Chapter 7. North American Efforts to Combat the Financing of Terrorism

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Counterterrorism has become once again a primary national security concern for the U.S. and its partner nations. Last year (2014) marked the deadliest year from terrorist attacks since such statistics have been compiled in the early 1970s, with the brutal acts of violence perpetrated by terrorist groups like Islamic State of Iraq and the Levant (ISIL), Boko Haram, and al-Shabaab dominating the headlines. North America was not immune to terrorism with the October 2014 terrorist attacks in Canada, scores of arrests in the U.S. and Canada that foiled potential terror plots, and evidence of North American citizens traveling to Iraq and Syria to join ISIL as foreign fighters. Despite major national security efforts to address the terrorist threat, including the creation of the U.S. Department of Homeland Security (DHS) and U.S. Northern Command, governments are still struggling to better understand, undermine, and counter the scourge of terrorism in this post-9/11 global security environment.

Terrorist groups are motivated by ideology and political aspirations, in contrast to criminal organizations that are driven by greed. Terrorists and criminals both require multiple enablers to support their networks and realize their agendas. These critical enablers include leadership, personnel, weapons, logistics, illicit activities, corruption, and financing. Of all these, perhaps the most vital is financing, as all these critical enablers require funding. Consequently, the financial front to combat terrorism is a crucial

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component of CT campaigns, such as the current endeavor to degrade and defeat the Islamic State.

To sustain themselves and conduct their operations, terrorist groups need to raise, move, store, and spend money. Understanding how these groups are financed is instrumental in devising strategies to counter and neutralize them. In May 2015, as part of Operation Inherent Resolve to counter ISIL, USSOF conducted a daring raid in Syria against Abu Sayyaf, a senior leader considered the chief financial officer of ISIL.\(^3\) ISIL is considered the richest terrorist group in history, and this operation illustrates the growing importance of targeting the group’s finances and how valuable the financial intelligence collected at the target site could be to attack ISIL’s networks.

Since the tragic attacks of 11 September 2001, Canada, Mexico, and the U.S. have developed the necessary legal frameworks and effective mechanisms to detect, disrupt, and deter the financing of terrorism but must remain vigilant and keep in step with emerging financial technologies that could be used by terrorists and criminals to fund their nefarious activities. This chapter will examine the series of legal, law enforcement, military, and intelligence measures instituted to counter the financing of terrorism in Canada, Mexico, and the United States. It concludes with a description of the global campaign to degrade and defeat ISIL to illustrate the importance of the financial instrument of national power in current CT efforts at home and abroad.

**Canada**

Canada has been proactive in detecting and preventing terror plots in the post-9/11 era, but the terrorist attacks the country suffered in 2014 and disturbing number of Canadian ISIL sympathizers and foreign fighter recruits have dramatically changed its CT posture. On 20 October 2014, Martin Couture-Rouleau, a 25-year-old Québécois recent Muslim convert and ISIL supporter, used his car to run down two soldiers in front of a federal building in Saint-Jean-sur-Richelieu before being fatally shot by police after an ensuing car chase; one of the soldiers, Warrant Officer Patrice Vincent, subsequently died from his injuries. Two days later, on 22 October 2014, a lone gunman inspired by Islamic extremism attacked Parliament Hill, leaving one honor guard soldier dead and Canada in shock. Although it does not appear the two attacks were related, they served as a dramatic wake-up call
that Canada was not immune to Islamic terrorism. Prime Minister Stephen Harper called the shootings a “terrorist act” and stated:

This will lead us to strengthen our resolve and redouble our efforts and those of our national security agencies to take all necessary steps to identify and counter threats and keep Canada safe here at home, just as it will lead us to strengthen our resolve and redouble our efforts to work with our allies around the world and fight against the terrorist organizations who brutalize those in other countries with a hope.4

In response to these terrorist attacks, Canada is significantly enhancing measures to counter terrorism and strengthen its national security with new legislation known as Bill C-51, the Anti-Terrorism Act of 2015: Protecting Canadians from National Security Threats at Home and Abroad. This is the first comprehensive security reform of its kind since 2001. The controversial legislation would expand the powers of Canada’s spy agency (the Canadian Security Intelligence Service), criminalize the promotion of terrorism, and provide the RCMP with new powers of preventative arrest. It includes the following key features:

- Easing the transfer of information between federal agencies, including confidential data in the hands of Passport Canada and the Canada Revenue Agency, to “better detect and act upon threats.” The measure applies to activities that “undermine the security of Canada,” while granting a specific exemption for lawful advocacy, protest, and dissent;
- Amending the Secure Air Travel Act to make it easier for authorities to deny boarding on a plane to a would-be traveler heading to Syria to join Islamic State militants;
- Amending the Criminal Code, by making it easier for police to make preventative arrests and criminalizing the promotion of terrorism;
- Giving new powers to the Canadian Security Intelligence Service to disrupt threats, such as providing more information to a would-be terrorist’s family and friends, interfering with a would-be terrorist’s travel plans, or intercepting weapons intended for terrorist use. The new powers would be subject to a judicial warrant, along with ministerial approval, in the more extreme cases; and
• Amending the Immigration and Refugee Protection Act by making it easier to protect classified information in immigration proceedings, including attempts to remove noncitizens on security grounds.\(^5\)

The C-51 bill has been approved by Canada’s House of Commons and Senate and is now law, however, with the recent election of Justin Trudeau as Prime Minister of Canada, amendments are expected.

**Legal Framework and Counterterrorism Finance Regime**

Canada has strong legal measures to pursue financial crimes and a rigorous detection and monitoring process to identify money laundering and terrorist financing activities. The Proceeds of Crime (Money Laundering) and Terrorist Financing Act of 2001 includes specific measures to detect and deter money laundering and the financing of terrorism to facilitate the investigation or prosecution of these offenses, including:

• Establishing record keeping and client identification requirements for financial services providers and other persons that engage in businesses, professions, or activities that are susceptible to being used for money laundering, and the financing of terrorist activities;
• Requiring the reporting of suspicious financial transactions and of cross-border movements of currency and monetary instruments; and
• Establishing an agency that is responsible for dealing with reported and other information, Financial Transaction Reports Analysis Centre of Canada (FINTRAC).\(^6\)

The following government agencies in Canada are responsible for addressing the threat of money laundering and terrorist financing:

• FINTRAC
• Canadian Security Intelligence Service
• RCMP
• Canadian Revenue Agency

FINTRAC, created in 2000, is Canada’s financial intelligence unit, responsible for detecting, preventing, and deterring money laundering and financing of terrorist activities. From 1 April 2012 to 31 March 2013, FINTRAC made 157 terrorist finance and security threat-related reports to law enforcement and national security partners, up from 116 the prior year. FINTRAC
made 1,143 disclosures to law enforcement and other government agencies from 1 April 2013 to 31 March 2014. Of these, 845 disclosures were money laundering related, 234 were terrorism financing or security threat related, and 64 were both money laundering and terrorism financing or security related. Though the legislative framework does not allow law enforcement agencies direct access to FINTRAC’s databases, FINTRAC can share actionable financial intelligence to assist money laundering and terrorist financing investigations. When FINTRAC has determined reasonable grounds exist to suspect information would be relevant to an investigation or prosecution of a money laundering/terrorist financing offense, they are required to disclose financial intelligence to the appropriate authorities.7

Canada has criminalized terrorist financing in accordance with international standards; freezes and confiscates terrorist assets without delay; monitors and regulates money/value transfer and other remittance services; requires collection of data for wire transfers; obligates nonprofits to file suspicious transaction reports and monitors them to prevent misuse/terrorist financing; and routinely distributes UN lists of designated terrorists and terrorist organizations to financial institutions.8

In June 2014, Canada became one of the first countries to implement comprehensive legislation regulating virtual currencies, such as Bitcoin. The new regulations include provisions that subject digital currencies to the same reporting requirements as money services businesses like Western Union, including the requirement that all digital currency exchanges register with FINTRAC. Digital currency exchanges also will be subject to verification, registration, and record-keeping requirements, including the obligations to report suspicious transactions, implement compliance programs, and determine if any of their customers are politically exposed persons.9 The new legislation also covers foreign companies that have a place of business in Canada and those directing services at Canadians. Financial institutions will be prohibited from establishing and maintaining bank accounts for customers involved with virtual currency businesses that are not registered under FINTRAC.10 This measure illustrates Canada’s attempt to keep up with financial innovations like virtual currencies that could be used to launder funds or finance terrorism.
International Cooperation

Canada is a trusted partner in international CT efforts. On the CT financing front, it is a member of the Financial Action Task Force (FATF), the Egmont Group, the Asia/Pacific Group on Money Laundering, and is a supporting nation of the Caribbean FATF. Canada is also an observer in the Council of Europe’s Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the FATF of South America against Money Laundering.11

