

SUMMARY

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TERRORISM FINANCING: NEW TRENDS AND POLICY RESPONSES

IN COOPERATION WITH THE DEFENSE MINISTRY BMLV.



Österreichisches Institut
für Internationale Politik
Austrian Institute
for International Affairs

PANELISTS:

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VENUE:

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SUMMARY:

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KEY TAKEAWAYS

- 1 Fragmentation of terrorist structures changes financing patterns**
The shift from centralized groups like Al-Qaeda to decentralized cells, lone actors, and hybrid ideologies (“salad bar ideologies”) implicates financial tracking and requires new policy responses.
- 2 Digital tools and social media enable new fundraising methods**
Crowdfunding platforms, mobile payment systems, and cryptocurrencies allow for fast and often opaque financial support of extremist activities, increasingly used by various ideological actors.
- 3 Low-cost attacks pose major challenges for financial intelligence**
Self-financed attacks using everyday objects leave minimal money trails, rendering traditional counter-terrorist financing approaches less effective.
- 4 Counter-terrorist financing measures may restrict civic space**
FATF recommendations have led to excessive regulation of the non-profit sector worldwide, resulting in financial exclusion and administrative burdens, often without demonstrable gains in security.
- 5 International sanctions and terrorist listings often bypass due process**
Politically motivated sanctions without judicial review can severely impact individuals and organizations, particularly in the absence of effective redress mechanisms.
- 6 A more risk-based and human rights-compliant approach is essential**
Future regulations and evaluations must emphasize proportionality, transparency, and inclusion, especially when addressing civil society and financial oversight.

WICHTIGSTE ERKENNTNISSE

1 Fragmentierung terroristischer Strukturen verändert Finanzierungsmechanismen

Der Wandel von zentral organisierten Gruppen wie Al-Qaida hin zu dezentralen Zellen, Einzelakteuren und ideologischen Mischformen („Salatbar-Ideologien“) erschwert die Nachverfolgbarkeit von Finanzströmen und verlangt angepasste politische Maßnahmen.

2 Die Nachverfolgbarkeit kleiner Geldbeträge wird zur sicherheitspolitischen Herausforderung

Selbstfinanzierte, kostengünstige Anschläge mit Alltagsgegenständen hinterlassen kaum Geldspuren. Herkömmliche Methoden der Terrorismusfinanzierungsbekämpfung stoßen hier an ihre Grenzen.

3 Digitale Technologien und soziale Medien begünstigen neue Finanzierungsformen

Plattformen wie Crowdfunding-Websites, Mobile Payment und Kryptowährungen ermöglichen eine rasche, oftmals schwer nachvollziehbare Beschaffung von Finanzmitteln mit zunehmender Nutzung durch extremistische Gruppen.

4 Maßnahmen zur Terrorismusfinanzierungsbekämpfung können zivilgesellschaftliche Räume einschränken

FATF-Empfehlungen führten weltweit zu übermäßiger Regulierung des Non-Profit-Sektors, inklusive Bankenzugangsverlusten, erhöhter Bürokratie und finanzieller Ausgrenzung ohne belegbaren Sicherheitsgewinn.

5 Internationale Sanktionen und Terrorlisten untergraben oft rechtsstaatliche Prinzipien

Sanktionen auf Grundlage politischer Entscheidungen ohne gerichtliche Prüfung haben teilweise gravierende Folgen für Einzelpersonen und Organisationen, insbesondere bei fehlenden Beschwerdemechanismen.

6 Ein stärker risikobasierter, menschenrechtskonformer Ansatz ist notwendig

Sowohl bei Evaluierungen als auch bei Regulierungen des Finanzsektors und der Zivilgesellschaft muss künftig stärker auf Proportionalität, Transparenz und partizipative Verfahren geachtet werden.

EXECUTIVE SUMMARY

The panel discussion will present an overview of the latest developments in terrorist financing, in particular related to the role of social media, and other new technologies, as well as touch upon the legal and policy framework on countering the financing of terrorism. Furthermore, the panel will address the unintended consequences (UIC) of countering terrorism financing, in particular as they relate to the implementation of the Financial Action Task Force Counter-Terrorist Financing measures and outline subsequent initiatives and recommendations at international level.

The Changing Nature of Terrorist Threats and Funding Mechanisms

Dr. Bibi van Ginkel opened the discussion by tracing the transformation of terrorist organizations and the corresponding shifts in financing modalities over the past two decades. In the immediate post-9/11 period, the dominant threat landscape was shaped by hierarchical, top-down organizations like Al-Qaeda or, later, ISIS during the caliphate period. These groups operated with complex bureaucratic structures, ISIS even ran ministries and collected taxes, requiring substantial financial resources for logistics, recruitment, weapons procurement, and territorial governance. Funding at the time often came from wealthy donors, state sponsors, oil revenues, and extortion.

