



## UNDERSTANDING THE INFRASTRUCTURE OF TERRORIST FINANCING – IS SRI LANKA AT RISK OF ATTACK?

Manoj S D, Tilakasiri K K

Manoj S D – Department of Accountancy, Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka. E-mail - [dmsivaguru111@gmail.com](mailto:dmsivaguru111@gmail.com)

Tilakasiri K K - Department of Accountancy, Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka. E-mail - [ktilakasiri@kln.ac.lk](mailto:ktilakasiri@kln.ac.lk)

### KeyWords

*Terrorist Financing, Formal and Informal Methods, Underground Transfers, Undiyal and Bitcoin.*

### ABSTRACT

The objective of this study is to investigate the financial background of terrorist groups and to contribute to a better understanding and knowledge of Terrorist Financing. Literature proves that Terrorists could pose a threat to Sri Lanka. One potential threat is the LTTE's reorganization, and another is an attack by ISIS. Terrorist organizations use a variety of strategies to fund their operations, including both formal and informal channels. Undiyal is one of the underground methods to transfer illegal funds, nevertheless, terrorists also use digital forms methods such as Bitcoins. This is a qualitative study that is based on a review of the available literature on terrorist financing issues. The study contributes to academic researchers in understanding terrorist financing and the nature of future research that should be concentrated in this field. The study will further assist policymakers to initiate prevention measures for future potential terrorist risk.

### INTRODUCTION:

Terrorism is one of the most serious threats to any nation on the planet. Sri Lanka has had a string of bad experiences over the last three decades. Following that, the Easter Sunday attack was another tragic incident that the country witnessed. Not only Sri Lanka, but most developing and underdeveloped countries are having similar problems, which is one of the potential threats to the country's security and economy.

However, Sri Lanka is a risk of terrorism. According to Sunday Island, a report published by "The Hindu" claims that Indian intelligence has warned the Liberation Tigers of Tamil Eelam (LTTE) that they are planning a terrorist attack in Sri Lanka (Walpola, 2022). The South Asian region remains

vulnerable to terrorist attacks, particularly those carried out by ISIS, according to the 2022 Global Terrorism Index, and the Easter Sunday attack in 2019 is a prime example of this vulnerability (Gunasingham et al, 2022). The United Kingdom has issued an official warning to tourists, stating that there is a potential threat of terrorist attacks in Sri Lanka and that such attacks could occur in places frequented by foreigners, such as hotels, tourist sites, and places of worship. Avoid crowded public places, large gatherings, and demonstrations, and heed local authorities' advice. The Canadian government has issued a travel warning to Canadian tourists visiting Sri Lanka, citing the country's terrorism threat (CanadaGov, 2022).

A review of the literature revealed that financing is one of the critical requirements for any terrorist organization. As stated by Realuyo (2015), financing is the lifeblood of terrorist organizations. The issue is that, despite the end of three decades of war, Sri Lanka remains vulnerable to terrorist attacks. Not only from the LTTE but also from other terrorist organizations such as ISIS. The literature demonstrates that financing is the lifeblood of any terrorist organization. Hence, the objective of this study is to investigate the financial background of terrorist groups and to contribute to a better understanding and knowledge of Terrorist Financing. This is a qualitative study that is based on a review of the available literature on terrorist financing issues. Government records, public hearings, scholarly articles, case studies, and online articles are just a few of the materials the study has looked into. The study aids academic researchers in understanding the nature of the future research that should be concentrated in this field and policymakers to initiate prevention measures for terrorism. This study, like many others, had a number of limitations due to the complexity of terrorism. First off, there is no legitimate way to finance terrorism because terrorist organizations use a variety of funding sources. Second, there are no laws or restrictions in Sri Lanka regarding digital currencies like Bitcoin. Thirdly, it can be difficult to identify terrorist finance because the majority of it comes from legitimate sources. The study will assist stakeholders such as government agencies, policymakers, and law enforcement agencies in thoroughly addressing this issue. Subsequently, it helps future researchers and academics identify areas for further research in the future.

