



Doc. 14510

12 March 2018

Funding of the terrorist group Daesh: lessons learned

Report¹

Committee on Political Affairs and Democracy

Rapporteur: Mr Phil WILSON, United Kingdom, Socialists, Democrats and Greens Group

Summary

The lessons drawn from Daesh prove that a terrorist group driven by an extreme Islamist ideology can cause wholesale destruction while capturing territory in which people can be enslaved and money can be raised through the sale of national resources and extortion.

Daesh has now been militarily defeated in Iraq and Syria. However, this does not mean the end of the terrorist group. In addition, although some of the sources of funds referred to in this report are specific to Daesh, many can be – and are indeed – used by other terrorist organisations. It is therefore important to ensure that terrorists will not be able to use the funding sources they have used in the past.

The Committee on Political Affairs and Democracy proposes that countries co-operate and co-ordinate closely with one another and with the international structures which have been set up to counter this threat. The answer is not simple, nor can it be found overnight. Only with the support of member States of organisations, such as the Council of Europe, can the spread of perverted ideologies be prevented.

1. Reference to committee: [Doc. 13976](#), Reference 4198 of 22 April 2016.



Contents

Page

A. Draft resolution	3
B. Explanatory memorandum by Mr Phil Wilson, rapporteur	5
1. Introduction	5
2. An overview of Daesh	5
3. Different sources of revenue	6
3.1. Revenue generated from oil	6
3.2. Revenue generated through exploiting other natural resources (excluding oil)	7
3.3. Revenue generated through tax and extortion	7
3.4. Revenue from controlling bank branches	8
3.5. Revenue generated by looting cultural artefacts	8
3.6. Revenue from third parties	8
4. How Daesh moves its funds	8
4.1. The international financial system	8
4.2. Other methods of moving funds	9
4.3. Smuggling along existing routes	9
4.4. Emerging methods of moving funds: prepaid cards and virtual currencies	9
5. International recommendations to cut off funding for terrorism	10
5.1. Recommendations from the Financial Action Task Force	10
5.2. Recommendations of the United Nations	11
5.3. Recommendations of the European Union	12
6. Action taken by the Council of Europe and its member States	14
6.1. Conventions adopted by the Council of Europe	14
6.2. Measures taken by member States to prevent the funding of Daesh	15
6.3. The human rights issue	16
7. Conclusions	16

A. Draft resolution²

1. The Parliamentary Assembly continues to be concerned about the threat posed by terrorist organisations such as Daesh to peace and stability in the Middle East, even if the plan by Daesh to create a caliphate in Syria/Iraq has failed, thanks mainly to military action by Iraqi and Syrian, including Kurdish, fighters, supported by the international community.
2. The Assembly warns that the military defeat of Daesh in Iraq and Syria does not necessarily mean the end of this terrorist group as it will probably morph into something different. It is therefore important to ensure that it will not be able to use the funding sources it has used in the past. In addition, although some of these sources are specific to Daesh, many can be – and are indeed – used by other terrorist organisations.
3. Daesh operations have included terrorist attacks undertaken within the Arab World but also beyond. The organisation has claimed responsibility for attacks in many countries around the world. While these tragedies are sometimes the fruit of a more organised group-led attack, often they are carried out by so-called “lone wolves” or isolated individuals, who have been radicalised. One of the most serious challenges to Europe and the United States is posed by these individuals, especially foreign fighters coming home from Iraq and Syria who are likely to revive underground networks in their countries. The Assembly refers in this respect to its [Resolution 2091 \(2016\)](#) on foreign fighters in Syria and Iraq.
4. The fight against Daesh has taught us that a terrorist group driven by an extreme Islamist ideology can cause wholesale destruction while capturing territory in which people can be enslaved and money raised through the sale of national resources and extortion. The money can also be exported to other fundamentalists around the world sharing the same ideology, using or bypassing the existing global financial system.
5. The foundation underpinning Islamist terrorism, and therefore its funding, is the extreme ideology which drives adherence to the terrorist cause. There therefore needs to be a global initiative to root out extremism and intolerant religion.
6. The Assembly welcomes the resolutions taken and implemented by member States and international bodies aimed at tackling the financing of terrorism. In particular, the Assembly hopes for the swift and effective implementation of the Financial Action Task Force (FATF) standards worldwide, specifically of its Forty Recommendations on Combating Money Laundering and the Financing of Terrorism and Proliferation. These should be used by member States to cut off flows of funds and financial and economic assets of individuals and entities on the Daesh and Al-Qaida Sanctions List, as underlined by United Nations Resolution 2253.
7. The Assembly also appreciates the decision taken by the FATF to broaden its geographic representation and global engagement to counter terrorism financing. Indeed, terrorism (and as such Daesh) is a fluid, transnational phenomenon, which affects every different part of the world. International bodies and organisations should thus keep their doors open to any new member who wishes to implement legal and financial tools to stop the financing of terrorism. Most importantly, however, they should provide support and advice to underdeveloped countries, which often lack the resources and have strategic deficiencies when it comes to effectively tackling terrorism.
8. Effective financial operations are indispensable when it comes to stopping terrorist organisations such as Daesh. National (and international) bodies such as the Financial Intelligence Units can be particularly helpful in identifying terrorist networks and their financial backers, and should thus continue to be supported and used by member States. Collective law-enforcement channels such as Interpol and Europol should also be used more by member States, especially in order to be able to prosecute and penalise foreign terrorist fighters and everyone else who gives material support to Daesh.
9. The Assembly acknowledges the work done by the Council of Europe in this field, namely by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and the Committee of Experts on Terrorism (CODEXTER).
10. The Assembly also recalls the important help provided by the European Union–United States Terrorist Financing Tracking Programme (TFTP) with regard to leads in tracking financial networks and channels of terrorist organisations and thus calls on member States to use the programme more proactively.

2. Draft resolution adopted unanimously by the committee on 25 January 2018.

11. The way in which international terrorist organisations such as Daesh finance their operations around the world can only be tackled by countries acting in concert against such activity; this means using military action sanctioned by the United Nations when and where possible. The challenge is also to share among international organisations financial information which will be able to disrupt and ultimately stop terrorist activity.

