TERRORIST FINANCING: CONCEPT, SOURCES, AND CHANNELS

FINANȚAREA TERORISMULUI: CONCEPT, SURSE ȘI MIJLOACE

CZU: 323.385:336 **https://doi.org/10.59295/spd2025s.29**

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Sumar. *Terorismul rămâne una dintre cele mai complexe și periculoase amenințări la adresa securității internaționale în secolul XXI. Un factor-cheie care permite persistența și evoluția activităților teroriste este accesul la resurse financiare. Acest articol explorează conceptul de finanțare a terorismului, definițiile sale în instrumentele juridice internaționale, inclusiv Convenția Internațională din 1999 pentru Reprimarea Finanțării Terorismului și Directiva (UE) 2017/541, precum și perspectivele oferite de Grupul de Acțiune Financiară (FATF) și Autoritatea Bancară Europeană. Sunt analizate clasificările surselor de finanțare în categorii interne, externe și tehnologizate, și sunt prezentate principalele canale prin care resursele sunt transferate și ascunse, de la sistemele bancare tradiționale și cele informale de transfer, până la platformele digitale de plată și crowdfunding. Studiul identifică, de asemenea, principalele scopuri pentru care sunt alocate resursele financiare, precum activități operaționale, instruire, propagandă, sprijin material pentru membri și familiile acestora, precum și programe sociale în teritoriile controlate.*

Cuvinte-cheie: *terorism, finanțarea terorismului, FATF, canale financiare, surse de finanțare a terorismului.*

INTRODUCTION

Terrorism, as one of the most complex and dangerous threats of the modern era, has gained particular relevance in the early 21st century and has become a priority focus on the international agenda. Understanding its multifaceted and evolving nature is an essential prerequisite for developing effective strategies for its prevention and neutralization.

Terrorist activity continues to adapt to new conditions, constantly improving and expanding the scale of its influence. The intensity and scope of such manifestations largely depend on the level of financing available to terrorist structures. In this context, disrupting the financial flows that ensure the functioning and development of terrorist organizations acquires particular significance.

Terrorist financing encompasses the collection, transfer, and use of financial resources intended for the preparation and execution of terrorist acts. This may be carried out by individuals or organized entities. It is widely recognized that without financial support, terrorist activity would be impossible; therefore, combating its financing occupies a central place in both international and national counter-terrorism measures.

An equally important aspect is the provision of terrorists with material and technical resources, which is directly linked to their financial capacity. In this regard, asset freezes, account blocks, and the disruption of financing channels are considered key measures in the fight against international terrorism.

Thus, effective counter-terrorism requires a comprehensive approach that includes not only the prevention of acts of violence but also the dismantling of the infrastructural base that enables terrorist groups to exist and develop. A crucial component of this base is the financial element, which fuels resources, facilitates recruitment, and supports the expansion of activities.

Understanding the specifics and mechanisms of terrorist financing is a necessary step toward building an effective counteraction system. In this regard, the next section will address the concept of terrorist financing and analyze its forms and characteristics.

MATERIAL AND METHOD

The study is based on a combination of general scientific and specialized research methods to ensure a comprehensive analysis of the concept, sources, and channels of terrorist financing.

The descriptive method was applied to present the evolution of the term "terrorist financing" in legal acts, international conventions, and national regulations, as well as to detail its structural and functional characteristics.

The analytical method was used to categorize the main sources of terrorist financing into internal, external, and technological, covering both legal and illegal origins, and to identify the channels through which funds are transferred, disguised, and integrated into terrorist activities.

The systemic approach allowed for the examination of the interrelation between economic, political, and social factors influencing the sustainability of terrorist financing networks and the exploitation of vulnerabilities within national and global financial systems.

The comparative method was employed to identify differences in the structure and operation of terrorist financing across regions and contexts, with attention to both traditional mechanisms and emerging technological tools.

RESULTS AND DISCUSSION

The Concept of Terrorist Financing

The concept of *terrorist financing* has been formally enshrined at both the international and regional European levels and has become the focus of close attention from researchers and international expert bodies.

According to the *International Convention for the Suppression of the Financing of Terrorism* (1999), an offence is deemed to be committed if any person, by any means, directly or indirectly, unlawfully and willfully, provides or collects funds with the inten-

tion that they should be used, or with the knowledge that they are to be used, in full or in part, for the purpose of committing [2, Art. 1, para. 2] [1]: **(a)** any act which constitutes an offence within the scope and as defined in one of the treaties listed in the Annex; **(b)** any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in hostilities in a situation of armed conflict, when the purpose of such an act, by its nature or context, is to intimidate a population or compel a government or an international organization to do or to abstain from doing any act.