## **LITERATURE REVIEW:**

A rash of terrorist attacks in the 1990s, most notably the World Trade Center bombing, the sarin gas attack in the Tokyo subway in March 1995, and the bombing of the federal building in Oklahoma City in April 1995, appeared on the screen as a new and more lethal type of terrorism, citing the religious fundamentalism of the "new terrorist" (Giraldo, 2007). The International Labour Organization defines terrorism financing as "any act by any person who, directly or indirectly, willfully provides or collects funds, or attempts to do so, with the intention or knowledge that the funds are to be used, in whole or in part, to carry out a terrorist act, by an individual terrorist, or by a terrorist organization" (ILO 2014, p: 6). Terrorist financing is defined as "the financing of terrorist acts, as well as terrorists and terrorist organizations" (apg.ml.org). Terrorist financing, according to the International Monetary Fund (IMF), is the collection of funds to support terrorist activities.

A coordinated anti-terrorism strategy must include limiting terrorist organizations' funding. According to Krieger and Meierrieks (2011), there are three (3) types of terrorist financing: "state financing" (i.e., state sponsorship of terrorism), "legitimate financing" (e.g., from a legitimate business, charities, diaspora support, etc.), and "private financing by unlawful means," which usually includes outright

criminal activities (e.g., bank robberies, drug trafficking, kidnapping, extortion). State sponsorship of terrorism occurs when a state recruits terrorist groups to attack other countries that are the sponsor's adversaries. In other words, states that support terrorism use it as a foreign policy tool to weaken their adversaries through economic and/or political destabilization (Krieger and Meierrieks, 2011). Still, some terrorist groups receive funding from legitimate sources, such as charities, diaspora, private sponsors, and so on. Criminal activities generate financial resources for private financing through illegal means. Bank robberies, kidnappings, the production and trafficking of drugs, weapons, diamonds, and other valuables, extortion, and smuggling are typical criminal activities.

One of the major justifications for terrorism and its financing is the 9/11 terrorist attacks on New York and Washington (McGarrity, 2012). Bin Laden, the terrorist group Al Qaeda's leader, led the 9/11 terrorist attack. According to the report, the 9/11 attack cost between \$400,000 and \$500,000 to plan and carry out. Though the cost of the attacks was lower, the total loss for the United States was approximately \$ 2 trillion (IAGS, n.d). The table below summarizes the costs associated with various terrorist attacks carried out by different groups.

**Table 1: Estimated costs of selected terrorist attacks**

Attack	Date	Estimated cost
London Subway	7-Jul-05	~ GBP 8,000\$
Madrid Railways	11-Mar-04	~ USD 10,000&
Istanbul Trucks	November 15/20, 2003	< USD 40,000&
Jakarta Marriot Hotel	5-Aug-03	~ USD 30,000&
Bali	12-Oct-02	< USD 50,000&
WTC New York	11-Sep-01	~USD 300,000 - 500,000+
USS Cole	12-Oct-00	< USD 10,000&
US Embassies Kenya/Tanzania	7-Aug-98	< USD 50,000&

Sources: UKHO (2006), UN (2004), Kiser (2005)

However, the terrorist organization required funds to support its operations, maintain infrastructure, and meet a variety of other needs. Because their operational capabilities are directly linked to funds, every terrorist organization strives to maintain a consistent flow of fundraising. According to the FATF (2015), the broader concept of using terrorist organizations' funds for illicit purposes,

- Operations
- Propaganda & Recruitment
- Training
- Salaries and member compensation
- Social services

Terrorist organizations must launder funds obtained legally and illegally between jurisdictions without drawing the attention of regulatory authorities. Terrorist groups frequently use cash smuggling, structured deposits, and monetary instruments such as travelers' cheques, bank cheques, money orders, credit/debit cards, and wire transfers through legal channels to launder their money, according to FATF expert opinions. The sources and methods of terrorist financing are decentralized and diverse (Giraldo and Trinkunas, 2007). They also use underground banking services such as Undial and

Hawala to transfer funds (FATF, 2002). Terrorist organizations have considerable financial resources. They use legal and illegal means to ensure their financial stability, and their financial position allows them to be active in different geographies. The annual income of Arabic Islamic terrorist organizations is provided below to help conceptualize their potential and wealth.