12. Therefore, the Assembly calls on member States to:

12.1. oppose and stop, in any way possible, all financial sources, techniques and channels supporting Daesh and other terrorist organisations, among which extortion, taxation, exploitation of natural resources, smuggling of antiquities, drug trafficking, bank looting, looting of civilians and cultural property, external donations and kidnapping for ransom;

12.2. continue to promote and support research on the sources and channels of the funding of terrorism, in order to always be up to date on new alternative sources of financing, such as virtual currencies;

12.3. engage in and develop collaboration and co-operation efforts across borders, as well as with international bodies and institutions, in order to promote a more transparent, efficient and rapid exchange of information and intelligence;

12.4. intensify capacity building and technical assistance in relation to terrorism financing hotspots, as set out in the Action Plan on Countering Terrorism drafted by the G20 member States;

12.5. reaffirm the need to build local capability to investigate and counter terrorist financing, including corruption;

12.6. study and develop new technologies, in order to be able to better track, monitor and eventually shut down channels of terrorist financing;

12.7. improve the effective implementation of the international standards of transparency, as set out in the United Nations and FATF recommendations;

12.8. sign and ratify, if they have not already done so, the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198). It notes in this respect that Andorra, the Czech Republic, Ireland, Liechtenstein, Norway and Switzerland have not signed it, while Austria, Estonia, Finland, Iceland, Lithuania, Luxembourg and Monaco have signed but not ratified it;

12.9. adopt such initiatives as the United Kingdom's Joint Money Laundering Intelligence Taskforce to facilitate greater intelligence sharing on terrorist financing;

12.10. develop, following the example of France, updated national guidelines, based on international standards, providing concrete advice to businesses and people whose sectors have been listed among the sources of Daesh's financing;

12.11. consider banning new business relationships with banks in Syria. Due diligence is needed concerning financial transfers and transactions in Iraq, Syria and Libya as well as in the border regions;

12.12. establish a second layer of security that vets the names of clans/tribes at airports or land borders, taking into account the increasing number of refugees and diaspora in Europe from Syria and North Africa;

12.13. work across government departments and agencies to better co-ordinate action against the funding of terrorism;

12.14. pay close attention to the ability of lone-wolf operatives, inspired by extreme ideological beliefs, to raise money by, for example, using welfare payments or prepayment cards to undertake acts of terrorism.

13. Finally, the Assembly calls on the member States of the European Union to implement the proposals made in the 2016 Action Plan for Strengthening the Fight against Terrorist Financing, in particular to: bring virtual currency exchange platforms under the supervision of the Anti-Money Laundering Directive; revise the prohibition of centralised registers providing all bank accounts belonging to one person; extend the scope of the Financial Intelligence Units; and improve the efficiency of freezing measures based on the United States listings.

B. Explanatory memorandum by Mr Phil Wilson, rapporteur

1. Introduction

1. The Parliamentary Assembly referred a motion on this issue ([Doc. 13976](#)) to the Committee on Political Affairs and Democracy, which appointed me rapporteur on 24 May 2016. On 12 October 2016, I had an exchange of views with Dr Matthias Kloth, Executive Secretary to the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), and Mr Carlo Chiaromonte, Secretary to the Committee of Experts on Terrorism (CODEXTER). On 7 November 2016, the committee held an exchange of views with the participation of Mr Tom Keatinge, Director, Centre for Financial Crime and Security Studies at the Royal United Services Institute, United Kingdom. On 24 January 2017, I met Mr Christian Mommers and Mr Mathieu Birker from the Office of the Commissioner for Human Rights of the Council of Europe.

2. Although some of the sources of funds referred to in this report are specific to the terrorist group Daesh, many can be – and are indeed – used by other terrorist organisations. The military defeat of Daesh in Iraq and Syria unfortunately does not mean the end of this terrorist group as it will probably morph into something different. It is therefore important to ensure that it will not be able to use the funding sources it has used in the past. Therefore, in order for the title of the report to better reflect its scope and purpose, I proposed to change slightly the wording to: “Funding of the terrorist group Daesh: lessons learned”

2. An overview of Daesh

3. Daesh, also known as IS (Islamic State), ISIS (Islamic State of Iraq and Syria) or ISIL (Islamic State in Iraq and al-Sham/Levant)³ is a terrorist organisation which split from the terrorist group “Al-Qaeda in Iraq” (AQI). Its ideology has been categorised as Jihadi-Salafism, and is characterised by sharp anti-Shiite (and anti-Western) sectarian views and harsh application of Islamic law. Daesh’s aim is to restore a “Caliphate” in which all inhabitants will abide by Sharia law – in an effort to purify Islam and “enslav[e] the disbelievers”.

4. Daesh had taken control of many parts of Syria and Iraq, including important towns like Raqqa and Mosul (now recaptured by the Iraqi, Kurdish and Syrian forces) and at its peak 10 million people were living under its rule. International air strikes in 2016 and 2017 have increasingly shrunk the territory controlled by the organisation. In the territory it controlled, Daesh installed its own administration and took over many aspects which would normally be controlled by the State (taxes, security and education). It also built infrastructure and recruited and trained fighters.

5. The group and other Islamist inspired terrorist groups are now believed to be operational in at least 39 countries around the world. According to the US State Department, Islamist groups have been active in Albania, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Denmark, France, Georgia, Germany, Italy, Kosovo*,⁴ the Netherlands, Norway, the Russian Federation, Serbia, Spain, Sweden, Turkey and the United Kingdom.

6. Besides governing its claimed territories, Daesh operations have included terrorist attacks undertaken within the Arab world but also beyond. The organisation has claimed responsibility for attacks in France, Belgium, Germany, the United Kingdom, the United States, Turkey, Bangladesh, Spain and many other countries around the world. While these tragedies are sometimes the fruit of a more organised group-led attack, often they are carried out by so-called “lone wolves”, or isolated individuals, who have been radicalised by what they heard and read online on the group’s platforms. It has been estimated that approximately 5 000 residents of the European Union are included in the number of foreign fighters. Indeed, as CNN reports, one of the most serious challenges to Europe and the United States is posed by these individuals, especially foreign fighters coming home from Iraq and Syria, who are likely to revive underground networks in their countries.⁵ France appears to face the greatest numerical challenge with over 1 700 potential returnees. However, in the chaos following the collapse of Daesh, many European jihadists remain unaccounted for. Moreover, the main threat is not posed from those jihadists who travelled from their home country to defend the “caliphate”, but from those who remained and were inspired by Daesh to commit atrocities in their home country. The attacks in London and Manchester in the United Kingdom in 2017 prove the point.

3. See also [Doc. 13618](#) “Threats against humanity posed by the terrorist group known as ‘IS’: violence against Christians and other religious or ethnic communities”.

4. * Throughout this text, all reference to Kosovo, whether to the territory, institutions or population shall be understood in full compliance with United Nations Security Council Resolution 1244 and without prejudice to the status of Kosovo.

5. See also [Doc. 13937](#) “Foreign fighters in Syria and Iraq”.

7. Daesh started to attract fighters from all over the world after it announced it wanted to create a “Caliphate”. In September 2014, the Central Intelligence Agency (CIA) estimated that Daesh had between 20 000 and 31 500 fighters (of which 15 000 were foreign recruits, often coming from European countries) and US intelligence put the number of fighters between 20 000 and 25 000 in 2016. Data on fighters is particularly controversial and subject to change, depending on the sources and on the variables that are taken into account.

