'Out with the old and … in with the old? A critical review of the Financial War on Terrorism on the Islamic State of Iraq and Levant'

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"The Islamic State's ability to draw on multiple sources of funding poses a challenge to international efforts to contain and degrade the group's strength".[1]

Introduction

On September 11 2001 19 al Qaeda operatives committed the largest and deadliest terrorist attack on the United States of America.[2] On the morning of September 11 2001, the terrorists hijacked four commercial airliners, American Airlines flight 11 and United Airlines flight 175, which were flown into the South and North Towers of the World Trade Centre in New York, American Airlines flight 77, which was flown into the Pentagon building, and United Airlines flight 93, which crashed in Pennsylvania.[3] A total of 2,977 people died as a result of this act of terrorism.[4] The response from the international community and in particular the US was swift. President George Bush soon declared, what has since become referred to as either the 'War on Terrorism' or the 'Global War on Terrorism' on September 20 2001.[5] It is not the purpose of this article to critique and review in detail the 'War on Terrorism', but to concentrate on a very specific aspect, the 'Financial War on Terrorism', which was famously instigated by President George Bush on September 24 2001.[6] Until these terrorist attacks the financing of terrorism was neglected by the international community and many nation states, including the US, who had concentrated its financial crime efforts on tackling money laundering. However, the terrorist attacks in September 2001 resulted in a monumental shift and change strategy and attitudes towards counter-terrorist financing by the international community.[7] Pieth noted that "when the hijacked airplanes struck the twin towers, most observers would have considered it obvious to mobilise all possible means to prevent terrorism … including the interception of terrorist access to financial assets".[8] It has been estimated that the total costs of the terrorist attacks in September 2001 were between $400,000 and $500,000,[9] and that the economic damage to the US exceeded $3tn.[10] Therefore, the terrorist attacks generated a great deal of academic literature and commentary on the financing of terrorism.[11] This extensive literature has highlighted two very important findings. Firstly, terrorists are able to gain access to finance from a plethora of sources and secondly, there has been a steady increase in 'cheap' or 'inexpensive' acts of terrorism. In relation to the first finding, terrorists have previously relied on financial sponsorship from a small number of nation states, which often involve national governments providing financial support.[12] At the time of writing this article, the US has identified three state sponsors of terrorism: Iran, Sudan and Syria.[13] It has been argued that other states, including North Korea, Cuba and Libya have also provided terrorists with financial support and assisted in the planning of their operations.[14] However, it is now widely accepted that there has been a steady decline in the availability of this particular terrorist funding stream.[15] The demise of state sponsored terrorism was recognised by Hardouin who stated that "state sponsorship has been decreasing as terrorist groups find it harder to obtain state support, and states that are not respecting [counter-terrorist financing] international standards are less willing to risk exposure to severe international sanctions".[16] There are two factors that have contributed towards the decline in state sponsored terrorism. Firstly, there are fewer nation states engaged in sponsoring terrorist groups.[17] Secondly, terrorist groups have adapted to the reduction in state sponsored terrorism and have developed a global and sophisticated network of financial supporters and increased engagement with illegal activity to obtain finances.[18] Additionally, it has been suggested that another important factor that has contributed towards a decline in state sponsored terrorism was the end of the Cold War, which has resulted in terrorists identifying alternative funding streams.[19] The decline in state sponsored terrorism was also highlighted by the National Commission which concluded that al-Qaeda relied on finances raised by private benefactors and *not* [authors emphasis] from state sponsors.[20] There are an abundant number of sources of funding available to terrorists,[21] which means they are able to "manipulate an expanding array of tools to shield their wealth, without regard to international borders".[22] For example, it has been argued by some commentators that terrorists are able to gain financing from individuals and corporate donations, non-profit organisations, government programmes and criminal activities.[23] Other well documented instances of terrorists exploiting a wide range of financial instruments include misapplied charitable donations,[24] non-remittance financial systems,[25] traditional criminal activities,[26] the sale of conflict diamonds [27] and drug trafficking.[28]