Canada and the United States maintain a close, cooperative CT partnership, working together on key bilateral homeland security programs such as the Beyond the Border initiative and the Cross Border Crime Forum. Canada has supported global efforts to prevent radicalization, counter violent extremism, and promote the rule of law overseas. It has made significant contributions to the Global Coalition to Counter ISIL. In addition to providing military forces to coalition air and ground operations in Iraq, Canadian law enforcement and security services are working to prevent the flow of foreign terrorist fighters to and from Iraq and Syria. Traveling abroad to commit acts of terrorism is a violation of Canadian federal law. Measures include denial of passport applications (or revocation of valid passports) of Canadian citizens suspected of traveling abroad (or aspiring to travel abroad) to commit acts of terrorism, and maintenance of a watch list of individuals (both citizens and noncitizen residents) flagged for potential involvement with violent extremist organizations.12

Mexico

As a major drug producing and transit country, Mexico is primarily focused on national security threats posed by TCOs, such as the Sinaloa cartel and other drug trafficking organizations, rather than terrorism. Nevertheless, the Mexican government has remained on alert for possible domestic and international terrorist threats and closely cooperates with the U.S. on bilateral security issues. There has been speculation for years that terrorists or weapons of mass destruction could enter the U.S. by crossing the southern border from Mexico.

In hearings before the Senate and House Armed Services Committees in 2014, General Kelly said that budgets cuts are “severely degrading” the military’s ability to defend southern approaches to the U.S. border. He warned
that neglect has created vulnerabilities that can be exploited by terrorist groups, describing a “crime-terror convergence” already seen in Lebanese Hezbollah’s involvement in the region. In his March 2015 Congressional testimony, General Kelly said, “in addition to thousands of Central Americans fleeing poverty and violence, foreign nationals from countries like Somalia, Bangladesh, Lebanon, and Pakistan are using the region’s human smuggling networks to enter the United States. While many are merely seeking economic opportunity or fleeing war, a small subset could potentially be seeking to do us harm.” He also expressed the following concern regarding ISIL foreign fighters: “With little ability to track and monitor foreign fighters when they return, it would be relatively easy for those fighters to ‘walk’ north to the U.S. border along the same networks used to traffic drugs and humans.”

According to the State Department, there were no known international terrorist organizations operating in Mexico, despite several erroneous press reports to the contrary during 2014. There was no evidence that any terrorist group has targeted any U.S. citizens in Mexican territory. The Mexican government has strengthened its legal framework to address acts of terrorism, including terrorist financing, and cooperates closely with relevant U.S. Government agencies on third-country nationals who may raise terrorism concerns.

**Legal Framework and Counterterrorism Finance Regime**

Mexico has undertaken several measures to enhance its CT regime, particularly on the financial front. On 11 February 2014, the Mexican Senate approved amendments to the Federal Penal Code, the Federal Criminal Procedure Code, the Organized Crime Law, the Federal Fiscal Code, the Asset Forfeiture Law, and Constitutional implementing legislation. These amendments strengthened Mexico’s legal framework to address acts of terrorism, terrorist financing, and third-party assistance to the financing of terrorism, attacks against internationally protected persons, the conspiracy to commit terrorism, theft of radioactive or nuclear materials, and the sanctioning of the freezing or forfeiture of terrorist assets based on domestic and international intelligence sources. Minimum sentences for acts of terrorism were increased from 6 to 40 years to 15 to 40 years, the penalties for crimes committed using illicit resources were strengthened, and an exception to rules
governing the dissemination of third-party fiscal data in order to comply with new terrorist financing laws was created.\textsuperscript{17} In October 2012, Mexico’s president signed long-awaited anti-money laundering legislation into law. As a result, the Federal Law for the Prevention and Identification of Operations with Illicit Resources, which went into effect on 17 July 2013, targets “vulnerable” transactions or activities that could be exploited for money laundering and terrorist financing.\textsuperscript{18}

The following government agencies in Mexico are responsible for addressing the threat of money laundering and terrorist financing:

- Financial Intelligence Unit
- Ministry of Finance and Public Credit
- Attorney General’s Office
- Ministry of Foreign Affairs
- National Insurance and Bond Commission
- National Banking and Securities Commission
- Tax Administration Service

Mexico can still expand on its capacity to proactively investigate and detect terrorism-related activities. Specialized units exist within the Mexican Attorney General’s Office that focus on organized crime and money laundering, but Mexican authorities could improve cooperation with other government entities, such as the Mexican Finance Secretariat’s Financial Intelligence Unit. In January 2014, the head of the Mexican Financial Intelligence Unit publicly disseminated rules outlining its power to order financial institutions to freeze the assets of designated persons and entities, namely those involved in illicit proceeds. In August 2014, rules limiting individual and business deposits in banks were changed. Previously, banks could not accept more than $4,000 per month from an individual account holder, or more than $14,000 from business entities operating in the U.S. border region or defined tourist areas. The changes allow border and tourist area businesses to exceed the $14,000 per month cash deposit limit provided that they: 1) have been operating for at least three years; 2) provide additional information to financial institutions justifying the need to conduct transactions in U.S. dollars cash; and 3) provide two years of financial statements and tax returns.