8. A characteristic that distinguishes Daesh from other traditional Jihadists groups is its techniques of recruitment. Electronic media plays a very important role in the group’s communications and recruitment strategy: volunteers usually make use of social networks and other internet platforms to contact the recruiters and become jihadists, much more often than Daesh handlers contact the former. On top of this, mosques, football fields, universities and prisons are among the environments preferred by Daesh to spread its recruitment support strategy and “hunt” young people.

9. Several newspapers and reports have referred to Daesh as a (international) “brand”, with 57 production units. These media outputs were used to promote ideals through videos, to communicate, to send messages and, last but not least, to recruit foreign fighters. As *Foreign Affairs* explains, during its heyday in 2014-2015, Daesh was quite successful in branding itself as a supra-State insurgency. Its affiliates did not just adopt the groups project, but also incorporated its governance efforts and strategies (legal, juridical, educative and propagandistic), transplanting the system developed in Syria and Iraq abroad. The propaganda spread through the media was not intended to target merely international recruiters: Daesh also used it to coerce the local population in the territories it claimed to govern.

3. Different sources of revenue

10. At the committee’s hearing on 7 November 2016, Mr Tom Keatinge, Director, Centre for Financial Crime and Security Studies at the Royal United Services Institute, United Kingdom, pointed out that since Daesh controlled territory containing valuable commodities (primarily oil) and populations to tax, it was able to easily finance its operations. Al Shabaab has also used this strategy to great effect in Somalia (taxing populations and controlling the charcoal export trade), as has Al Qaida in the Maghreb region (taxing the movement of licit and illicit goods – such as drugs – and people crossing its territory).

11. Mr Keatinge pointed out the need to examine the intersection between organised crime and terrorism and added that the financial sector should help by warning about the use of funds for such activities. The way in which the 40 recommendations from the Financial Action Task Force (FATF)⁶ were being implemented should be monitored. Finally, he stressed that any crack in the financial system would be exploited by Daesh and thus private financial intelligence should be shared to track these movements.

12. As regards illicit proceeds from the occupation of territory in Syria and Iraq, they included extortion, bank looting, oil fields, human trafficking, taxation on goods and cash. Daesh also earned revenue from kidnapping for ransom, donations, material support from foreign terrorist fighters and fundraising through social networks.

13. Daesh stands apart from most other terrorist groups in terms of the sheer amount of revenue it was able to gather; this led to it being named one of the richest terrorist groups in the world – if not the richest. However, in its early existence in 2014 and 2015, it made generous social commitments to its population that is likely to have consumed much of its significant financial gains. The group’s ability to earn revenue from the territory it controlled made interrupting and cutting off Daesh’s revenue all the more difficult. According to Jean Charles Brisard, a French expert on terrorism financing, roughly 60% of Daesh’s revenue was generated by natural resources in the territory it illegally held and approximately 40% came from criminal activity, such as extortion. By the end of 2017, the ability of Daesh to raise funds had been greatly diminished.

3.1. Revenue generated from oil

14. A large source of revenue for Daesh was generated from controlling oil fields and refineries in both Iraq and Syria. Wanting to create a sustainable, self-sufficient State, Daesh recognised the importance of the revenue generated from oil. However, Daesh faced a number of difficulties concerning the use of oil fields; in particular, it was reliant upon traders and smugglers to transport and sell the oil. Daesh also had the problem

6. The FATF was created in July 1989 by a G-7 Summit in Paris. Its original mandate was to “examine and develop measures to combat money laundering”. This mandate was expanded in October 2001 to include combating terrorist financing.

of acquiring the necessary equipment and personnel to operate the oil fields. Daesh therefore used primitive means to extract and refine the oil in order to monetise it. The transactions concerning Daesh's oil trade were mainly made in cash which made it difficult to trace and therefore to stop.

15. The revenue generated by oil decreased in 2016 (approximately US\$200 million compared to more than US\$500 million in 2015) due to the fall in oil prices but also as a result of air strikes led by the international coalition which specifically targeted anything related to the production of oil. This revenue from oil decreased even further in 2017.

16. The majority of crude oil produced by Daesh was sold directly to Syrian and Iraqi independent traders at the oil fields. According to traders, despite the air strikes, Daesh had maintained oil production but had lost some of its profit. To compensate for the revenue losses, Daesh adopted new methods for earning more cash, for example by implementing a "licence" for traders which allowed them to skip the queue and buy 1 000 barrels at once if they could pay for them up front. The Assad regime also appeared to be buying oil from Daesh. On 7 March 2015, a Syrian was sanctioned by the European Union for acting as a middle man as the Assad regime tried to purchase oil from Daesh.⁷

17. According to the *Wall Street Journal*, the revenue losses faced by Daesh forced it to deal increasingly with the Assad regime. Oil and gas sales to the Syrian regime then constituted Daesh's largest source of funds, replacing revenue coming from taxes and tolls. According to numerous American and European officials, Assad's government, despite a pronouncement that it was fighting the group, relied almost completely on gas produced in Daesh territory and was directly supporting Daesh through the purchase and reselling of energy.

3.2. Revenue generated through exploiting other natural resources (excluding oil)

18. Daesh also took control of crop fields, stored wheat in silos and controlled its distribution. This allowed it to set crop prices. According to the United Nations Food and Agriculture Organization, Daesh took over 40% of wheat cultivating land in the parts of Iraq it controlled. Daesh published pamphlets which contained photos of golden fields and fighters giving out food, and used these to try and convince the local population that it could govern better than the Arab governments it considered to be infidels.

19. Besides taking control of agricultural resources, it was also reported that Daesh took control of the Akashat phosphate mine and the Al-Qaim manufacturing plant in the Al-Anbar province, Iraq, in 2015, as well as several sulphur extraction plants belonging to the Mishraq Sulphur State Company and the main salt mine of Syria. Daesh also had control of five major cement plants in Syria and Iraq. It is estimated that in 2014 Daesh was able to earn approximately US\$300 million from phosphate products and US\$292 million from cement. Daesh also controlled the largest reserve of natural gas in Iraq at the Akkas field in the Al Anbar province.

3.3. Revenue generated through tax and extortion

20. To make up for the loss of revenue generated by oil, Daesh has increased its use of extortion. Almost everything was now taxed (communications, cash withdrawals, consumption, road tax, salary tax, "protection" tax for non-Islamic residents). Daesh also confiscated houses, furniture and land.

21. Extortion was widely used by Daesh to generate revenue. Daesh abused "zakat"⁸ to levy tax from the population living on the territory it occupied. It was particularly used against farmers in order to take portions of their crops. Daesh levied taxes on all goods which transited through the territory it controlled. There was a road tax of US\$200 for example in Northern Iraq as well as a "customs" tax of US\$800 for trucks which entered the territory it held in Iraq.