*Table 2: Financial flows of Arabic Islamic terrorist organizations*

Name	Members (worldwide)	Annual financial flows (annual budget)
	Average over 1999-2006	
Al-Qaeda	1500-3000	~ USD 20-50 mn.
Front Islamique du Salut (Algeria)	~ 400	~ USD 5 mn.
Hamas	~ 2000	~ USD 10 mn.
Hezbollah	~ 10.000	~ USD 50 mn
Arabic Mujahedin (terror) organizations:		
Iraq	~ 800	~ USD 5 mn.
Iran	~ 600	~ USD 5 mn.
Libya	~ 600	~ USD 10 mn.
Egypt (Egyptian Islamic Jihad; most likely united with Al-Qaeda; Islam/Arab.)	~ 600	~ USD 8 mn.

Source: Schneider and Caruso (2011)

Understanding the origins of terrorist groups, their financial infrastructure, and the method of fund laundering is critical because it will assist every stakeholder in deploying essential requirements to prevent such illegal proceeds. The following section goes into detail about a few terrorist organizations and their fundraising activities.

#### **Islamic State of Iraq and Syria (ISIS):**

Berge and Mccarthy (2015) provide an informative overview of the Islamic State of Iraq and Syria (ISIS), which was founded in 2004 with the goal of establishing "an Islamic state within Syria and Iraq". According to CIA estimates, ISIS has recruited over 30,000 fighters worldwide for the purpose of "Islamic Jihad," and earns approximately \$2 million USD per day (Croucher, 2017). ISIS has been identified as one of the world's largest and wealthiest terrorist organizations. In comparison to other terrorist organizations, ISIS is a unique terrorist organization. From an economic standpoint, the organization has created a number of revenue streams, the majority of which are derived from plundering, with one notable example being the looting of a bank in Mosul in 2014. It is estimated that ISIS seized a 1.5 billion dollar bank vault and stole approximately \$400 million in currency and a billion dollars in gold (Takash, 2017). The oil fields in eastern Syria are the other source of revenue. However, funds are generated through the smuggling of people, drugs, and archaeological artifacts, as well as donations made by many wealthy individuals in the Gulf States (Berge and Mccarthy, 2015). Through normal financial transfers, some of the Gulf state's wealthiest individuals have donated mil-

lions of dollars to ISIS. As a result, donations are a significant source of revenue for ISIS. ISIS also makes a lot of money from food crop cultivation. For example, the UN Food and Agricultural Organization (UNFAO) estimates that ISIS currently controls more than 40% of Iraq's wheat cultivation lands.

However, the majority of ISIS funds are obtained through illegal means. The US Treasury estimates that ISIS has made millions of dollars in ransom payments. It also reveals that ISIS makes use of alternative currencies such as Bitcoin. According to Barker (2014), a well-known expert on Bitcoin and Sharia compliance, Bitcoin meets four or five of the Islamic law requirements while fiat money only meets two. Bitcoin makes it easier to use the internet's "dark web" to traffic drugs, weapons, chemicals, human trafficking, nuclear technology, and other illegal activities (Stergiou, 2016).

The main distinction between ISIS and other terrorist organizations is that ISIS has its own cash-based economy. On the one hand, ISIS generates income through illegal activities, while on the other, it generates income through industrial activities such as selling oil in Syria. As a result, some of the world's largest multinational corporations and well-known respected financial institutions may provide funding to this group. Furthermore, the FATF has identified non-cooperative jurisdictions in combating money laundering and terrorist financing, with Iran, the Democratic People's Republic of Korea, Algeria, Ecuador, and Myanmar remaining at the bottom of the list.

