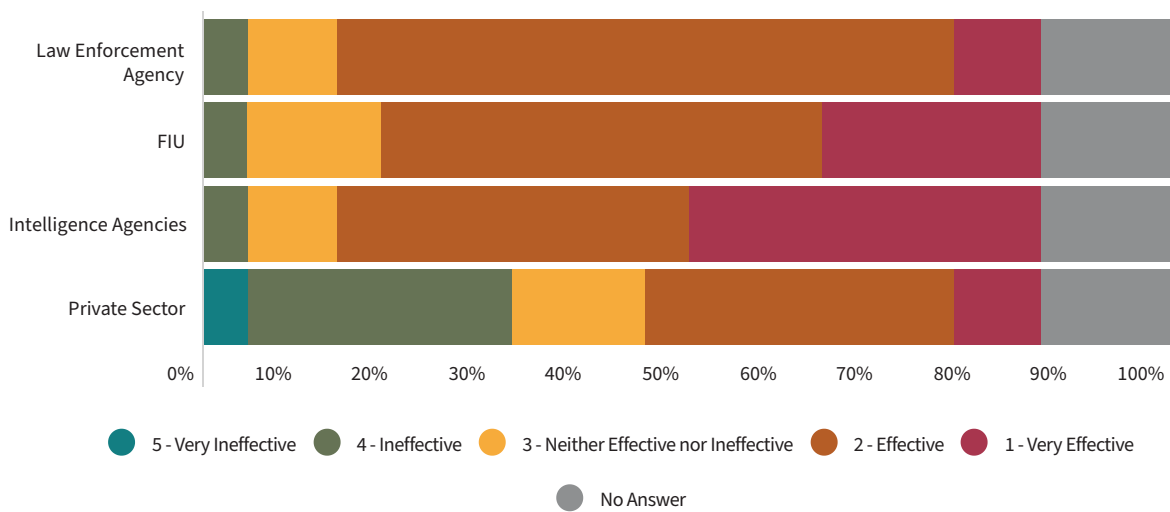
Source: Authors' research interviews, national FIU survey results.

On the other hand, the effectiveness of national public authorities at identifying intersections between TF and criminality was very highly rated (Figure 7). Over 70% of participant FIUs rated the efforts against crime-enabled TF by law enforcement agencies, FIUs and the intelligence community as effective or very effective, with the last of these being the highest ranked. Similar results are found in the assessment of collaboration between the FIU and law enforcement agencies, with 90% of respondents estimating collaboration to be high or very high.

105. *Ibid.*

Figure 7: Perception of Sectoral Effectiveness at Identifying Crime–Terrorism Intersections

‘Rate the effectiveness of each of these participants in your country’s counterterrorism financing system at identifying intersections between terrorism financing and criminality (1 = very effective; 5 = very ineffective)’.



Source: Authors’ research interviews, national FIU survey results.

It might seem unsurprising that national agencies would rate their own work highly, however, this still represents a relevant finding regarding the confidence of the public sector across member states. In just under 40% of the countries, the other key player in the CTF regime, the private sector, did not receive such positive ratings. Thus around half of participating countries found all the key participants in the CTF regime to be effective or very effective. This suggests a relatively high level of confidence in their understanding of the current threat landscape, with all relevant actors viewed as successfully delivering on their responsibilities.

Despite the key role played by the private sector in the CTF regime, almost half of participating FIUs assessed the private sector’s efforts against crime-enabled TF as ineffective. Likewise, collaboration with the private sector was very poorly rated, with 70% regarding collaboration as between low and medium levels of effectiveness. These results could be interpreted in different ways, pointing to genuine failures on the part of the private sector, or a possibly unfair characterisation of their performance. Where the private sector is found to be lacking in effectiveness, a question arises regarding the negative impact of this perceived underperformance on the public sector’s understanding of the threat. Within the CTF regime, the private sector is tasked with the essential role of collecting and sharing financial intelligence by submitting suspicious activity/transaction reports (SARs/STRs) to the relevant authorities. If the discharge of this responsibility is indeed unsatisfactory, this may call into question how confident the public sector can really be in its overall assessment of CETF as a marginal risk.

Assessment

As this study has found the overall degree of CETF in Europe to be modest, with the greatest concern geographically clustered and pertaining to terrorist criminality among OCG-type terrorist groups with sophisticated criminal fundraising techniques, the current response at the EU and member-state level may be viewed as largely commensurate with the degree of risk. Given this, advanced, resource-intensive and pan-European operations, such as a joint task force held within Europol, comparable to its Joint Intelligence Teams deployed against SOC targets, would be unlikely to yield worthwhile results. Nonetheless, serious indications of OCG-type terrorist organisations raising large sums through engaging in SOC in Europe raise a challenge for designing focused, optimal responses to CETF.