22. The Iraqi Government paid government employees living and working in territories held by Daesh. These employees were forced to travel elsewhere to withdraw their salaries to prevent the money being placed in banks controlled by Daesh. However, once these government employees returned to their homes, their salaries were taxed by Daesh, sometimes by up to as much as 50%, therefore creating a regular source of revenue for the terrorist group. According to estimations, Daesh could have earned up to US\$360 million in tax in 2014. In 2016, and especially after the capture of Mosul, the revenue generated from taxes and fees was reduced to US\$250 million, according to the International Centre for the Study of Radicalisation (ICSR). Despite this reduction in taxation, it still constituted 43% of the group's revenue.

7. www.washingtoninstitute.org/policy-analysis/view/the-islamic-states-backdoor-banking.

8. Zakat is an Islamic tax levied to give relief to the poor; it is one of the five pillars of Islam.

23. Kidnapping for ransom was also widely used by Daesh to generate revenue. It is very difficult to know precisely how much revenue was generated as the payments were either made in cash or concealed by private companies who made the payment. Member States of the FATF believe the figure to be between US \$20 and US\$45 million for the year 2014 and US\$23 million for 2015. Other sources claim it could have been as much as US\$120 million per year.

3.4. Revenue from controlling bank branches

24. Upon taking control of parts of Iraq, Daesh seized control of many bank branches. The money in State-owned banks was considered as Daesh's "property" whereas the cash in private banks was taxed by Daesh when the population withdrew its money. The United States of America believed in 2015 that Daesh had had access to approximately US\$50 billion in cash through this system. Furthermore, it is believed that when Daesh took control of Mosul, it managed to take approximately US\$574 million from the city's central bank.

25. The Iraqi authorities tried to cut off Daesh's access to the international banking system by instructing financial institutions to prevent wire transfers to and from Daesh-held territory. However, in Syria, the Assad regime allowed banks in Daesh-held territory to continue operating and may even have been doing business with Daesh.

3.5. Revenue generated by looting cultural artefacts

26. Another source of revenue for Daesh was the looting and selling of cultural artefacts on the black market. It is impossible to provide a precise figure of how much Daesh earned from this illicit trade. However, it could have earned money from cultural artefacts in two ways: through their direct sale or through the taxing of traffickers.

27. The director of programmes and partnerships at the International Council of Museums said of Daesh's looting, "we are faced with the largest-scale mass destruction of cultural heritage since the Second World War".

28. According to James McAndrew, who used to work for the US Customs and Department of Homeland Security, the problem was not major auction houses, who avoided dealing in cultural artefacts originating from Iraq or Syria, but private individuals. McAndrew believed that these items were possibly being sold to wealthy individuals from the region, such as Emiratis, Saudis and Iranians. His other concern was that antiquities would end up in free ports and would therefore not be required to pass through customs, where they could be seized.

3.6. Revenue from third parties

29. Despite many press reports indicating that Daesh received large sums of money from private donations, they actually only represented a small income compared to its other sources of revenue. For example, a 2015 report by the RAND Corporation put the level of private donations in the Anbar Province at less than 5% between June 2005 and May 2006.

30. In written evidence to a sub-committee of the United Kingdom's House of Commons Foreign Affairs Select Committee, the Ministry of Defence said there was "historical evidence of instances of financial donations to Daesh from within Gulf States. Furthermore, it is understood that family donations are being made to Daesh, through the unregulated Alternative Value Transfer Systems".⁹

31. Daesh also generated revenue through foreign terrorist fighters and social media networks. However, the income raised through these means was relatively low.

4. How Daesh moves its funds

4.1. The international financial system

32. A particular concern amongst the international community was Daesh's access to the international financial system through the banks it controlled in Iraq and Syria. The Central Bank of Iraq issued instructions to prevent this. However, no such action was taken by banks in Daesh-held Syrian territory.

9. <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/foreign-affairs-subcommittee/isil-financing/written/33364.pdf>.

33. Daesh also accessed the international financial system in areas on the outskirts of the territory it controlled. The US authorities have said that Daesh received electronic transfers of funds “in areas known to be a funding, logistical and smuggling hub for foreign terrorist fighters and terrorist organisations”. There have also been bank wire transfers to recipients based just outside Daesh-held territory.

34. Furthermore, there have been cases of foreign terrorist fighters withdrawing money with debit cards linked to their national bank accounts from ATMs near Daesh-held territory.

4.2. Other methods of moving funds

35. There are also concerns regarding Money and Value Transfer Services (MVTs). The FATF gives the following definition for MVTs: “Financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer or through a clearing network to which the MVTs provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods.” As Daesh becomes cut off from the international financial system, it is feared that it may use companies providing such services in both Iraq and Syria.

36. “Hawala”¹⁰ is reported to be commonly used by Daesh and many of these transactions are impossible to trace. Hawala does not require moving money physically and as it is based on trust between two “hawaladars”, a paper trace of the transaction is unlikely to be kept. Furthermore, Hawala is often inexpensive and uses both competitive exchange rates and moderate transfer fees. Using the “Hawala” system to transfer funding to Daesh and other extremist groups allows the transfer of funding to go unchecked. It is relatively easy for a tribesman to make a phone call and promise another member of a tribe to send him money that would then be channelled to Daesh.

37. Using the Hawala system to fund terrorism via tribes is made possible because of the loyalty, trust and blood relationships which characterise tribes. These strong dynamics provide significant cover to terrorist groups, giving them the space to operate.

4.3. Smuggling along existing routes

38. Daesh also resorts to smuggling (cash, gold and other valuables) as a means to transfer money. According to the FATF, cash couriers are used to smuggle cash or other valuable items to Daesh. They normally use aid convoys or the goods are physically moved by individuals transiting the borders in the region.

39. According to reports, Daesh has managed to use preexisting black market routes which emerged under the Saddam era in the 1990s.

4.4. Emerging methods of moving funds: prepaid cards and virtual currencies

40. Technological advances also represent possible methods of moving money for Daesh. Prepaid cards and virtual currencies are the first concern when it comes to emerging methods.

41. A report published by Europol following an investigation into Daesh’s potential use of virtual currencies, such as bitcoin, said that there was no evidence of IS-financing networks in existence. Despite third party reports suggesting the use of anonymous currencies by terrorists to finance their activities, this had not been confirmed.

42. Prepaid cards are also a source for concern, particularly since the Paris attacks in November 2015. The terrorists who perpetrated those attacks used prepaid cards to buy their weapons and to pay for transport and apartments. As they only moved small sums of money at a time, it was extremely difficult to trace the movement – and therefore the sources – of the money that funded the attack.