Since then, the terrorist threat has become increasingly fragmented and decentralized. Large, centralized networks have given way to regional cells, loosely affiliated actors, and individual perpetrators, often referred to as "lone wolves." This shift has had a profound effect on financing patterns. Smaller attacks, such as vehicular assaults or stabbings, require minimal resources, sometimes as little as €200, and are frequently self-financed by the attacker through everyday means (e.g., credit card debt, small fraud, personal savings).

A key conceptual development highlighted by van Ginkel is the rise of "salad bar ideologies", an increasingly prevalent phenomenon in which individuals or groups cherry-pick elements from multiple extremist belief systems. For example, a perpetrator might combine anti-government rhetoric with conspiracy theories, ethno-nationalism, or religious extremism, creating an ideological hybrid that does not align neatly with traditional categories like jihadism or right-wing extremism. This ideological fluidity poses new challenges

for both detection and classification. Security services may struggle to assess motivation or affiliation, and financial oversight mechanisms are often not equipped to identify funding patterns associated with such loosely defined actors.

Moreover, the low financial threshold required for these attacks means they frequently escape traditional counter-terrorist financing (CFT) mechanisms, which have long focused on tracing large sums of money, complex transfers, or international financing networks. Instead, today's financing may involve untraceable cash, informal money transfer systems (like hawala), or peer-to-peer digital transactions. In sum, this evolution has decoupled terrorist threat levels from financial scale: even low-cost actors can cause high-impact violence, while remaining largely invisible to financial monitoring systems. As a result, policy responses must adapt to a more diffuse and ideologically diverse threat landscape, where the boundaries between criminality, extremism, and political dissent are increasingly blurred.

New Technologies and Digital Pathways to Financing

A core theme of the panel was how digital tools and online platforms have enabled new forms of fundraising. Social media plays a double role, as a radicalization tool and as a vehicle for financial mobilization. Crowdfunding, cryptocurrency, and mobile wallets offer terrorists and extremist actors anonymity, decentralization, and rapid access to funds.

Case studies highlighted the use of stablecoins by ISIS affiliates in Syria, the abuse of charitable platforms, and the post-attack fundraising by January 6th participants in the United States, some of whom raised substantial funds under the guise of covering legal expenses.

Financial institutions and law enforcement agencies are often unprepared to recognize these threats, particularly when campaigns appear to be legitimate or fall outside traditional AML/CFT oversight mechanisms.

Legal and Policy Frameworks: Progress and Pitfalls

The legal response to terrorist financing has primarily built upon post-9/11 frameworks, beginning with UN Security Council Resolution 1373 and the International Convention for the Suppression of the Financing of Terrorism. These have since evolved through successive resolutions that call for criminalization, asset freezing, and stronger financial oversight. However, the panellists raised concerns about the expansion of international sanctions regimes, especially those relying on political listings rather than judicial processes. The lack of accessible redress mechanisms for individuals and organizations designated as terrorist-affiliated can lead to rights violations and loss of livelihoods.

The example of the Somali sanctions regime showed how such listings can be circumvented through cross-regime re-listing, even after successful appeals, demonstrating the fragility of due process protections.

FATF and the Unintended Consequences of Regulation

Ms. Gerrit Zach presented a critical perspective on the Financial Action Task Force (FATF), describing it as a highly influential but often opaque institution. FATF standards, especially Recommendation 8 on the non-profit sector, have led to overly strict regulations in many countries. These include forced de-banking, overburdensome reporting obligations, and broad categorization of all NPOs as high-risk. Such policies have disproportionately affected small and community-based organizations, especially those operating in fragile regions.

The result: a shrinking civic space that undermines prevention efforts and excludes local actors from critical counter-radicalization work.

In response, FATF has recently revised Recommendation 8 (latest update in November 2023), now emphasizing a risk-based, proportional approach and encouraging engagement with civil society. However, implementation remains uneven, and some national authorities still pursue overly rigid compliance to avoid grey-listing.

Toward More Balanced and Rights-Based Approaches

Both speakers emphasized the importance of proportionality, transparency, and cross-sector dialogue. Risk assessments should be data-driven and context-sensitive, rather than defaulting to securitized or punitive logic. Capacity-building is also needed, especially in financial institutions and intelligence units, to identify emerging trends like digital radicalization and online fundraising.

Finally, greater attention must be paid to the language and translation of policy guidelines. Many non-English-speaking jurisdictions struggle with technical terms, which can lead to overregulation or misapplication of standards. International organizations such as the OSCE play a critical role in translating and contextualizing policy frameworks for national stakeholders.

Conclusion

The panel underscored that terrorist financing is not just a technical or legal challenge, it is a multidimensional issue shaped by evolving ideologies, technological innovation, and global power asymmetries. While international frameworks like FATF have contributed significantly to awareness and coordination, they must remain flexible, inclusive, and rights-respecting to be truly effective. Balancing security with civil liberties, and financial oversight with social inclusion, will remain at the core of this policy field in the years ahead.

IMPRESSUM:

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