The second finding has been the development of 'cheap' or 'inexpensive' acts of terrorism'. The threat posed by cheap terrorism was identified by United Kingdom's HM Treasury who took the view that "although the sums raised and required by terrorists may be large, the amounts of money needed to finance individual terrorist operations may be small or concealed".[29] One of the most infamous examples of 'cheap terrorism' was the first terrorist attack on the World Trade Center in 1993, in which six people were killed; over 1,000 were injured, at an estimated cost of only $400.[30] It is important to note that this terrorist attack was "less devastating … because of the group's limited financial resources".[31] In April 1995 Timothy McVeigh detonated a truck bomb outside the Alfred P. Murrah Federal Building in Oklahoma City. In an interview with MSNBC, Timothy McVeigh estimated that the total costs of the attack, including the truck rental, fertiliser, nitro methane and other costs amounted to $5,000.[32] Another example of cheap terrorism was the terrorist attacks by Al Shabaab on the Westgate Mall in Kenya in 2014, which according to the US Department of Treasury "cost less than $5,000 to execute".[33] The Department of Treasury also asserted that the materials used in the Boston Marathon bombings in 2013 reportedly cost as little as

$500.[34] Other documented examples of 'cheap terrorism' could include the car bomb that exploded outside the Sari Club Discotheque in Denpasar, Bali which killed 202 people and injured over 300. It has been estimated that this terrorist attack cost $74,000 to fund.[35] A further example of 'cheap terrorism' could be the Madrid train bombings in March 2004, when ten explosive devises killed 191 people and injured over 1,800 people. The estimated costs to orchestrate and conduct this act of terrorism amounted to $70,000.[36] However, O'Neill took the view that "the European Commission has calculated that the Madrid Bombings were estimated to have cost a mere €8,000, with the funding of terrorist networks generally having a small monetary value".[37] Furthermore, the terrorist attacks in London on July 7 2005 were estimated to have cost somewhere between £100 and £200.[38] However, the HM Government's official report into the 2005 terrorist attacks concluded that the "best estimate is that the overall cost is less than £8,000".[39] However, all of these estimates must be treated with an element of caution because there is insufficient "reliable data on the cost of attempting terrorist attacks".[40] It is against this contextual background that the article critically considers the effectiveness of the 'Financial War on Terrorism' on the funding streams of the Islamic State of Iraq and Levant.[41] The next section of the article highlights how the international community concentrated on tackling money laundering prior to the terrorist attacks in September 2001 and how this policy dramatically altered. In particular, this section concentrates on the development of and definition of the 'Financial War on Terrorism'. The final part of the article seeks to determine if the 'Financial War on Terrorism' is able to tackle the funding streams of ISIL.