43. The Saudi authorities have also reported to the FATF that individuals associated with Daesh had solicited donors via Twitter and told them to establish contact via Skype. The operatives then asked these donors to purchase international prepaid cards (i.e. mobile phone credit, store credit) and to send the card numbers via Skype. The information would eventually reach a follower near Daesh-held territory in Syria, who could then sell it and take the resulting cash to the group.

10. Hawala is defined as a traditional system of transferring money to a person in another country or area, which involves paying money to an agent who then tells another agent in the relevant place to pay that person.

44. The international community is particularly worried about Daesh's access to the international financial system and the use of new methods and the transfer of funds. Strategies to stop this are being drawn up. However, it is the "traditional" money transfer services which are far more complicated to keep a trace of and therefore to cut off, such as smuggling and Hawala.

45. There needs to be a cross-government approach to the monitoring of government expenditure, for example on welfare benefits and other payments to individuals, who may be suspected or convicted of terrorism offences. For example, in September 2016, it was reported that the hate preacher, Anjem Choudary, had claimed up to £500 000 in benefit payments from the United Kingdom Government in the last 20 years.

5. International recommendations to cut off funding for terrorism

5.1. Recommendations from the Financial Action Task Force

46. I tried several times to invite Mr David Lewis, Executive Secretary of FATF, to a committee meeting but unfortunately this was not possible. According to the FATF, international co-operation must continue to increase in order to cut off Daesh's funding; intelligence and information must be shared not only in a more systematic manner but also in a more time effective manner.

47. Further monitoring of Daesh's financial ties would allow the creation of more listings to help cut off Daesh's and other terrorist groups' sources of revenue. Identifying the routes and people involved in trafficking products from territory occupied by Daesh would help stop the transit of these goods, in particular oil.

48. Social media networks are also used by Daesh to generate donors, not deep-pocketed donors but grass-roots level donors, and technological innovations allow money to be transferred instantly and more and more anonymously. It is therefore important to find ways to prevent this from happening. It is also important to take more resolute action when foreign terrorist fighters leave their country of origin to join Daesh, such as freezing their assets and criminalising fund transfers for their use.

49. The FATF also recommends that businesses involved in the antiquities trade sector develop and implement tighter documentation concerning the origin of artefacts to prevent looted cultural artefacts from being sold and that suspicious behaviour, fraudulent paperwork and knowledge of stolen artefacts be reported.

50. In October 2016, the FATF published a new *Guidance on Criminalising Terrorist Financing*, aimed at reviewing the Interpretative Note to Recommendation 5 in order to assist countries in the implementation of the requirements set out by Recommendation 5 and by the United Nations International Convention for the Suppression of the Financing of Terrorism. This was done to ensure that the Recommendation reflects all the diverse financing mechanisms used by Daesh, including foreign fighters and economic/natural resources. In addition, it clarifies the scope of the term "economic support" to cover a broader range, including trade in natural resources and assets which could be used to obtain funds. This was done by replacing the word "funds" in the Recommendation with "funds and other assets".

51. As FATF President Juan Manuel Vega-Serrano remarked at the Joint Special Meeting of United Nations Security Council Committees and FATF, on 12 December 2016, many countries face major weaknesses in the implementation of counter-terrorist financing measures – less than one in five jurisdictions has ever secured a single criminal conviction for terrorist financing – despite the presence of all the essential legal tools and regulations. In order to deal with the issues, Mr Vega-Serrano voiced the FATF's intention to give a stronger say to operational agencies within the organisation, beginning with the FATF Financial Intelligence Units (FIU) forum, started in October 2016.

52. Highlighting again the importance of more effective domestic and international co-ordination and co-operation in order to combat the financing of terrorist activities, the FATF plans to further develop projects aimed at identifying and eliminating obstacles to information sharing in the private sector. Part of this project has already been actively discussed at the Private Sector Consultative Forum in Vienna.

53. In June 2017, during its plenary meeting, the FATF reiterated the importance of information sharing, considered critical to effectively counter terrorism financing. It also adopted a report on the topic, but it will only be made available to key agencies involved in tackling the financing of terrorism. It will include good practice and practical tools to improve co-operation and exchange of information within jurisdictions. In addition, following the Forum held in Vienna in March, the FATF has started developing guidance for private sector information sharing, including explanations on how to share information in the context of wire transfers,

correspondent relationships, and the use of gateways or public–private partnerships. Lastly, the Plenary decided on future projects to tackle sources, techniques and channels of terrorist financing in order to ensure that all member States have implemented measures to prevent, detect and counter terrorism financing.

54. In January 2018, the FATF issued a report on Financing of recruitment for terrorist purposes, which provides a better understanding of the different methods and techniques of terrorist recruitment.

5.2. Recommendations of the United Nations

55. The United Nations has taken many steps to attempt to cut off the funding of terrorist groups, and these steps have now been extended to Daesh. The United Nations Security Council has adopted several resolutions concerning this matter and reports have also been published. The reports and resolutions adopted have included both obligations and recommendations for member States.

56. In December 2015, the Security Council of the United Nations adopted Resolution 2253, which was proposed following the joint initiative of the United States and the Russian Federation. The Resolution recalls many previous resolutions, the majority of which are directly linked to preventing terrorism, stopping terrorism financing and preventing money laundering. Further recommendations are made to member States, the United Nations calling on them to implement further action to prevent terrorist financing.

57. The United Nations reiterates its call on member States to prevent the payment of ransoms for hostages and not to give political concessions in exchange for the safe release of hostages. The resolution also calls upon non-governmental, non-profit and charitable organisations to prevent the abuse of this sector for terrorist financing.

58. Much like the FATF, Resolution 2253 recommends that member States co-operate fully with one another and improve information-sharing practices between governments and submit more actively listing requests of individuals and entities who support Daesh. Resolution 2253 also encourages all member States to fully implement the FATF's revised Forty Recommendations on Combating Money Laundering and the Financing of Terrorism and Proliferation. The resolution says that member States should use the FATF's recommendations to cut off flows of funds and financial and economic assets of individuals and entities on the Daesh and Al-Qaida Sanctions List.

59. In May 2016, the Secretary General of the United Nations published a report on the threat posed by Daesh. In this report, further recommendations were made for member States to help put a stop to Daesh and its funding. The Secretary General warned member States to remain alert to possible attempts by Daesh to expand its revenue to other domains or the possible expansion of sources of revenue which are currently very small. The report also recommends that member States pay particular attention to new payment methods such as prepaid cards and virtual currencies, and that member States who bordered Daesh-held territory pay attention to the fact that Daesh may try and access the financial sector through their countries.