EU and country-level responses reflect a siloed approach to CTF and SOC, which ultimately hampers efforts against Europe's prime CETF threats. Intelligence collection and the direction of investigations against prominent OCG-type terrorist groups such as Hizbullah and the PKK is dictated by whether the activity is framed as SOC or as TF. Interviewed LEAs and FIUs reported greater allocation of resources towards terrorism-related cases, with more financial and material support going to CT or CTF cases, and the existence of enabling CT legislation that permits the use of investigative techniques beyond those available to SOC investigations that have no identified TF link. And despite this, several interviewed LEAs described national-level circumstances where evidence of a potential TF import in a SOC case may be suppressed through the course of an investigation and, where criminal charges ensue, through into prosecution. Public prosecutors may opt not to pursue TF charges in a SOC case, when the TF element is under-investigated, or where the likelihood of conviction on TF charges is much lower than on SOC charges.¹⁰⁶ Higher evidentiary standards and burden of proof attached to conviction on TF charges has led some prosecutors to suppress this aspect of a case in court, resulting in connections between crime and TF witnessed on the intelligence side not being validated in open court.¹⁰⁷ This contributes to a 'dark number'¹⁰⁸ of unknown or underexplored TF elements in SOC cases, and a possible misrepresentation of the true extent of linkages between crime and TF that are most relevant for Europe.¹⁰⁹

106. In other cases, a reluctance to pursue TF or terrorism charges stems from the adverse human rights impacts of such a charge or conviction on the subject. Authors' interview with FIU Finland, 16 August 2022.

107. Authors' interview with Europol, 1 September 2022; authors' interview with FIU The Netherlands, 5 September 2022. Past criminal proceedings against known Hizbullah affiliates in the Netherlands have followed this pattern.

108. In criminology and sociology, a 'dark number' or 'dark figure' of crime refers to the unknown quantity of crimes or offences that have gone unreported, the recognition of which calls into question the reliability of official statistics as a means of measuring crime. See entry for 'dark figure of crime' in John Scott (ed.), *A Dictionary of Sociology*, 4th edition (Oxford: Oxford University Press, 2014).

109. Multiple CTF and SOC practitioners from different law enforcement agencies and FIUs voiced their concern about siloed approaches and their impact on court proceedings. However, they asked to

The negative consequences of this ‘dark number’ are compounded by the reality that European LEAs are at a disadvantage in countering CETF activity that supports terrorist activity outside Europe. As such cases are beyond the exclusive jurisdiction of European LEAs and FIUs, Europol faces substantial challenges in exchanging information with relevant third countries. These challenges have to do with both the legality of such exchanges, which necessitate negotiating operational agreements with third countries, and the political will to forfeit intelligence without confidence that it will remain solely in the hands of trusted partners.¹¹⁰ Again, the distinct profiles of OCG-type groups using Europe as a financial staging ground to bankroll violent activity in Europe’s near neighbourhood make this a particular challenge for Europe. Limited and strained international information sharing discourages further investigation into potential TF links with identified SOC activity. That OCG-type terrorist groups’ operational activity is primarily focused on targets in Europe’s near neighbourhood helps to explain a degree of functional tolerance for these groups’ use of Europe as a financial staging ground, so long as violence is conducted elsewhere.

These circumstances present a curious challenge: how best to prevent OCG-type terrorist groups from utilising European markets for CETF purposes, in the absence of a clear violent threat motivating EU- and member-state-level authorities to recalibrate CTF responses to meet the threat.¹¹¹ Furthering harmonisation across EU member states remains the bloc’s core approach to advancing CTF controls,¹¹² yet responding to CETF has little to do with implementing AML/CTF standards or tinkering with regulation, revealing the shortcomings of most EU-level architecture in relation to managing the problem. Europe’s CETF problem has an unavoidable extra-EU dynamic, which frustrates current institutional organisation, whereby terrorism, radicalisation, and TF are treated as domestic issues under the purview of the EU Directorate-General for Migration and Home Affairs (DG HOME) and LEAs. Responding to CETF will necessitate working through other EU organs that are not typically used for advancing CTF outcomes, such as making changes to third-country-facing policies in diplomacy and sanctions enforcement.

If the EU and its traditional approaches to CTF are ill-suited to advancing an effective response to Europe’s distinct CETF challenges, what of member states themselves? UN Security Council

remain anonymous, to avoid undermining ongoing efforts in their jurisdictions.

110. This has been highlighted as a particular problem vis-à-vis the PKK’s European CETF operations and intelligence owned by Turkish authorities. Authors’ interview with Europol, 1 September 2022.