The Origins of the Financial War on Terrorism

The terrorist attacks in September 2001 resulted in a metamorphosis of the legislative response towards the financing of terrorism. Prior to these terrorist attacks, the United Nations had concentrated on tackling the proceeds of crime derived from the manufacture and distribution of narcotic substances.[42] For example, the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or the Vienna Convention, provided that signatories must criminalise the laundering of drug proceeds, implement instruments to allow for the determination of jurisdiction over the offence of money laundering, permit the confiscation of the proceeds of the sale of illegal drugs, the introduction of mechanisms to facilitate extradition and measures to improve mutual legal assistance.[43] However, the scope of the Vienna Convention was far too narrow because it only applied to proceeds of drug related criminal offences. This weakness was rectified by the UN Convention against Transnational Organised Crime, or the Palermo Convention,[44] which broadened the remit of the UNs anti-money laundering Conventions [45] to include the "proceeds of serious crime".[46] The European Union adopted a very similar approach to that of the UN and has implemented three Money Laundering Directives and the fourth, must be implemented by Member States by June 2017.[47] The first Money Laundering Directive was introduced in 1991 and it concentrated on "combating the laundering of drug proceeds though the financial sector",[48] thus adopting a very similar stance to the Vienna Convention. The second Money Laundering Directive increased both its scope and the use of suspicious transaction reports.[49] Additionally, it is important to note the AML efforts of the Financial Action Task Force,[50] who in 1990 published a set of 40 Recommendations aimed at countering the threat posed by money laundering.[51] The aim of the 40 Recommendations was to "provide a complete set of anti-money laundering procedures which covers the relevant laws and their enforcement, the activities and regulation of the financial system and matters relating to international co-operation".[52] However, it is important to emphasise that none of these measures addressed the financing of terrorism and it was not until 1999 that the UN approved the International Convention for the Suppression of Terrorist Financing.[53] The International Convention was introduced after a series of Presidential Executive Orders were used by President Bill Clinton following two terrorist attacks on US embassies in Kenya and Tanzania.[54] The International Convention criminalised the financing of terrorism; permitted the freezing, seizing or forfeiture of funds used for supporting terrorist activities and financial institutions were required to report any terrorist related suspicious activity reports. It is important to note that prior to the terrorist attacks in September 2001, "only four States had acceded to the Convention".[55] However, at the time of writing the International Convention has been implemented by 186 nation states.[56] The origins of the UN's CTF measures originated with the adoption of UN Security Council Resolution 1267. Resolution 1267 provides that member states are required to "freeze [the] funds and other financial resources controlled by the Taliban".[57] Furthermore, Resolution 1267 created a sanctions regime that targeted both individuals and entities associated with al-Qaida, Osama bin Laden and the Taliban.[58] Another important CTF measure was UN Security Council Resolution 1269, which asked nation states to fully implement the UN's anti-terrorist conventions. Specifically, Resolution 1269 stated that countries should cooperate with each other to prevent and suppress terrorist acts; tackle the financing of terrorism; arrest and prosecute terrorists; fully comply with international standards of human rights and exchange intelligence.[59] Despite the belated recognition from the UN of the threat posed by the financing of terrorism, it was not until the terrorist attacks in September 2001 that President George Bush instigated the 'Financial War on Terrorism', which the article now moves on to consider.

Following the terrorist attacks in 2001, President George Bush famously declared that "a major thrust of our war on terrorism began with the stroke of a pen … we have launched a strike on the financial foundation of the global terror network … we will starve the terrorists of funding … money is the lifeblood of terrorist operations".[60] This declaration was followed by the publication of an action plan to tackle terrorist financing by the G7 Finance Ministers and Central Bank Governors in October 2001.[61] The G-7 Finance Ministers and Central Bank Governors stated:

> "We stand united in our commitment to vigorously track down and intercept the assets of terrorists and to pursue the individuals and countries suspected of financing terrorists. We will implement UN sanctions to block terrorist assets … We welcome the decision by the Financial Action Task Force to expand its mandate to combat terrorist financing".[62]