For the purposes of the said Convention, the term *"funds"* means assets of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including, but not limited to, bank credits, travelers' cheques, bank cheques, money orders, shares, securities, bonds, drafts, and letters of credit.

As defined in Directive (EU) 2017/541 of the European Parliament and of the Council of 15 March 2017, terrorist financing refers to *"the provision or collection of funds, by any means, directly or indirectly, with the intention that they be used or with the knowledge that they are to be used, in whole or in part, in order to commit one or more terrorist offences"* [2].

In addition, the European Banking Authority (EBA), in its special information bulletin on countering terrorist financing, emphasizes: "Terrorist financing is the provision of funds to a person or an organization that may use them to commit a terrorist act, either domestically or abroad. These funds may originate from illegal sources (such as drug trafficking, smuggling, extortion) as well as from legal ones — in particular, charitable donations" [3].

The scientific and analytical understanding of the concept of "terrorist financing" is reflected in the materials of the Financial Action Task Force (FATF). In its report *Emerging Terrorist Financing Risks* (2015), it is emphasized that: "All terrorists and terrorist organizations require financial management — the acquisition, movement, storage, and use of assets. Understanding these asset management strategies is key to developing effective countermeasures" (FATF, 2015) [4].

These conclusions and definitions developed at the international level are reflected in national legal systems. The Republic of Moldova, in accordance with its international obligations and the recommendations of the FATF, has enshrined the concept of terrorist financing in its own criminal legislation.

- Article 279 of the Criminal Code of the Republic of Moldova defines the offence of "terrorist financing." According to this provision, terrorist financing is: "the provision or intentional collection by any person, by any means, directly or indirectly, of any assets (financial resources, tangible or intangible values), or the provision of financial services, with the knowledge or intent that they will be used, in whole or in part, for the organization, preparation, or commission of a terrorist act, or are otherwise connected with such an act" [5].

Additionally, Law No. 308-XVI of 22 December 2017 "On the Prevention and Combating of Money Laundering and Terrorist Financing" introduces a broader regulatory framework, including the monitoring of financial transactions, mandatory reporting requirements, and law enforcement oversight [6].

In academic literature, terrorist financing is understood as a deliberate activity aimed at accumulating or transferring—either in whole or in part—monetary funds, material assets, or property rights, whether directly or indirectly. These resources are used, or are intended to be used, to carry out unlawful acts that may result in loss of life, significant property damage, or other serious consequences posing a threat to public safety. Such actions are generally intended to exert pressure—through intimidation of the population, specific groups, or government officials—on state authorities or international organizations to compel them to take certain decisions or, conversely, to refrain from intended actions.

In the context of international terrorism, financing may also be carried out with the direct or indirect involvement of official structures of one state in relation to another, representing a particular threat to global stability.

Thus, terrorist financing should be regarded as a multifaceted activity aimed at providing terrorist operations with financial, material, or other resources, regardless of their origin. A key feature is that even legally obtained funds (e.g., through donations, charitable foundations, or commercial activities) can be diverted to illicit purposes. This makes the identification of such channels particularly complex, requiring interagency cooperation, financial transparency, and international coordination.

Moreover, under international law, terrorist financing is classified as a standalone criminal offense, even if an actual terrorist act has not been committed. This underlines the preventive nature of modern legal policies in this field.

Sources of Terrorist Financing

The financial support for terrorist activities is derived from a wide range of sources, which can be broadly categorized into domestic, external, and emerging technological sources.

Domestic sources include:

- Material support from commercial entities controlled by criminal groups or affiliated individuals;
- Production and distribution of narcotic drugs and psychotropic substances;
- Illicit trafficking of weapons and ammunition;
- Counterfeiting and distribution of currency, payment instruments, and documents;
- Ransom payments for kidnapped persons;
- Membership fees and donations from members and supporters of the organization;

- Embezzlement of public funds with the involvement of corrupt officials;
- Personal funds of members of terrorist organizations.

External sources comprise:

- Financial assistance from international terrorist networks and affiliated commercial entities;
- Support from companies operating in territories controlled by terrorists;
- Contributions from ethnic diasporas, including through individuals and corporations;
- Donations via religious centers and charitable foundations, often disguised as humanitarian aid;
- Resources from radical political parties cooperating with terrorist groups;
- Financial support from certain states with vested interests in their activities;
- Collaboration with transnational criminal corporations and organized crime groups.

Emerging and technological sources, as highlighted in the latest FATF report (2025) [7], demonstrate the growing role of digital and shadow financial instruments:

- Use of cryptocurrencies and other virtual assets, enabling anonymized transactions and circumventing banking oversight;
- Fundraising through crowdfunding platforms and social media;
- Cybercrime (extortion, phishing, online fraud, ransomware);
- Trade in artworks, precious metals, and gemstones to transfer value;
- Illegal extraction and sale of natural resources in conflict zones;
- Commercial activities in the "grey" economy, including the supply of dual-use goods.