111. A recent Project CRAFT-hosted conference on CTF in Europe heard that ‘further improvements [to the EU’s CTF regime] are unlikely to manifest until the day when CTF becomes central to states’ broader counterterrorism strategies, or until the next terrorist attack shocks the machine back into action’. See Gonzalo Saiz and Stephen Reimer, ‘Reassessing the Financing of Terrorism in 2022 (RAFT22)’, RUSI Conference Report, 17 January 2023, p. 2.

112. Project CRAFT’s analysis of the July 2021 AML/CTF package underscores this, and proposes the possibility of a correct diagnosis (insufficient consistency across member states) but applied to the wrong patient (CTF, as opposed to Europe’s recent history of substantial AML failings within large financial institutions). See Mara Wesseling, ‘The EU and Counterterrorism Financing: Right Diagnosis, Wrong Patient?’, Project CRAFT Research Briefing 8, 2021.

Resolution 2482 (2019) and The Hague Good Practices on the Nexus between Transnational Organized Crime and Terrorism emphasise the need for national authorities to have a holistic view of the crime–terrorism nexus, including what is happening beyond country borders. Looking at CETF specifically, FIU Italy sets a good example for other national-level authorities through its reported in-depth analysis of TF-related STRs, which includes:

- Analysis of the terrorism and TF risks emanating from neighbouring jurisdictions, both within the EU and in its near neighbourhood.
- Analysis of the particular SOC activity most likely to be used for TF.
- Prioritising the development of STRs into financial intelligence packages for law enforcement pertaining to financial channels most exposed to TF abuse, including informal money transfer systems such as *hawala*.¹¹³

Of course, calibrating national-level CTF systems to be better attuned to CETF threats in this way will require outreach to the private sector. As has been argued before in CRAAFT outputs,¹¹⁴ providing the private sector with the operational intelligence and direction necessary to set financial intelligence collection priorities is a necessary first step for improving CTF effectiveness. For those jurisdictions that report a high degree of concern about CETF, this outreach must focus on informing the private sector of the criminal fundraising tactics of OCG-type terrorist groups, and about how SATs come to finance operational activity through petty crime.

113. Survey response from FIU Italy.

114. Reimer and Redhead, 'A New Normal', p. 34.

IV. Key Findings and Recommendations

K EY FINDINGS FROM this study serve to summarise the nature and relevance of CETF in Europe as a CTF priority, as well as the current adequacy of policy and law enforcement responses. Resultant policy recommendations should serve to improve Europe's defences against the distinct harms done by CETF as elucidated by this study.

Key Finding 1: Despite an overall low estimate of CETF in Europe, the large illicit market that exists in parallel with the EU's single market serves as an economic staging ground for sophisticated OCG-type terrorist groups; the chief CETF threat facing Europe. Groups such as Hizbullah and the PKK raise revenue for their operational and organisation needs through Europe's illicit market, using systematic criminal activity to bankroll violent political projects focused on territories in the near neighbourhood.

Recommendation 1a: To aid EU authorities in monitoring foreign contexts of strategic importance concerning CETF risks to Europe, the EU Counter-Terrorism Coordinator should produce an annual report that outlines extra-EU terrorism and TF risks. This report should draw on the Coordinator's engagements with third countries, be included in the Coordinator's briefings to the European Council and Council of the EU, and inform relevant European Commission strategies, as well as the EU's Supranational AML/CTF Risk Assessment.

Recommendation 1b: Europol's next Terrorism Situation and Trend Report should include a deep dive into CETF, including the nature of the actors involved, namely OCG-type groups. It should underscore the need to strengthen responses in those member states that have been identified as having greater exposure to the threat.

Key Finding 2: Other terrorist actors seeking to obtain material resources such as forged documents or weapons will engage in opportunistic and short-lived relationships with criminal actors to procure these goods as a service. In the case of SATs, these interactions are often enabled by criminal pasts and common backgrounds of the terrorist actors, which further support their financing of operational activity through petty criminality.

Recommendation 2: The European Commission should consider including provisions in the next AMLD that require member states to classify obtaining or providing financial or material gains for TF purposes through criminal means as 'aggravating circumstances'. Such legal responses to the enabling interactions that facilitate terrorist resourcing via criminal services may contribute to altering the risk calculus and deterring OCGs from providing criminal services to terrorist groups or actors.

Key Finding 3: Fraud is an underexamined crime type concerning CETF in Europe, given its growing use as a source of fundraising by all kinds of terrorist actor. These range from SATs

committing petty fraud, to OCG-type groups who commit more complex fraud schemes, as well as donors to overseas terrorist groups. The relative unsophistication and ubiquity of fraud should make it a cause for concern, in view of its broad potential to be used for CETF.

Recommendation 3: Europol should host EMPACT Joint Action Days, possibly in partnership with non-EU countries, focused on disrupting CETF involving petty fraud in EU member states. CTF financial investigators should take part in such Joint Action Days to cross-pollinate CTF expertise with other law enforcement partners focused on countering SOC and petty crime.