60. The report also goes on to recommend that member States not only co-operate between themselves but that they should also include the private sector in this co-operation. The report notes that measures have been implemented to secure borders as Daesh is known to smuggle cash across borders. Nevertheless, the report recommends increasing cross border checks. Finally, concerning the funding of Daesh, the report encourages member States to use other international tools to prevent Daesh from using methods of transnational organised crime.

61. In February 2017, the United Nations Secretary General further reinforced the United Nations commitment to gather data on Daesh's funding sources and to make it available to member States (of the FATF) in the form of a triennial analysis. Thwarting the financing of Daesh has been added in the agenda of plenary meetings as permanent item.

62. In March 2017, the Security Council of the United Nations adopted Resolution 2347, which deals with the protection of cultural heritage in armed conflicts. It specifically tackles the illicit trade and traffic of cultural property related to the financing of terrorist groups such as Daesh. The resolution calls on member States to consider adopting measures to prevent and counter illegal traffic of cultural property, in particular: improving inventory lists and export/import legislations; establishing specialised units and procedures devoted to collecting information on criminal activities of this type; contributing to the databases of the International Criminal Police Organization (Interpol), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Customs Organization (WCO) ARCHEO; engaging all kinds of cultural activities on standards of provenience documentation; creating educational programmes on the protection of cultural heritage.

63. Furthermore, Resolution 2347 calls on UNESCO, the United Nations Office on Drugs and Crime (UNODC), Interpol, WCO and other relevant international organisations to assist member States in the implementation of such measures, and more generally in their efforts to prevent the destruction and looting of cultural property in all forms. All this comes after the official recognition of looting of cultural artifacts as a primary source of Daesh financing.

64. The United Nations Security Council recognised the difficulty faced by European member States in tracing financial transactions operated by/to Daesh, as they often involve small amounts of money or informal remittance companies.

5.3. Recommendations of the European Union

65. The 2015 European Agenda on Security underlined the need for financial operations when it comes to stopping terrorist groups. It pointed out in particular that FIUs¹¹ can help determine terrorist networks and their financial backers and how the EU-US Terrorist Financing Tracking Programme has provided many leads in tracking the financial networks of terrorist organisations, and suggested that member States use the programme more proactively.

66. In February 2016, the European Commission presented its Action Plan for Strengthening the Fight against Terrorist Financing to the European Parliament and the Council. In this Action Plan, the European Commission identifies several methods used to finance terrorist groups, such as Daesh, but also goes on to list a number of ways European member States and the international community as a whole can prevent terrorist financing.

67. Technological innovation allows the creation of new methods which can help fund terrorist groups. Virtual currencies are for example problematic due to their anonymity. The Action Plan points out the need for increased intelligence sharing between States in order to tackle the problem.

68. In its Action Plan, the Commission enumerated three means which can be implemented immediately to help the fight against terrorist financing. These were:

- to bring forward the date of entry into application of the 4th Anti-Money Laundering Directive to the end of 2016 at the latest; the directive was fully implemented by 26 June 2017;
- that the Commission identify more quickly third countries which have “strategic deficiencies in the area of anti-money laundering or countering terrorist financing”;
- that the FIUs of member States increase co-operation between themselves and with the FIUs of third countries and with the private sector.

69. The Commission put forward many different proposals in its Action Plan to curb terrorist financing, such as: bring virtual currency exchange platforms under the supervision of the Anti-Money Laundering Directive; find a solution to prevent terrorist funding with prepaid credit cards but without this having a negative effect on socially or economically vulnerable people; revise current EU legislation so as to oblige member States to have centralised registers providing all bank accounts belonging to one person, and thus offering operational support to FIUs; amend the Anti-Money Laundering Directive to extend the scope of FIUs; improve the efficiency of freezing measures based on United Nations listings.

70. The Commission also plans to propose a directive aimed at harmonising different member States’ definitions and sanctions concerning the criminal offence of money laundering.

71. Currently, EU legislation allows people to be controlled when travelling in or out of the European Union with equal to or more than €10 000. An evaluation conducted by the Commission found that this legislation needs to be extended so that it includes cash sent in the post and by freight shipments and also that authorities can control people travelling with a lesser amount when there are suspicions of illicit activity. The Commission is also looking into creating an EU regime for the freezing of assets which goes beyond the current United Nations framework. This would allow the European Union to freeze the assets of persons linked to terrorist groups which are not on United Nations listings.

11. According to the Egmont Group, FIUs should “serve as a national centre for the receipt and analysis of suspicious transactions reports; and other information relevant to money laundering, associated predicate offences and financing of terrorism, and for the dissemination of the results of that analysis”.

72. Cutting off funding of Daesh at the main source is a priority of the European Union; therefore further legislation is required to prevent the exportation of products from Daesh-held territory in Iraq and Syria. With regard to cultural goods, two regulations at EU level exist which aim to impose trade restrictions on these goods which have been illegally removed from Iraq and Syria. However, the effectiveness of these regulations can be questioned. The Commission will therefore look into finding better regulations and measures to prevent the illegal trafficking of cultural goods.

73. The Commission also insists on greater co-operation between the European Union, other international entities (the United Nations, G20) and third countries facing threats from terrorist groups and who have strategic deficiencies when it comes to tackling the funding of these groups.

74. In a Joint Statement following the meeting on the Defeat of Daesh, the European ministers of the Global Coalition restated and reinforced their commitment to an “integrated, multidimensional, and comprehensive approach to defeat Daesh and its global network”. While recognising the pressure put on the group’s finances by military strikes and the diplomatic engagement of coalition partners, they committed to remain vigilant and to continue to support efforts to deprive Daesh of its finances, its fighters and other resources at the group’s disposal.

75. The ministers also encouraged information sharing and enhanced traveller screening and law enforcement in order to be able to prosecute and penalise foreign terrorist fighters and anyone who has provided material support to Daesh. They suggested making use of collective law-enforcement channels, such as Europol and Interpol, as well as FIU channels. Similarly, they underscored their support for international frameworks, including United Nations Security Council Resolutions 2178 and 2253, FATF, the Global Counterterrorism Forum and the Egmont group of FIUs.

76. Following FATF’s new commitment with regard to the private sector, the Ministers of the Global Coalition welcomed the sector’s initiatives and committed to collaborate with it specifically in order to prevent Daesh’s exploitation of social media and other online platforms as sources of financial transactions.

77. On 12 April 2017, the European Commission published a new progress report for the European Parliament, the European Council and the Council concerning an effective and genuine Security Union. The report came after the terrorist attack in Stockholm on 7 April and focused on organised cybercrime and the means that support these terrorist activities. It sets out the Commission’s view on what the future EU priorities should be in combating organised crime, considered to be the key source of financial means for terrorists.