The private sector has also taken steps to mitigate the risks associated with terrorist financing and money laundering in Mexico. JP Morgan, Bank of America, and Citigroup-owned Banamex USA have shut four branches
in the border town Nogales, almost halving the number in that town owned by big U.S. banks, in the past several months. Separately, hundreds of Chase and Wells Fargo customers, some of them second- and third-generation business owners, have had their bank accounts closed. These bank moves come amid a recent industry-wide focus on enhancing anti-money laundering and CT financing. Wall Street firms want to avoid the huge fines that could result if firms are drawn into the flow of dirty money, but these measures are making it more difficult for legitimate cross-border businesses to operate in the international financial system.19

Mexico is focused on countering TOC as it is a major drug producing and transit country. Proceeds from the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of laundered funds include corruption, kidnapping, extortion, intellectual property rights violations, human trafficking, and trafficking in firearms. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico’s proximity to Central American countries, and the high volume of legal commerce to conceal illicit transfers to Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers or armored vehicles remains a commonly employed money laundering technique.

Additionally, the proceeds of Mexican drug trafficking organizations are laundered using variations on trade-based methods, particularly after Mexico put restrictions on U.S. dollar deposits. For example, checks and wires from so-called ‘funnel accounts’ are used by Mexico-based money ‘brokers’ to acquire goods which are exchanged for pesos in Mexico, or to sell dollars to Mexican businesses. Many of these money laundering risks and methods can be used in the financing of terrorism. The combination of a sophisticated financial sector and a large cash-based informal sector complicates money laundering and terrorist financing countermeasures.20 Over the past few years, Mexico has significantly enhanced its anti-money laundering and counterterrorist financing capabilities to safeguard its financial system, promote transparency, and attract more foreign direct investment.
International Cooperation

Mexico is a member of the FATF, an observer of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, and a non-observer special status member of the Caribbean FATF. On broader CT issues, Mexico continues to work with the Organization of American States (OAS)/Inter-American Committee Against Terrorism (CICTE) to implement a joint CT work plan, which includes nonproliferation and weapons of mass destruction interdiction. OAS/CICTE collaborated closely with the Export Control and Related Border Security Program on this initiative, and in 2013, the committee funded multiple CICTE workshops in Mexico City focused on building awareness and best practices. In May 2014, Mexico hosted the Global Initiative to Combat Nuclear Terrorism plenary in Mexico City.21

United States

The tragic terrorist attacks of 11 September 2001 perpetrated by al-Qaeda definitively transformed U.S. national security and established robust CT measures at home and abroad. The historic attack on the homeland led to the establishment of the DHS, U.S. Northern Command, the Office of the Director of National Intelligence, and the military campaign known as Operation Enduring Freedom to pursue al-Qaeda in Afghanistan. It also prompted the passage of the USA PATRIOT Act that expanded U.S. intelligence and law enforcement capabilities to combat terrorism. The landmark legislation included titles that enhanced domestic security against terrorism, intelligence collection, surveillance procedures, anti-money laundering measures to prevent terrorism, border security, and information sharing for critical infrastructure protection. Financial intelligence and the financial front against terrorism became integral components of the U.S. CT campaign.

Legal Framework and Counterterrorism Finance Regime

The U.S. CT finance strategy is based on three pillars: law enforcement and intelligence operations, financial regulatory measures, and international engagement. The U.S. CT finance regime expanded on many of the already existing CT and anti-money laundering measures and investigation capabilities prior to 9/11. The Department of Justice is the principal government
entity responsible for the investigation and prosecution of terrorist financ-
ing offenses at the federal level. It uses its authorities to investigate and
dismantle terrorist financiers and deter future supporters. For this mission
and recognizing the importance of tracking the financial support for ter-
orist activity, the Federal Bureau of Investigation (FBI)-Terrorist Financing
Operations Section (TFOS) was established immediately after 9/11 to identify
and disrupt all terrorist financing activities. TFOS works closely with FBI
Joint Terrorism Task Forces. FBI-TFOS is charged with managing the FBI’s
investigative efforts into terrorist facilitators and ensuring financial investig-
tive techniques are used, where appropriate, in all FBI CT investigations
to enhance the investigations.22