#### **Al Qaeda:**

According to the FBI, the initial goal of Usama Bin Laden's Al-Qaeda (AQ) terrorist organization in the early 1980s was to support the war against the Soviets. According to the Center for International Security and Cooperation, the first AQ attack was on August 7, 1998, when a series of car bombs were detonated outside US embassies in Dar Es Salaam, Tanzania, Nairobi, and Kenya. By 1990, AQ had begun providing military and intelligence training in countries such as Afghanistan, Pakistan, and Sudan. By this point, AQ's primary goal was to drive US forces out of Saudi Arabia and Somalia. According to Forbes, AQ's total annual income is around \$300 million US dollars (Zehorai, 2018). According to the US State Department's country report on terrorism, the AQ has branches in Libya, Algeria, Ivory Coast, Mali, Nigeria, Tunisia, Burkina Faso, and the Arabica region in "Yemen and Saudi Arabia," as well as the Indian peninsula, including India, Pakistan, and Bangladesh.

The Islamic Maghreb of AQ is primarily active in Central and Western African regions and is currently involved in illegal activities such as drug trafficking, weapons trafficking, automobile trafficking, human trafficking, and the latest and most profitable trade, cigarette and tobacco. Following Bin Laden's relocation from Sudan to Afghanistan, AQ resorted to using informal channels rather than formal channels to transfer money. According to Gunaratna (2001), despite the existence of intelligence and security services such as the CIA and M16, no one had encountered a global terrorist financial service network such as AQ. In comparison to other terrorist financial networks, the AQ has the most complex, robust, and resilient money-generating and moving network ever seen, and no other network resembles AQ (Kiser, 2005). On September 11, 2001, AQ carried out suicide attacks on the World Trade Center twin towers in New York City, USA. Prior to the 9/11 attacks, AQ moved its funds through the Hawala system. According to the National Commission on Terrorist Attacks on the United States, AQ has funded numerous terrorist activities, including the US embassy bombing in East Africa in 1998 (costing approximately \$10,000), the Bali bombing in 2002 (costing approximately

\$ 20,000), and maritime operations against oil tankers in the Strait of Hormuz (costing approximately \$130,000).

Cryptocurrencies are also used by the AQ to launder money for their operations. According to the European Parliament's report on virtual currencies and terrorist financing, organizations such as ISIS and AQ rely on the many possibilities provided by the use of cryptocurrencies for terrorist purposes (Keatinge et al, 2018).

In accordance with their requirements, AQ has used a variety of mechanisms to move funds in order to finance its operations. AQ has transferred funds via the global financial system, the Islamic banking system, or informal money transfer systems based on requirements and risk. Initially, the AQ used both the formal and Islamic banking systems to transfer funds for their activities; however, due to widespread and intensive diligence activities of non-Islamic banking systems, the AQ has moved some of its infrastructures out of the formal system and into the Islamic banking system. Transfers of funds have also been made in smaller denominations in order to avoid regulatory reporting obligations such as cash transaction reports (CTRs) and suspicious transaction reports (STRs). Because terrorist operations require small amounts of money, they have used alternative fund transfer systems such as the Hawala system to move their wealth. Another noteworthy aspect of AQ fund transfers has been the continued use of the Hawala system; for example, the 9/11 planning and operations were conducted through the Hawala network in Dubai. A Pakistani Hawaladar was the financier of the 1998 attack on the US embassy in Africa. During the war, Al Qaeda and the Taliban used Hawaladar in Karachi to transport tens of millions of dollars in cash and gold to Pakistan during the US invasion (Kiser, 2005).