78. The report lists as a legislative initiative on security the EU Directive 2017/541 of 15 March 2017 on combating terrorism, which specifically tackles combating terrorism and criminalises acts such as the financing of terrorism. In the directive, the Union calls on member States to further refine the definition of terrorist offences, of offences related to terrorist groups and of offences related to terrorist activities, in order for them to cover terrorist financing more comprehensively. Moreover, it suggests that terrorist financing should be criminally punishable in member States, rather than being merely prevented. This also includes people acting as intermediaries in the supply or movement of services, assets and goods to terrorist organisations.

79. EU Directive 2017/541 lays down legislative action required by member States to combat offences related to terrorist activities (among which terrorist financing), but does not mention Daesh as an explicit and unique target of the measures. Rather, it relates more broadly to any type of terrorist activity and group.

80. On 21 March 2017, discussions on the Commission’s proposal for targeted amendments to the 4th Money Laundering Directive were launched. The main topic on the agenda was how to cover (and combat) new means of terrorist financing, such as virtual currencies and prepaid cards.

81. As highlighted in the Action Plan, throughout 2017 the European Union remained committed to proposing legislation to strengthen the power of customs authorities to tackle terrorists’ trade in goods and cultural goods.

82. The FATF, the United Nations and the European Union have been particularly active in elaborating recommendations for member States to help prevent the funding of Daesh. However, more needs to be done at both international and national levels. In order to implement more successful strategies, more co-operation and investigation concerning Daesh’s financial activities are needed. It is also crucial that international and European regulations are implemented in a more timely manner by member States.

6. Action taken by the Council of Europe and its member States

6.1. Conventions adopted by the Council of Europe

83. In 1990, the Council of Europe adopted the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. This was updated in 2005 and became the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198, "Warsaw Convention").

84. The Convention updated in 2005 came into effect on 1 May 2008 in Warsaw. It takes into account the fact that terrorism can be financed both through money laundering from criminal activity as well as through legal activities. It is the first international convention which aims to prevent and control money laundering and the financing of terrorism. Despite the importance of this convention, only 34 member States of the Council of Europe have ratified it, seven member States (Austria, Estonia, Finland, Iceland, Lithuania, Luxembourg and Monaco) have signed but have not yet ratified it. The European Union has also signed it but not ratified it. The other six member States (Andorra, the Czech Republic, Ireland, Lichtenstein, Norway and Switzerland) have not signed the Convention.

85. In May 2015, the Additional Protocol to the Council of Europe Convention on the Prevention of Terrorism (CETS No. 217) was adopted by the Committee of Ministers. This Additional Protocol also addresses the funding of terrorism in Article 5, "Funding travelling abroad for the purpose of terrorism", which states the following:

"For the purpose of this Protocol, 'funding travelling abroad for the purpose of terrorism' means providing or collecting, by any means, directly or indirectly, funds fully or partially enabling any person to travel abroad for the purpose of terrorism, as defined in Article 4, paragraph 1, of this Protocol, knowing that the funds are fully or partially intended to be used for this purpose.

Each Party shall adopt such measures as may be necessary to establish the 'funding of travelling abroad for the purpose of terrorism', as defined in paragraph 1, when committed unlawfully and intentionally, as a criminal offence under its domestic law."

86. The Additional Protocol to the Convention on the Prevention of Terrorism entered into force on 1 July 2017. Despite the recent developments and the increasing threat posed by terrorist groups, especially Daesh, seven member States (Austria, Azerbaijan, Georgia, Ireland, Liechtenstein, San Marino and Serbia) have not signed it and only 11 have ratified it.

87. The Council of Europe has also recently adopted the Convention on Offences relating to Cultural Property (CETS No. 221), which entered into force on 19 May 2017. It aims at preventing and combating the illicit traffic and destruction of cultural property, in the framework of the Council of Europe's action to fight terrorism and organised crime. As the preamble states:

"... Considering that organised crime is involved in the trafficking of cultural property;

Concerned that terrorist groups are involved in the deliberate destruction of cultural heritage and use the illicit trade of cultural property as a source of financing; ..."

88. The Convention can be understood as a further effort by the Organisation, its member States and the other signatories of the international community to stop not only the destruction of unique cultural heritage, but also one of the main sources of revenue for Daesh. The Convention establishes a number of criminal offences, such as theft, unlawful excavation, importation and exportation, and illegal acquisition followed by placement on the market (in the case of Daesh, the black market). On top of this, it also aims to foster international co-operation to fight these crimes.

89. The Convention on Offences related to Cultural Property has been signed by very few member States so far (Armenia, Cyprus, Greece, Italy, Latvia, Portugal, San Marino, Slovenia and Ukraine); Mexico is a non-member signatory; and only Cyprus has ratified it. Five ratifications including at least three member States of the Council of Europe are needed for its entry into force.

90. The Council of Europe has therefore adopted measures to put an end to terrorist financing. However, despite the current threat posed by Daesh, certain member States have still not implemented these measures.

6.2. Measures taken by member States to prevent the funding of Daesh

91. The Czech Republic was identified by the FATF in 2016 as one of four States in the world which did not have a stand-alone offence for terrorist financing. However, the Czech Republic has since introduced such an offence. (The other three countries are non-member States of the Council of Europe: Brazil, which is currently working on drawing up a law to change this; Libya and the Palestinian Authority.)

92. However, other member States of the Council of Europe have taken further steps to prevent the funding of the terrorist organisation Daesh. France and the United Kingdom in particular can be considered as having taken further steps which go beyond international standards to try and prevent the funding of Daesh.

93. The French government has published guidelines to prevent the funding of Daesh. These guidelines are based on international standards but also go a step further in order to advise businesses and people in which sectors further due diligence is required. The French Government updated in June 2016 its plan of action for financial vigilance concerning Daesh. This plan of action recalls international standards and European laws and makes several other recommendations, notably: credit and financial structures are warned to take extra vigilance concerning other financial and credit structures in Syria and in areas of Iraq (Ninive, Salaheddine, Anbar provinces), and Libya (Syrte, Derna, Ajdabiya and their surroundings); they are also forbidden to found new business relations with banks in Syria and the parts of Iraq and Libya mentioned above; financial and credit establishments must also warn their clients who have ties with the petrol sector about the risks of financing Daesh; cultural artefacts must not be imported from Libya without the Libyan Government's approval; financial and credit establishments must also be vigilant when dealing with operations that have not been approved by the Iraqi, Syrian and Libyan governments; and any suspicious transactions must be refused and/or reported to Tracfin.¹²

94. In November 2015, the then French Minister of Finance, Michel Sapin, wrote to all of the main antiques dealers' associations of the country, in order to inform them about the risks of funding Daesh through the sales of cultural artefacts, and requested consequent due diligence on the matter. The French authorities also recommend extra due diligence concerning financial transfers and transactions in Syria, Iraq and Libya as well as the bordering regions of these three countries, and also concerning insurance contracts, which could be used to help fund Daesh (mainly "kidnapping for ransom"). Any insurance contract which covers Daesh-held territory must be declared to Tracfin or otherwise be terminated.