Key Finding 4: There is substantial regional variation across Europe in states' perceptions of the nature and scale of CETF. High levels of perceived risk and concern in northwestern Europe contrast with much lower levels in the east and southeast of the continent.

Recommendation 4a: MONEYVAL, a FATF-style regional body housed within the Council of Europe and whose members are mostly in eastern and southeastern Europe, should promote intelligence collection among member states on CETF typologies, and encourage member states to maintain a watching brief on this TF risk.

Recommendation 4b: In future, MONEYVAL should commission a typologies report on CETF to elucidate the character of this risk among its member states, and to promote interjurisdictional cooperation and collaboration.

Key Finding 5: Current threat understanding concerning CETF in Europe depends largely on the sharing of typologies or case studies between jurisdictions, which in themselves are insufficient to determine where the greatest TF risks lie. Sharing discrete case studies without broader data collection or analysis can only go so far as positing that 'some kinds of CETF occur in some places, some of the time'.

Recommendation 5: Europol should develop a terrorism database to build upon its knowledge and share data-based intelligence. Europol reports should be based on clear data provided by member states, and not on anecdotal evidence from a few countries. This will help inform policy responses on the basis of an accurate depiction of the threat landscape, with sub-regional specific views on risks that may not affect all member states.

Key Finding 6: Institutional arrangements at EU and national levels are notably segregated between the arms dealing with CT and TF and those countering SOC. These arms feature unequal resources and capabilities more broadly. Deficiencies in intelligence-sharing and joint strategies lead to investigative and prosecutorial strategies whereby TF charges that might potentially be brought are deliberately not levied against terrorist groups committing organised crime. Thus, valuable information about CETF is not brought out into open court, leaving connections between crime and TF hidden or understudied.

Recommendation 6: Europol, together with Frontex and Eurojust, should develop a toolkit on establishing an institutional bridge between the SOC-focused and TF-focused arms of national-level authorities, including law enforcement and prosecutors. The toolkit should establish working procedures that allow the side taking primacy in an investigation or case (whether it be organised crime or CT) to do so while borrowing expertise from the other. This toolkit should aid authorities in recognising organised crime elements

of terrorism investigations and cases, in which financial and procurement aspects are prioritised alongside threat to life.

Key Finding 7: The private sector was widely criticised in this research as ineffective in identifying intersections between crime and TF. Somewhat illogically, at the same time, public sector authorities perceived their own performance of the same task to be adequate or exemplary, notwithstanding the implication that they receive limited financial intelligence reports from the private sector to inform their understanding of the threat. If the private sector's own performance is indeed lacking, this calls into question what grounds the public sector has to justify its self-assurance.

Recommendation 7a: Europol should issue EU-wide alerts on contemporary CETF threats and risks for the benefit of the private sector, comparable to the publicly available alerts sent out by the US's Financial Crimes Enforcement Network, the national FIU. Any such private sector-outreach mechanism should involve the EU's new AMLA as it develops.

Recommendation 7b: A working group within the Europol Financial Intelligence Public Private Partnership (EFIPPP) should be established for the private sector to benefit from the enhanced threat picture, ideally realised through the institutional bridge mentioned in Recommendation 6. This CETF working group within EFIPPP should in turn feed back the strategic analyses of private sector STRs on CETF to the public sector to enhance their understanding of threats.

Conclusion

OFT-DISCUSSED BUT RARELY studied in relation to TF specifically, and even more rarely studied in the European context, this paper has sought to elucidate the relevance of CETF for the EU's broader CTF response. As it turns out, CETF constitutes just one of several different TF methodologies employed by terrorists in Europe, with substantial regional variation across the bloc as to where risks are perceived to be greatest. Specifying the exact contours of this risk in the European context should serve to reconcile a sizeable body of academic and policy literature with an operational reality that is far leaner, and aid in setting CTF priorities. Overall, it is foreign-based OCG-type terrorist groups that likely pose the greatest CETF threat to Europe, which should be a cause for concern in light of the EU's self-confessed reactive attitude to combating TF,¹¹⁵ in which policy and operational advancements come in the aftermath of violent attacks. The findings of this paper illustrate that preventing CETF in Europe has as much to do with curtailing crime and terrorism within the EU as it does with doing so in its near neighbourhood. Having provided a lucrative economic staging ground for terrorist actors whose sights are set on targets overseas, the EU has a responsibility to prevent such activity from occurring within its borders.

115. This was the attitude expressed by a senior EU official at Project CRAFT's RAFT22 ('Reassessing the Financing of Terrorism in 2022') conference held in November 2022. See 'The CTF Journey Since 2015', <https://vimeo.com/774256316?embedded=true&source=video_title&owner=113623595>, accessed 27 April 2023.

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