The DEA’s drug trafficking and money laundering enforcement initia-
tives seek to deny drug trafficking and money laundering routes to terrorist
organizations; the Bureau of Alcohol, Tobacco, Firearms, and Explosives
investigates the illegal sale of explosives and tobacco products that may have
connections with terrorism.23 Since 2001, more than 229 cases have either led
to convictions or are still pending judgment against individuals who were
charged with supporting—or conspiring to support—terrorism or terrorist
groups through material support, transmitting money without a license,
narco-terrorism, and economic sanctions violations.24

Within the DHS, Customs and Border Protection detects the movement
of bulk cash across U.S. borders and maintains data about the movement of
commodities and persons in and out of the United States, while Immigra-
tion and Customs Enforcement-Homeland Security Investigations initiates
investigations of terrorist financing involving transnational crimes to include
smuggling and trade-based money laundering. The Internal Revenue Service
(IRS), a bureau within Treasury which administers and enforces U.S. tax
laws, also plays a supporting role in the U.S. Government’s counterterrorism
financing efforts, in particular through the work of IRS-Criminal Investiga-
tions, which investigates criminal violations of U.S. tax law, as well as money
laundering and other financial crimes, and IRS Tax Exempt and Government
Entities Division, which administers IRS regulations related to tax-exempt
charitable organizations.25

Since 9/11, the U.S. Government focused increasingly on the importance
of disrupting the finances and funding networks that support terrorist organ-
izations and on the importance of financial intelligence collected by domes-
tic financial institutions. The Department of Treasury’s Office of Terrorism
SOF Role in Combating Transnational Organized Crime

and Financial Intelligence (TFI) was established in 2004 to lead the U.S. Government’s CT finance efforts. TFI seeks to mitigate the risk of terrorist financing through both systemic and targeted actions. Targeted actions, usually in the form of targeted financial sanctions administered and enforced by Office of Foreign Assets Control, are used to identify, disrupt, and prevent terrorists from accessing the U.S. financial system.26

These actions are complemented by the efforts of Financial Crimes Enforcement Network and the federal bank regulators, like the Federal Reserve or Office of the Comptroller of the Currency, that evaluate and enforce a financial institution’s compliance with the appropriate regulatory requirements. For example, as administrator of the Bank Secrecy Act, Financial Crimes Enforcement Network, a component of TFI, issues implementing regulations for the Bank Secrecy Act to reduce the potential for abuse by various illicit finance threats including terrorist financing.

The following government agencies are responsible for addressing the threat of money laundering and terrorist financing in the U.S.:

- Department of the Treasury
  - Terrorism and Financing Intelligence
  - Financial Crimes Enforcement Network
  - Office of Foreign Assets Control
  - Office of Intelligence and Analysis
  - Treasury Executive Office of Asset Forfeiture
  - Internal Revenue Service
  - Criminal Investigation
  - Tax Exempt and Government Entities Division
  - Small Business/Self Employed Division
- Department of Justice
  - Federal Bureau of Investigation-Terrorist Financing Operations Section
  - National Security Division
  - Tax Division
  - Drug Enforcement Administration
- Department of Homeland Security
  - Immigration and Customs Enforcement, Homeland Security Investigations
  - Customs and Border Protection
The DOD has multiple supporting roles in the CTF arena. CTF refers to the activities and actions taken by U.S. Government agencies to deny, disrupt, destroy, or defeat threat finance systems and networks that provide financial and material support to terrorists, insurgents, drug traffickers, weapon traffickers, human traffickers, or corrupt government officials. The use of financial intelligence as a methodology to identify and disrupt terrorist organizations has significantly increased across the intelligence community. The senior DOD leadership has recognized the significance, both strategically and tactically, of a capable and robust CTF posture with the following responsibilities:

- The Under Secretary of Defense, Intelligence is responsible for providing the DOD contribution to foreign intelligence and counterintelligence as part of the Defense Intelligence Agency mission;
- United States Special Operations Command (USSOCOM) has been charged with synchronizing the CT plans of the six geographic combatant commands; and
- Combatant commands have been charged with planning, executing, and synchronizing day-to-day CTF activities within their respective areas of responsibility or functional areas.27

International Cooperation

The U.S. is a leader in global CT efforts at the UN and other multilateral venues, including on the financial front. Recognizing the interconnectedness of the global financial markets and their vulnerability to financial crimes like terrorist financing, the U.S. stresses the importance of safeguarding
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the U.S. and international financial system. The U.S. Government engages bilaterally and multilaterally to globalize its CT finance efforts through the following initiatives:

- Support the development of strong international anti-money laundering/countering the financing of terrorism standards and work toward robust implementation of them through the FATF and the UN as well as other bodies;
- Raise international awareness of the nature and characteristics of terrorist financing as well as calling attention to specific threats; and
- Providing training and technical assistance to bolster national countering the financing of terrorism regimes and enforcement mechanisms. Help to strengthen global anti-money laundering/counter the financing of terrorism regimes directly benefits the safety and integrity of the U.S. financial system, given the global nature of money laundering and threat finance, and the relationships between banks abroad.28