95. The French authorities have also published specific guidelines to prevent non-governmental organisations and associations being used to fund Daesh. Finally, France has imposed new regulations aimed at mitigating the vulnerabilities associated with prepaid debit cards, which are increasingly used by Daesh and other terrorist associations to make financial transactions across borders. Specifically, it has introduced the requirement that all transactions of more than €1 000 be traceable, and that cash deposits or withdrawals amounting to more than €10 000 per month/customer be reported to the FIUs.

96. Belgium's FIU has put into place an action plan which aims to strengthen co-ordination among the various agencies involved in countering terrorist financing and money laundering.

97. The United Kingdom, while adhering to international standards, has also established the Joint Money Laundering Intelligence Taskforce (JMLIT). It was an initiative driven by United Kingdom banks, creating a collaborative response to ensure the cleanliness of the United Kingdom's financial markets. Underpinned by a rigorous legal framework, the project provides an environment for the financial sector and government to exchange and analyse intelligence to detect, prevent and disrupt financial crime in the United Kingdom. The taskforce is centred around an Operations Group which includes officers from crime agencies and revenues and customs and financial institutions. The United Kingdom is working with other law-enforcement agencies. The financial information secured and shared by the taskforce can help to disrupt the financing of future terrorist activity.

98. The United Kingdom has also set up an inquiry into the funding of Daesh. The Foreign Affairs Committee established a Sub-Committee which is looking into Daesh's sources of finance. Experts have been heard at the inquiry and this has already led to the finding of a cultural artefact originating from Syria or Iraq which was then confiscated from an antiquity dealer and put into protective custody with a view to its return to its rightful location at a later date. Evidence given during this inquiry also shows that government departments are improving their co-operation to help prevent the funding of Daesh.

12. Tracfin is a French administrative service which works in financial intelligence. Its main mission is to gather, analyse and exploit intelligence to prevent money laundering and clandestine financial circuits.

99. The Council of Europe, along with the majority of its members States, are therefore taking the necessary measures to prevent the funding of the terrorist organisation Daesh. However, a fairly large number of member States have not adopted the Council of Europe's relevant convention and have not taken measures that go beyond international and European requirements.

6.3. The human rights issue

100. In order to assess possible human rights implications of collecting and sharing information gathered by counter-terrorism bodies, I had a meeting with MM. Christian Mommers and Mathieu Birker from the Office of the Council of Europe Commissioner for Human Rights. The Commissioner did not deal with the specific issue of financing terrorism, although he had expressed concern about some aspects of the Additional Protocol to the Convention on the Prevention of Terrorism. My attention was drawn to the issue paper published by the Commissioner on democratic and effective oversight of national security services.

101. According to Mr Muižnieks, "preventing and combating terrorism is a clear duty of all states, which must respect and protect every one's life and security. However, States' duty to prevent and combat terrorism should in no way be fulfilled at the expense of human rights standards and the common values on which European societies are grounded. This would be a mistake, since laws and policies that are human rights compliant preserve the values the terrorists are trying to destroy, weaken the pull of radicalisation, and strengthen the public's confidence in the rule of law and democratic institutions. In this context, national human rights structures (NHRs) have a vital role to play. Because of their nature, competencies and experience, as well as the respect and confidence they command, NHRs constitute the interface between national authorities and the public and are able to help both in keeping a cool head and efficiently combating terrorism without giving in to fear or undermining human rights".¹³

7. Conclusions

102. The plan by Daesh to create a caliphate in Syria/Iraq has no future. Military action by Iraqi and Syrian fighters, including Kurdish, supported by the international community, has ensured that the ambitions of Daesh to establish an Islamic State have been thwarted.

103. However, the lessons from Daesh prove that a terrorist group driven by an extreme islamist ideology can cause wholesale destruction while capturing territory in which people can be enslaved and money can be raised through the sale of national resources and extortion. While using the funds raised to govern, money can be exported to other fundamentalists around the world sharing the same ideology using or by-passing the existing global financial system.

104. The key lesson for the international community to counter this activity is to use, or be prepared to use, military action to ensure that a caliphate cannot be established. It should also use the international financial architecture to share information to help detect international terrorist threats. Finance is now global and financial problems, including terrorist financing, now require global answers.

105. All countries should reaffirm the need to build local capability to investigate and counter terrorist financing, including corruption. Through corruption, Daesh has often been able to evade restrictions allowing the movement and acquisition of arms and goods. Counterterrorist legislation helps confront this, but to achieve more, it requires a stronger intelligence, enforcement and judicial system.

106. The foundations underpinning Islamist terrorism and therefore its funding is the extreme ideology which drives adherence to the terrorist cause. There needs to be a global initiative, including a role for the Council of Europe, to root out extremism and intolerant religion.

107. Other measures to be recommended would include:

- all member States should sign and ratify the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds and the Financing of Terrorism;
- the Council of Europe should encourage member States to adopt such initiatives as the United Kingdom's Joint Money Laundering Intelligence Taskforce to facilitate greater intelligence sharing on terrorist financing;

13. [National human rights structures: protecting human rights while countering terrorism](#), Nils Muižnieks, Commissioner for Human Rights, 6 December 2016.

- member States should consider banning new business relationships with banks in Syria. Due diligence is needed concerning financial transfers and transactions in Iraq, Syria and Libya as well as in the border regions;
- the Council of Europe should use its relationship with regional and border regulators to identify Daesh's access to exchange houses, so that formal and informal financial institutions that are being exploited by the Islamic State are monitored if not closed down;
- member States, especially with the increasing number of refugees and diaspora in Europe from Syria and north Africa, should establish a second layer of security that vets the names of clans/tribes at airports or land borders;
- each member State should be encouraged to work across government departments and agencies to better co-ordinate action against the funding of terrorism;
- close attention needs to be paid to the ability of lone-wolf operatives, inspired by extreme ideological beliefs, to raise money by, for example, using welfare payments or prepayment cards to undertake acts of terrorism;
- the way in which international terrorist organisations such as Daesh finance their operations around the world can only be tackled by countries acting in concert against such activity; this means using military action sanctioned by the United Nations, when and where necessary. The challenge is also to share among international organisations financial information which will be able to disrupt and ultimately stop terrorist activity.

108. I do not believe the answer is simple, nor can it be found overnight. But I do believe that with the support of member States of organisations such as the Council of Europe, we can prevent the spread of perverted ideologies, such as that practised by Daesh, which threatens our way of life and the values of democracy, human rights and the rule of law for which the Council of Europe stands.