The response from the UN was instantaneous, swift, severe and controversial.[63] Terrorist financing was removed from political obscurity and pushed towards the summit of the global counter-terrorism agenda. The first UN legislative measure that needs to be briefly considered following the terrorist attacks in 2001 is UN Security Council Resolution 1368,[64] which requests that all nation states should work together and target the 'sponsors' of terrorism.[65] However, the central tenet of the UN's legislative stance towards the financing of terrorism was UN Security Resolution Council 1373. Resolution 1373 was introduced under chapter VII of the UN Charter and compelled nation states to implement mechanisms to counteract terrorist attacks.[66] In relation to terrorist financing this Resolution contained four measures. Firstly, nation states are expected to "prevent and suppress the financing of terrorist acts".[67] Secondly, nation states are expected to criminalise the financing of terrorism.[68] Thirdly, countries are compelled to "freeze … funds and other financial assets or economic resources of persons who commit, or attempt to commit, terrorist".[69] Fourthly, nation states are obliged to "prohibit their nationals or any persons and entities within their territories from making any funds, financial assets or economic resources or financial or other related services available, directly or indirectly, for the benefit of persons who commit or attempt to commit or facilitate or participate in the commission of terrorist acts".[70] Furthermore, Resolution 1373 established the Counter-Terrorism Committee which would monitor and observe the levels of compliance with the four CTF provisions.[71] The remit of the Counter-Terrorism Committee was extended by UN Security Council Resolutions 1535 [72] and 1566.[73] Therefore, the terrorist attacks had an instantaneous and dramatic effect, and fundamentally altered how the international community considered the financing of terrorism. The measures introduced by the UN heavily influenced the composition of the 'Financial War on Terrorism' and included the criminalisation of terrorist financing, the ability to freeze and confiscate/forfeiture terrorist assets. Additionally, the EU has implemented a series of CTF measures following the terrorist attacks. The most important of which was the extension of the third Money Laundering Directive to include the financing of terrorism.[74] This extended the obligation by reporting entities to submit a suspicious transaction report where they suspected the transaction was used for the funding of terrorism. Further measures introduced by the EU included the publication of the European Council Common Position, which provides that the EU will "adopt financial sanctions … that will ensure that funds, financial assets, economic resources or other related services will not be made available to designated terrorists".[75] The EU also published a Council Regulation that imposed a series of restrictive measures that were directed against certain persons and entities with a view to combating terrorism.[76] This Council Regulation also contained a 'black list' of terrorist sponsors that duplicated those designated by the UN Sanctions Committee. Additionally, the European Council introduced anther Common Position, the EU maintains a "public list of territories and terrorist organisations, which it updates regularly, against which further sanctions, usually on the basis of the proscription of terrorist financing is taken".[77] Therefore, the EU followed the sanctions regime of UN and importantly extended the use of suspicious transaction reports from money laundering to the financing of terrorism and its inclusion in the 'Financial War on Terrorism'. The FATF has followed an almost identical pattern to that of the UN and EU and extended its remit to include the financing of terrorism,[78] and introduced the 'Special Recommendations'. The 'Special Recommendations' covered a wide range of areas including the importance of countries ratifying and implementing UN Security Council Resolutions, criminalising the financing of terrorism, permitting nation states to freeze and confiscate terrorist assets, reporting terrorist related suspicious transactions that relate to terrorism, the promotion of international co-operation to tackle terrorist financing, alternative remittance systems, wire transfers, non-profit organisations and cash couriers. The Special Recommendations are important because prior to their introduction there were "no international standards on the prevention of terrorist financing".[79] In February 2012, the FATF published its amended set of Recommendations which "fully integrate counter-terrorist financing measures with anti-money laundering controls, introduce new measures to counter the financing of the proliferation of weapons of mass destruction".[80] The terrorist attacks in September 2001 resulted in a fundamental alteration of policy by the international community towards the financing of terrorism. Prior to 2001, the international community had not considered the financing of terrorism an area of priority, even though the UN had introduced the International Convention in 1999. It was not until the events in September 2001 that an overabundance of legislative measures was unanimously implemented. UN Security Council Resolution 1373 is the cornerstone of the 'Financial War on Terrorism' and it has been administered by the Counter-Terrorism Committee which provides support, guidance and expert opinion for nation states on how to implement the Resolution. These measures have been reciprocated by the EU and the extension of the FATF Recommendations. Nonetheless, what becomes crystal clear after reviewing these legislative and 'best practice' measures is that the 'Financial War on Terrorism' can be defined as attacking, whether via criminalisation, confiscation, forfeiture, freezing, sanctioning the financial assets of known or suspected terrorists. Furthermore, the 'Financial War on Terrorism' also contains the use of preventative methods that have previously been used for money laundering and the collection of financial intelligence from suspicious transaction reports. The next section of the article seeks to identify the funding streams utilised by ISIL and it then moves on to critically consider the effectiveness of the 'Financial War on Terrorism' on these funding avenues.