During the time Bin Laden moved to Sudan in 1991, the AQ also established legitimate businesses such as Taba Investment, a currency trading firm, and thirty other businesses to facilitate funds around the world (Corbin, 1998). The group had also invested in businesses in Nairobi, Kenya, Tanzania, and Turkey bank in Cyprus in order to move funds and maintain operations in the African region, as well as to support terrorist activities such as the bombing of the US embassy in Kenya and Tanzania (Napoleoni, 2000). Al Qaeda purchased approximately US \$10 million in diamonds between 2000 and 2001 because cash in accounts was vulnerable to seizure by authorities and covert cash in the form of diamonds could be very easy to move around the world with less risk of detection during transport (Global Witness, p 58).

**Table 3: General framework of Al Qaeda’s Financial System**

	<b>Earning</b>	<b>Moving</b>	<b>Storing</b>
Internal	Osama bin Laden’s wealth Front businesses Wealthy Al Qaeda members Commodity Trading	Bulk cash smuggling Unregistered informal transfer systems (hawala) Over/under billing b/w front/shell businesses	Conflict gems/gold Tanzanite Banks sympathetic or controlled by AQ

	Drug Trade		
External	Individual donations	Wire transfers	Bank accounts
	Donations from charities	Business transactions	Stocks, bonds
	Returns on investments	Bank account transfers	
	State sponsors		

Source: Steve 2005

**The Liberation Tigers of Tamil Elam (LTTE):**

The LTTE is a Tamil terrorist organization based in Sri Lanka's Northern Province. This terrorist organization's goal was to establish an independent state for Tamil Eelam in Sri Lanka's northern and eastern provinces. After nearly three decades of conflict, Sri Lankan military forces defeated the 'Tamil tigers' in May 2009, effectively ending the civil war. The following analysis of the LTTE's financial background provides a detailed account of the LTTE's financial system and transfer mechanism used during the war, with the goal of understanding future situations of terrorism financing within the national context, if such an event occurs.

According to many analysts, including Kiser (2004), the LTTE's financial infrastructure is the most complex of any terrorist group in the world. Despite having global funding support, the LTTE was a locally active group. The LTTE was little known in the West until the suicide bombing of Sri Lanka's Central Bank in January 1996 (Kiser, 2004). Following that, the US State Department designated the LTTE as a foreign terrorist organization. However, many states, including the United Kingdom, Australia, Canada, and Norway, supported the LTTE while also acknowledging the ideology of 'Eelam,' or the right to self-determination and sub-state formation within Sri Lanka, as legitimate and justifiable. However, following the 1996 suicide bombing of the Central Bank, Canada, too, designated the LTTE as a terrorist organization and prohibited any front group for the organization, and the UK followed suit in 2001.

Many parts of the world funded the LTTE through diaspora networks, legitimate companies, and commercial holdings, and drug and arms smuggling with global reach. The group's annual revenue was estimated to be up to \$ 50 million. The Tamil diaspora was a major source of funding for the LTTE, and its financial infrastructure was spread across the globe. The LTTE's funding sources were foreign countries with large Tamil communities, such as the United Kingdom, Canada, and Australia. In 1996, for example, the minimum contribution from individual Tamil families in Canada was \$ 240, with a total monthly allocation of \$ 1.5 million for LTTE operations (Davis, 1996). Furthermore, the LTTE was funded by wealthy Tamils, non-governmental organizations (NGOs), aid organizations, and other charitable organizations (Daily News Canada, 2000). It is estimated that LTTE receives up to \$5 million per year from NGOs (SVIK, 2004). Smuggling and illegal immigrants were a key fundraising mechanism for the LTTE, with refugees smuggled from Sri Lanka to India and then to the West obtaining vast amounts of resources. In this operation, refugees were charged between \$18,000 and \$32,000 per person (Bynam et al. date). The LTTE had moved and stored funds through charitable organizations, legitimate businesses, and interests. Business transactions, wire transfers, under/over invoicing between businesses, and informal systems were used to move funds. Table 4

shows the general framework used by the LTTE's financial system for earning, moving, and storing funds.