Recent Efforts to Combat Terrorism and its Financing in North America

The significant military advances in Iraq and Syria by ISIL, its brutal massacres, and its foreign fighter recruitment have revitalized CT efforts around the globe, including in the U.S., Canada, and Mexico. One year ago, ISIL proclaimed its Islamic Caliphate and is considered the richest terrorist group in the world. To complement its regional aspirations in the Mideast, ISIL has conducted an aggressive social media campaign to instill terror by broadcasting its atrocities and to inspire and recruit sympathizers in the West. According to U.S. Director of National Intelligence James Clapper’s testimony before Congress in February 2015, ISIL has recruited over 20,000 foreign fighters, including 3,400 from the West, with about 600 from the United Kingdom and 150 from the United States.29

In response to the rise of ISIL, the U.S. has built a global coalition of willing partners (including Canada and Mexico) with the goal of degrading and ultimately defeating ISIL. President Obama set forward a comprehensive strategy featuring nine lines of effort to counter ISIL:
1. **Supporting Effective Governance in Iraq.** We are supporting the new Iraqi government on efforts to govern inclusively and effectively as well as to strengthen its cooperation with regional partners.

2. **Denying ISIL Safe-Haven.** We are conducting a systematic campaign of airstrikes against ISIL in Iraq and Syria. Working with the Iraqi government, we are striking ISIL targets and supporting Iraqi forces on the ground. We will degrade ISIL’s leadership, logistical and operational capability, and deny it sanctuary and resources to plan, prepare, and execute attacks.

3. **Building Partner Capacity.** We will build the capability and capacity of our partners in the region to sustain an effective long-term campaign against ISIL. Our advisors are working to advise Iraqi forces, including Kurdish forces, to improve their ability to plan, lead, and conduct operations against ISIL, and we will provide training to help the Iraqis reconstitute their security forces and establish a National Guard. Our train and equip program will strengthen the Syrian moderate opposition and help defend territory from ISIL.

4. **Enhancing Intelligence Collection on ISIL.** Continuing to gain more fidelity on ISIL’s capabilities, plans, and intentions is central to our strategy to degrade and ultimately destroy the group, and we will continue to strengthen our ability to understand this threat, as well as to share vital information with our Iraqi and Coalition partners to enable them to effectively counter ISIL.

5. **Disrupting ISIL’s Finances.** ISIL’s expansion over the past year has given it access to significant and diverse sources of funding. So, we are working aggressively with our partners on a coordinated approach to reduce ISIL’s revenue from oil and assets it has plundered, limit ISIL’s ability to extort local populations, stem ISIL’s gains from kidnapping for ransom, and disrupt the flow of external donations to the group.

6. **Exposing ISIL’s True Nature.** Clerics around the world have spoken up to highlight ISIL’s hypocrisy, condemning the group’s savagery and criticizing its self-proclaimed “caliphate.” We are working with our partners throughout the Muslim world to highlight ISIL’s hypocrisy and counter its false claims of acting in the name of religion.
7. **Disrupting the Flow of Foreign Fighters.** Foreign terrorist fighters are ISIL's lifeblood, and a global security threat—with citizens of nearly 80 countries filling its ranks. On 24 September, the president convened an historic Summit-level meeting of the UN Security Council, focused on this issue and we will continue to lead an international effort to stem the flow of fighters into Syria and Iraq.

8. **Protecting the Homeland.** We will continue to use the criminal justice system as a critical counterterrorism tool, work with air carriers to implement responsible threat-based security and screening requirements, and counter violent extremism here at home.

9. **Humanitarian Support.** We and our partners will continue to provide humanitarian assistance to the displaced and vulnerable in Iraq and Syria.

Pursuing these lines of effort to advance the comprehensive strategy is a whole-of-government effort. While much of the fight against ISIL has focused on the military air campaign Operation Inherent Resolve over Iraq and Syria, North American law enforcement and intelligence agencies have stepped up efforts to protect the homeland from homegrown terrorists inspired by ISIL and prevent sympathizers from joining and supporting ISIL. In February 2015, FBI Director James Comey revealed that his agency was investigating suspected supporters of ISIL in various stages of radicalizing in all 50 states. In 2015, U.S. authorities have arrested scores of suspected ISIL sympathizers accused of providing material support of terrorism, joining ISIL, or recruiting for the group. According to a study from Fordham University Law School, federal prosecutors have charged 56 people for supporting ISIS since March 2014; law enforcement killed three other suspects. Fordham researchers say most of the accused are U.S. citizens with more than 60 percent of those charged 21 years old or younger, and more than 80 percent of the cases involved recruitment via social media.