The ISIL Funding Model

ISIL has gained significant notoriety since the summer of 2014 when it gained control of large areas of land in the Middle East after unexpected victories over the Iraqi, Syrian and Kurdish forces.[81] In June 2014, ISIL declared the establishment of a "caliphate", or a state that was administered in accordance with "Islamic Law, of Sharia, by God's deputy on Earth, or caliph".[82] ISIL has since emerged as the largest terrorist group in the Middle East [83] and it has also been described as "the wealthiest terrorist organisation".[84] Saltman and Winter stated that ISIL has even "developed its own sub-economy".[85] In his evidence before the US House Committee on Financial Services, Matthew Levitt stated that "estimates put ISIS' daily income at around $3m, giving its total value of assets between $1.3bn and $2bn, making it the world's best-funded terrorist group. By this standard, ISIL draws more income than many small nations".[86] These figures were supported by Duhaime who noted that "by September 2014, ISIS had revenues of at least $2bn from internal and external sources".[87] It has also been suggested ISIL's total assets exceed $2tn, with an annual income totaling $2.9bn.[88] Furthermore, Humud *et al* stated that ISIL "approved a $2bn budget" for 2015.[89]

Therefore, an essential question that needs to be addressed is how is ISIL able to access and control such vast sums of capital and income? There is a clear answer to this question; ISIL is able to manipulate and abuse an unprecedented array of funding opportunities that include, *inter ali*a, profits from criminal activities, the control of oil and gas reserves, extorting agriculture, the sale of antiquities and illegal taxation.[90] Therefore, ISIL is the most significant threat to the effectiveness of the 'Financial War on Terrorism', a mechanism that was originally aimed at tackling the funding streams of al Qaeda. For instance, one of the most distinct and innovative financing streams used by ISIL involves "selling what they have captured. This includes oil sales to local consumers, the Syrian regime and black marketeers as well as exporting crude oil to Turkey".[91] It appears that ISIL "has consolidated its grip on oil supplies in Iraq and presides over a sophisticated smuggling empire with illegal exports going to Turkey, Jordan and Iran".[92] ISIL has used the same smuggling methods and routes that were used by Saddam Hussein during the 1990s when the international community imposed sanctions that prevented the sale and purchase of oil by Iraq.[93] Indeed, the Institute for Economics and Peace reported that ISIL manages dozens of oil fields and refineries in both Syria and Iraq that generate daily revenues between $1m and $3m.[94] Writing in 2015, Duhaime suggested that ISIL earned $150m from the illegal sale of oil in September 2014.[95] However, it has been suggested that ISIL has been unable to maintain these revenues from the oil fields because it has lost control of two of the largest oil fields in Iraq, Kirkuk and Baiji.[96] Furthermore, Humud *et al* noted that it would be extremely difficult to ISIL to sell oil on the open market and if they were to sell, it would be at a heavily discounted price.[97] Nonetheless, the Wall Street Journal reported that ISIL is still able to "produce around 47,000 barrels of oil a day from its oil fields, which would be sold on the black market for between $18-$35, and provide the militants with a revenue of up to $1.65m a day".[98] The international community has threatened to impose sanctions on countries that purchase oil from ISIL. However, the effectiveness of sanctions and the 'Financial War on Terrorism' on this funding stream must be questioned. If ISIL are able to freely smuggle oil into several neighbouring countries using the well-established smuggling routes and sell the oil below market prices, who will the sanctions be imposed on and will they have their desired impact? The inability of the 'Financial War on Terrorism' has already resulted in nation states moving away from imposing financial sanctions and replacing them with targeted missile strikes on ISIL's oil infrastructures. It is likely that the use of targeted missile strikes will continue on ISIL's oil refineries and other facilities following the terrorist attacks in Paris in November 2015.[99]

Another funding avenue utilised by ISIL is kidnapping for ransom, which has seen several nation states paying this terrorist group between \$20m and \$45m for the release of their citizens.[100] The Congressional Research Services estimated that ISIL has amassed between \$35m and \$45m in ransom fees in 2014.[101] It has even suggested ISIL has regularly earned \$10m per month from ransom payments from foreign states and insurance companies.[102] Therefore, kidnapping for ransom has become a major source of income for ISIL with "tens of millions of dollars paid by some European governments and wealthy relatives of the kidnap victims over the past two years. The low end of the estimate range is well above \$25m".[103] It is interesting to note that the countries that have paid ransoms include Germany, France, Italy and Spain.[104] Conversely, the making of such payments could violate the criminal law provisions in both the US [105] and UK.[106] Kidnapping for ransom payments have been made despite the approval of UN Security Council Resolution 2133 which stated that ransom payments to terrorists are counter-productive.[107] Therefore, it is likely that the impact of the 'Financial War on Terrorism' on the ability of ISIL to obtain monies from kidnappings for ransom will be negligible. The position is further complicated as some of the countries who have made large ransom payments to ISIL and other terrorist groups are permitted to do so under domestic legislation. This is an area of considerable weakness in the CTF efforts to limit this funding stream to ISIL and it is likely to require careful international diplomacy to achieve a unified stance.