The FATF emphasizes that the diversification of sources, their concealment under legitimate activities, and the active adaptation to control measures make the detection and disruption of these flows an extremely complex task. Effective counteraction requires the integration of national efforts, the use of advanced financial monitoring technologies, and the enhancement of international cooperation.

Terrorist Financing Channels

In contrast to sources, which denote the origin of funds, channels pertain to the processes involved in the movement, obfuscation, and assimilation of these assets within formal and informal financial systems.

According to researchers Maria Jofre, Alberto Aziani, and Edoardo Villa, who analyzed 121 documented cases of terrorist financing in various countries, the vast majority of such incidents (93%) involved the use of traditional payment systems — bank transfers, offshore companies, money remittances, hawala networks, and transactions in high-value commodities. Only 7% of cases involved emerging financial technologies, including cryptocurrencies and other digital payment platforms, indicating that the adoption of FinTech in this domain remains relatively limited [8].

The main channels of terrorist financing identified in international practice and academic research include:

1. Financial institutions and bank transfers — use of shell companies, fictitious accounts, and intermediaries to execute transactions; structuring of amounts (smurfing) to evade reporting thresholds.
2. Alternative value transfer systems — informal networks such as hawala, hundi, or fei ch'ien operating outside the formal banking sector, based on trust relationships that minimize documentary traces.
3. Cryptocurrencies and digital payment platforms — although their use remains limited, they offer anonymity and global reach, making them attractive for small and rapid transactions.
4. Trade-Based Money Laundering (TBML) — disguising financial flows as legitimate trade transactions through over- or under-invoicing, fictitious shipments, or complex logistics schemes.
5. Charitable organizations and NGOs — a portion of legally raised funds may be diverted to terrorist activities, particularly in conflict zones.
6. Cash smuggling — physical cross-border transportation of currency, precious metals, or other valuables to bypass financial controls.
7. Online platforms and crowdfunding — fundraising via social networks, encrypted messengers, and e-commerce sites, often under the guise of humanitarian or religious initiatives.

Objectives and Directions of the Use of Financial Resources in Terrorist Activities

Terrorist organizations allocate acquired financial resources to a wide range of tasks that ensure their functioning, sustainability, and expansion of influence. A key focus of these expenditures is the preparation and execution of terrorist attacks. This includes funding for the procurement of weapons, explosives, and components for improvised explosive devices (IEDs); the rental or purchase of vehicles; the acquisition of forged documents; and covering logistics and travel costs to enable operatives to reach target locations.

A substantial portion of resources is allocated to the training and preparation of militants, which encompasses weapons handling, the fabrication of explosive devices, proficiency in communication technologies, and techniques of concealment, alongside ideological indoctrination. This investment also covers the operation and maintenance of training facilities as well as the compensation of instructors.

Substantial funds are also allocated to propaganda activities, which include the production and dissemination of informational materials — printed publications, audio and video content — as well as the operation of radio stations, television channels, and online platforms. These resources are used to shape a positive image among target audiences, justify the group's ideology, and recruit new supporters.

Another important direction is the material support of members and their families. This includes payments to the families of deceased or imprisoned fighters and the maintenance of active participants, which fosters cohesion and strengthens loyalty within the group. In large terrorist organizations such as the Taliban, the Islamic State, or Al-Qaeda, this practice is systematic in nature.

In addition, in territories under their control, terrorists often invest in social programs — establishing and maintaining medical, educational, and other infrastructure facilities. This serves as a tool for consolidating influence and fostering loyalty among the local population, creating the illusion of care and social support while simultaneously imposing extremist ideology.

CONCLUSIONS

Terrorist financing continues to pose a significant threat to global security by sustaining the operational capabilities, expansion, and resilience of terrorist organizations. This study demonstrates that such groups draw upon a diverse array of financial sources—both licit and illicit—and are increasingly diversifying their funding streams through traditional mechanisms and emerging technologies. While conventional methods, including bank transfers, alternative remittance systems, and trade-based money laundering, remain prevalent, the rising use of virtual assets, crowdfunding platforms, and cybercrime introduces new challenges that demand adaptive and innovative countermeasures.

Effectively disrupting these financial flows requires a multifaceted strategy that integrates advanced financial monitoring tools, robust regulatory frameworks, and strengthened international cooperation. Furthermore, the recognition that legally obtained funds can be repurposed for illicit activities highlights the critical importance of financial transparency, rigorous due diligence, and proactive preventative measures at both national and global levels.

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