Fears of a 4 July 2015 Independence Day terrorist attack on the homeland resulted in the most dramatic deployment of security forces at the federal, state, and local levels across the United States since 9/11. The DHS publicly warned of an increased threat of ISIL-inspired violence over the holiday weekend. But, there was no “specific, credible intelligence” about an attack,
only that ISIL had called for attacks “against members of the military, law enforcement, the U.S. Government and the American public” during the holy month of Ramadan that ended in mid-July. New York City deployed some 7,000 additional officers on the streets for the Independence Day festivities, and the FBI set up coordination centers around the country. Law enforcement officials urged all citizens out and about: “If you see something, say something.” In a 9 July briefing with reporters, Comey said that more than 10 people inspired by Islamic State militants were arrested in suspected terrorism-related plots during the four to six weeks leading up to Independence Day. He also believed their work disrupted efforts to kill people, likely in connection with the holiday. Comey said the arrests underscored ISIL’s ability to use the Internet in “recruiting, directing and motivating” people to carry out terrorist attacks in the United States.

To counter ISIL, one of the nine lines of effort of the U.S. strategy is disrupting its finances. It is focused on disrupting its revenue streams, restricting its access to the international financial system, and targeting ISIL leaders and facilitators with sanctions. The Canadian, Mexican, and U.S. CT finance regimes are responsible for this mission. On the financing front, U.S. law enforcement agencies have identified isolated cases of U.S. persons who have provided or attempted to provide funds to ISIL, as well as U.S. persons who have traveled or attempted to travel overseas to serve as foreign terrorist fighters with or in support of ISIL. On 11 June 2015, a 17-year-old from Virginia pleaded guilty in court to charges of conspiring to help ISIL militants; this was the first time the U.S. has prosecuted a minor as an adult in such a case. Ali Amin, of Manassas, Virginia, used Twitter and his blog to provide instructions on how to use the virtual currency Bitcoin to send funds to the militants, according to court documents. Prosecutors said Amin also helped another Virginia resident, Reza Niknejad, to travel to Syria to join the group. Although this is not an actual case of fundraising via Bitcoin, it does illustrate how ISIL militants and their supporters are active in North America and are looking at new financial innovations as possible vehicles for raising and moving money to support their terrorist activities.

Given heightened concerns over the threat of terrorism, the Canadian legislature has conducted a series of hearings to analyze and recommend measures to strengthen CT measures. On 24 February 2015, the House of Commons Standing Committee on Finance adopted the following motion:
That the Committee, at the request of the Minister of Finance, undertake a study of the costs, economic impact, frequency and best practices to address the issue of terrorist financing both here in Canada and abroad.38

The June 2015 Report of the Standing Senate Committee on Banking, Trade, and Commerce recognized the pervasive threat of terrorism to Canada and recommended:

1. The federal government continue to educate and train legislators, law enforcement agencies and the public about the connection between terrorist financing and terrorist activity. Moreover, any federal actions to fight terrorism should consider the financing angle.

2. The federal government, in its fight against the Islamic State of Iraq and the Levant (ISIL), explore new ways to disrupt ISIL’s financing sources. In particular, in addition to building and training local and regional security forces, the government should target ISIL’s administrators, financial collectors and distributors.

3. The federal government, in light of the numerous global cases of charities being used to raise and transfer funds for terrorist financing purposes, continue its efforts to bring increased transparency to the charitable sector in Canada.

4. The federal government, with its international allies, track key facilitators of terrorist financing and work with social media networks to recognize, and take action, when their platforms are being used for illegal activities.

5. The federal government work with all relevant stakeholders to create the expertise and operational capabilities that would enable Canada to take a leadership role in counterterrorist financing. Actions in this regard could include supporting a private sector-led financial crime center to act as a center of excellence and to facilitate dialogue between the public and private sectors.

6. The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and entities required to report under the Proceeds of
Crime (Money Laundering) and Terrorist Financing Act work to improve communication between them.

7. The federal government, in recognizing that many transfers occur below the current $10,000 threshold, consider lowering the threshold for reporting international electronic funds transfers.

8. The federal government work with the appropriate stakeholders to develop a digital counterterrorism strategy with a view to keeping pace with illicit fundraising using digital technologies.  