The inadequacies of the 'Financial War on Terrorism' on the funding streams of ISIL are also illustrated by the monies donated from foreign investors and private benefactors from several Middle Eastern countries including Kuwait. This is a view supported by the FATF who stated that ISIL receives funding from private donations or via non-profit organisations, thus adopting a similar funding strategy as al Qaeda.[108] The US Department of the Treasury has described Kuwait as the "epicentre of fundraising for terrorist groups in Syria".[109] Sympathetic supporters in other countries including Jordan, Syria and Saudi Arabia have also provided ISIL with financial support.[110] David Cohen of the Department of Treasury took the view that ISIL "derives some funding from wealthy donors" [111] and it been suggested that ISIL has collected up to $40m from private donors in Saudi Arabia, Qatar and Kuwait.[112] However, it has been suggested that the amount of funding provided by private sponsors has "diminished and is at most only a tiny percentage of the total income that flows into ISIL coffers in 2014".[113] In order for the 'Financial War on Terrorism' to have any desired impact on the monies provided to ISIL from private donors and its financial supporters it is wholly dependent on the political will and support of nation states. Furthermore, the impact of and implementation of the 'Financial War on Terrorism' is singularly contingent on the CTF measures introduced by those nation states whose citizens have been accused of supporting ISIL.

The vast funding streams of revenue that have been exploited by ISIL also include the imposition of illegal taxation measures which raises approximately $360m per year.[114] Furthermore, one of the largest funding avenues exploited by ISIL has been the sale of antiquities.[115] It has been noted that almost a third of Iraq's archaeological sites are controlled by ISIL and the sale of artefacts has become ISIL's second largest funding stream. The Wall Street Journal estimated that the sale of antiquities provides ISIL with approximately $100m per year.[116] Duhaime concluded that "the persons financing ISIS … are art dealers from the UK, Switzerland and Germany, who buy several antiquities in bulk … for €500,000 or €1m".[117] Levitt stated that "while it is nearly impossible to estimate the total profits of selling these artefacts, it is known that one lion sculpture from the region sold for more than $50 million in New York in 2007. Most of ISIS's captured historical gems have not been publicised, but could fetch similarly hefty sums".[118]

ISIL, like many terrorist groups have been able to gain access to funding from conducting criminal activities. The Department of Treasury stated that ISIL has gained a significant amount of revenue from criminal activities including robbery and extortion.[119] They added that ISIL has been able to "generate a portion of its extortion-derived proceeds from Iraqi and Syrian oil resource".[120] Indeed, it has been suggested that ISIL receives most of its funding from "extortion … and the group extorted taxes from businesses … netting upwards of $8m a month".[121] Further evidence that supports the contention that ISIL obtains its funding from criminal enterprises was afforded by Levitt who stated that "unlike al Qaeda, ISIS has been financially self-sufficient for at least eight years by virtue of engaging in tremendously successful criminal activity enterprises … ISIS engages in a wide range of criminal activities".[122] Another criminal activity used by ISIL was illustrated in June 214 when it "raided Mosul's central bank and other smaller banks … [and it] made off with as much as

$400m in currency and gold bullion".[123] It has been reported that since the ISIL takeover of Mosul in June 2014, they have stolen an estimated $425m from its Central Bank. At the time of writing this article, it has been suggested that banks operating in the Nineveh province, which ISIL controls, have a cumulative cash balance exceeding $1bn.[124] However, it has been noted that the speculative claims about the amount of money ISIL seized are untrue.[125] Other illegal activities that have been used by ISIL include material support provided by foreign terrorist fighters [126] and through modern communication networks.[127] The unprecedented evolution of the funding streams of ISIL that has clearly limited the impact of the 'Financial War on Terrorism' has been the reported introduction of its own currency.[128] Duhaime noted that "ISIL has issued its own currency in two gold coins, three silver coins and two bronze coins, minted with Islamic State with approved imagery".[129] The aim of the currency is to enable ISIL to "emancipate itself from the satanic global economic system".[130] The development of a currency by a terrorist group is unparalleled in the financing of terrorism and it is extremely unlikely that any of the component parts of the 'Financial War on Terrorism' as outlined at the start of this article, will be able to limit the use of this currency in the area controlled by ISIL.