Conclusion

Money serves as the oxygen for any activity, licit or illicit; it is the life-blood for any organization including terrorist groups like ISIL. Financial intelligence and investigative tools such as ‘following the money trail’ are instrumental to better understand, detect, disrupt, and dismantle terror networks. Tracking how terrorists raise, move, store, and use money has been instrumental in degrading and defeating these groups. Since the tragic attacks of 9/11, Canada, Mexico, and the U.S. have incorporated the financial instrument of national power in efforts to combat terrorism and crime. The financial instrument of national power in the CTF arena has been manifested threefold through:

1. Intelligence and law enforcement operations to pursue terrorist financiers and money launderers;

2. Public designations, sanctions, and asset freezes and seizures; and

3. Domestic and international capacity building in the CTF discipline and international cooperation.

Enhanced anti-money laundering and CTF measures have significantly damaged the illicit networks. Over the past decade, al-Qaeda operatives and affiliates from Iraq to Afghanistan complained about increased difficulty in funding terrorist operations, recruiting foreign fighters, and supporting their networks. Similarly, TCOs in the Western Hemisphere, like the Mexican cartels, realized that greater oversight of international bank transactions and offshore accounts post-9/11 undermined their ability to launder profits through the formal banking sector. Following the money
trail and the surveillance of facilitators, like the bankers and lawyers moving and sheltering money for terrorist and criminal groups, produced critical financial intelligence that has led to the destabilization of illicit actors such as al-Qaeda and the drug cartels.40

Once the tighter measures to fight money laundering and terrorist financing were put into practice after 9/11, they had an unexpected but constructive side effect—rooting out corruption. Mexico strengthened its anti-money laundering regime to track and combat the Mexican drug cartels. Some of these ‘follow the money’ measures, including tracking suspicious bank transactions, resulted in the 26 February 2013 arrest of the most prominent teacher union leader in Mexico, Edna Esther Gordillo, on corruption and embezzlement charges. Investigators from Mexico’s treasury found that more than $200 million had been diverted from union funds into private bank accounts abroad (including Gordillo’s) between 2008 and 2012.41 Gordillo was living large with significant real estate holdings in Mexico City as well as two luxury properties in Coronado, California.42 The Gordillo case illustrates how financial forensics, intended to pursue terrorists and drug traffickers, are yielding promising corollary results in the fight against corruption.

As described above, Canada, Mexico, and the U.S. have developed robust legal authorities and investigative mechanisms to counter the financing of terrorism. North Americans countering the financing of terrorism regimes are among the most advanced in the world that other countries seek to emulate. In the face of emerging threats like ISIL-inspired homegrown terrorism and foreign fighter recruits in 2014-2015, we have witnessed rapid responses by the executive, legislative, and judicial branches in North America to provide law enforcement and intelligence agencies the authorities and resources necessary to protect against terrorism; but this campaign against terrorism will require sustained interagency and international efforts for years. In combating terrorist financing, the international community must collaborate and leverage all the instruments of national power to dismantle, degrade, disrupt, and deter illicit networks, as money knows no borders. These instruments include diplomatic, military, intelligence, information, law enforcement, economic, and financial tools that can be applied alone or in combination to counter terrorism and other national security threats.

The June 2015 U.S. National Military Strategy states that international efforts to counter violent extremist organizations must disrupt their planning and operations, degrade support structures, remove leadership, interdict
finances, impede the flow of foreign fighters, counter malign influences, liberate captured territory, and ultimately defeat them. Such countermeasures have been successfully leveraged at the local, national, and international levels to combat and degrade terror networks around the globe like al-Qaeda, the Tamil Tigers, and the FARC in Colombia; however, to confront new threats like ISIL, these CT strategies and policies must be continually assessed and updated to keep up with the resourcefulness of terrorist groups that adapt to and circumvent our countermeasures, particularly on the financial front.

Endnotes

1. The views expressed in this chapter as those of the author and do not necessarily reflect the views of the William J. Perry Center for Hemispheric Defense Studies, National Defense University, or the Department of Defense. Many thanks to Rebecca Bock and Farouq Ghazzawi who provided research support for this chapter.


8. Ibid.

9. According to the Financial Action Task Force, a politically exposed person is an individual who is or has been entrusted with a prominent function. Many politically exposed persons hold positions that can be abused for the purpose of laundering illicit funds or other predicate offenses such as corruption or bribery.

16. Ibid.
17. Ibid.
18. State Department 2013 Country Reports on Terrorism, Chapter 2 Western Hemisphere Overview.
21. Ibid.
25. Ibid.
26. David Cohen, Under Secretary for Terrorism and Financial Intelligence, Department of the Treasury, Testimony before the Senate Committee on Banking, Housing and Urban Affairs “Patterns of Abuse: Assessing Bank Secrecy Act
Realuyo: Efforts to Combat the Financing of Terrorism


36. Ibid.


39. Ibid.