Therefore, the evidence suggests that ISIL is an extremely well-funded terrorist group that has become reminiscent of al Qaeda in the late 1990s and early 2000s.[131] However, ISIL's financial position belittles that of al Qaeda and other terrorist groups and that it has now become "a profitable multinational criminal organisation and terrorist group".[132] Indeed, ISIL is not only the best equipped terrorist group, but also the best funded terrorist group. It has more financial wealth than al Qaeda ever had.[133] The Department of Treasury stated that "ISIL is a different terrorist financing challenge. It has amassed wealth of an unprecedented pace, and its revenue sources are different from those of many other terrorist organisations".[134] Saltman and Winter took the view that "ISIL is light years ahead of other jihadist groups … this is most true with regards to the means by which the group is financed".[135] If these reports are accurate, and that ISIL earns approximately $1m per day, this terrorist organisation has the financial capability to operate for many years and it can be regarded as the "richest terrorist group on the planet".[136] It is extremely important to note that ISIL's funding model is extremely flexible and adaptable. For example, it has been suggested that ISIL have actively sought *not* [author's emphasis] to repeat the mistakes made by al Qaeda.[137] Humud *et al* stated that ISIL "compiled a list of lessons learned, based on what they perceived as al Qaeda's failures in Iraq … [there] was a critique of its use of financial resources, describing a failure to distribute funding among local cells effectively and the lack of a regular funding source, particularly, a foreign state sponsor".[138] There is no clear answer to how much funding ISIL has or even if the figures provided above are accurate. It is only when ISIL's controlled economies have been regained that we are likely to see a marginal impact on the funding streams of this terrorist organisation.

Conclusions

In response to the threat posed by ISIL President Barak Obama stated that "I ask the world to join in this effort … [to] starve it of financial resources, and halt the flow of foreign recruits to its ranks".[139] The Department of Treasury stated that they would "intensify … efforts to undermine ISIL's finances".[140] This has involved adopting many aspects of the 'Financial War on Terrorism' such as imposing economic and financial sanctions and seeking criminal prosecutions. Indeed, the Department of Treasury stated that it had "Abd Al-Rahman Mustafa Al-Qaduli, a senior ISIL official and, Abd al-Rahman Khalaf Ubayd Juday al-Anizi, an ISIL financier and facilitator. Imposing targeted financial sanctions on ISIL officials and financiers to cut off external funding networks is an important element of our strategy to undermine ISIL's financial foundation".[141] Additionally, the UK government has added British foreign fighters, who have joined ISIL, to financial sanctions and travel bans.[142] However, it has been suggested that "there is no silver bullet to disrupt ISIS financing, let alone ultimately defeat the organisations. ISIS presents a unique set of circumstances".[143] One British foreign fighter who is named in these sanctions was reported to have written on one form of social media that they were "laughing out loud" in response to this designation.[144] However, it is important to be conscious of the fact that ISIL, unlike other terrorist groups around the world, has been able to obtain a large proportion of its funding from within areas of land it controls in Iraq and Syria. Therefore, the impact of sanctions on ISIL members and financiers in both of these countries is negligible. Furthermore, the position has been made even more complicated because ISIL has "largely gained a financial foothold in Iraq and Syria by effectively taking over the local economy".[145] There are a number of legislative options that have already been introduced by the international community to tackle the threat posed by ISIL. For example, ISIL has been subjected to sanctions under UN Security Council Resolutions 1267,[146] 2161 [147] and 2178.[148] Additionally, the FATF took the view that several of its Recommendations could be an effective mechanism to limiting the funding opportunities for ISIL. For example, the FATF stated that countries should criminalise the financing of terrorism,[149] impose "targeted financial sanctions regimes".[150] The FATF stated that countries should "review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused".[151] Importantly, the FAFT took the view that "countries should implement appropriate preventive measures to prevent ISIL from accessing the international financial system, including related to customer due diligence, correspondent banking, and wire transfers".[152] The FATF also provided that countries should "ensure that individuals providing money or value transfer services are licensed, monitored, and sanctioned for lack of compliance".[153] It has been suggested that one way to tackle the funding activities of ISIL would be for the US to "send expert teams to assist Iraqi and Kurdish forces in developing the financial intelligence needed to plan military operations against key ISIS elements. Targeting the terrorist group's book keepers, its oil business and its cash holdings could both disrupt ISIS's financing and provide additional intelligence on its inner workings".[154] However, the effectiveness of these measures has been questioned by several commentators. For example Zarate noted that "you can't lob in Treasury paratroopers or push some magic button in New York and stop all their financing when you've got a group [ISIL] like this.[155] The effectiveness of the 'Financial War on Terrorism' on ISIL will be limited because the terrorists have "established a war economy … [which] has spawned a for-profit militant model that breathes life into insurgencies around the world".[156] Therefore, ISIL has "the resources (as well as the territory) to establish itself as the hub of a global terrorist movement in the heart of the Middle East. There are no Treasury paratroopers to send in to seize the cash, or bank regulations to issue to stop ISIS from spending it".[157]

The aim of this article has been to highlight the likely impact of the 'Financial War on Terrorism' on ISIL. This article has presented evidence that ISIL has been able to obtain funding from a very wide range of sources which has bedevilled law enforcement and financial intelligence agencies. However, will the proposed sanctions have any impact on the finances of ISIL because it is a non-state actor? This article has attempted to outline that ISIL has access to more affluent funding streams and in many ways; ISIL can be classified as a self-sufficient non-state terrorist organisation that has thrived on the political uncertainty and insecurity in Iraq and Syria. ISIL has developed into a sophisticated modern terrorist organisation.[158] Therefore, to what extent will the 'Financial War on Terrorism' limit the funding activities of ISIL? If we take each part of the 'Financial War on Terrorism' in turn, it can clearly be illustrated that it will have little or no effect on ISIL. For example, how would it be possible for national states to prosecute the financiers of ISIL? Only one person has been convicted of attempting to provide funding for ISIL in the UK [159] and one other in the US.[160] The UN has imposed sanctions and travel restrictions on a number of named individuals linked to ISIL.[161] However, the impact of these sanctions must be questioned due to the vast array of sources of finance that this terrorist group has accesses to. For example, how will sanctions limit the ability of a private financier to provide money to ISIL? Similarly, what benefit will suspicious transaction reports present to law enforcement agencies against what are essentially self-financing terrorist groups? In order to tackle the funding avenues of ISIL, it is essential that the international community and all nation states fully implement the 'Financial War on Terrorism' and attempt to ascertain an improved understanding of how this terrorist entity operates. All financial institutions should redouble their efforts to ensure that they do not act as conduits in the movement of finances associated with ISIL. This is heavily dependent on how nation states draft, implement and enforce their domestic CTF laws, an area that needs to be consistently monitored by the international community and the FATF. It has been suggested that the international community should continue to attack ISIL's financial infrastructure by the continuation of tactical air strikes on selected oil refineries. Local nation states must also increase their efforts to limit the smuggling of oil through the well-established smuggling routes used by ISIL. ISIL is the largest threat to the 'Financial War on Terrorism' its financial infrastructure is significantly more advanced than any other known terrorist organisation. Therefore, the 'Financial War on Terrorism' is not fit for purpose and is unable to limit the funding avenues of ISIL. It needs to be drastically reconsidered.

[1] Carla Humud, Robert Pirog and Liana Rosen, Islamic State Financing and US policy approaches (The Congressional Research Services, 2015), p. 22.

[2] Hereinafter the 'US'.

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