**Table 4: General framework applied to LTTEs financial system**

	<b>Earning</b>	<b>Moving</b>	<b>Storing</b>
Internal	Taxes on Tamil Diaspora Businesses capitalized by LTTE funds  Donations from wealthy Tamils  Human smuggling Arms smuggling Drug smuggling	Couriers  Smuggling Internal business transactions	Bulk cash  Arms  Gems Holding immigrants
External	NGO donations / skimming  Tamil Diaspora Humanitarian charities	Couriers  Wire transfers Business transfers	Bank accounts Investment accounts

Source: Steve, 2005

**Hezbollah:**

Hezbollah's total annual income is approximately 1.1 billion US dollars (Zehorai 2018). Hezbollah is a Lebanese Shia Islamic political party (Jamil, 2006). Considered a wealthy terrorist group in the world, much of its financial wealth comes from Iran, which provides Hezbollah with \$ 700 million per year (Levitt, 2019). Furthermore, Tehran has assisted Hezbollah in the production of rockets (nearly 150,000) and missiles in Lebanon. As a result, underground missile production sites abound, according to the US and Israeli intelligence. However, Hezbollah prefers to smuggle weapons. According to Europol's 2018 terrorist report, major money laundering cases in Europe are linked to Hezbollah's military activities in Lebanon (Tesat, 2018).

In terms of financing, Klein (2019) stated that Hezbollah was one of the most likely terrorist groups to adopt cryptocurrency. The organization also raises funds through drug trafficking, money laundering, collaboration with other terrorist organizations, and online fundraising. According to the Jerusalem Post, Hezbollah is using Germany to fund terrorism and weapon purchases (Weinthal, 2019). Its members use Germany as a transit point for drugs, stolen cars, and money laundering. The port of Rotterdam is a major entry point for cocaine into Germany. However, Hezbollah's operations have now spread throughout the world. They include Europe, South Asia, Africa, and many other countries around the world.

The literature demonstrates that terrorist organizations use every possible method to launder money in order to fund their operations. It went on to say that terrorist organizations use fiat currency and that cryptocurrencies are used based on their needs and accessibility. However, according to Amiran et al (2022), the Sri Lanka Easter bombing stems from rumors spread after the event claiming that Bitcoin was used to finance it. (Amiram et al, 2022). The Norwegian Defense Research Establishment



(FFI) which has analyzed the financing of 40 jihadi cells that plotted in Europe between 1993 and 2013 and found that at least 73% of the terror cells had acquired part of their financing from legitimate means and 38% of the cases involved criminal activities to raise money (Normark and Ranstorp, 2015).

#### **FUTURE POTENTIAL TERRORISM IN SRI LANKA:**

The purpose of this section is to comprehend Sri Lanka's potential threats in the future. However, as mentioned in the earlier sections, there are two main threats in Sri Lanka. One threat stems from the LTTE's reorganization, and the other is from ISIS. However, unless they have supporters and followers, neither organization has established itself within the country. Being aware of the financial infrastructure of terrorist organizations and potential means of transferring funds into Sri Lanka is essential for preventing further terrorism since money is any terrorist group's primary need.

The LTTE's reorganization was identified in the literature as one potential threat to Sri Lanka. According to the South Asia Terrorism Portal (SATP), during the year 2021, at least 25 former LTTE cadres and supporters were detained under the Sri Lanka assessment report 2022 (SATP, n.d.). The opportunity is more extensive because of the political unrest and the current economic situation. The other potential risk is an ISIS attack (Jayaratna, 2021). The recruitment of ISIS has significantly increased during the transition from Abu Bahr Al-Baghdadi to Abu Ibrahim al-Hashimi al Quraushi, especially in Asia and North Africa (Sethuraman, 2020). The 27th report of the United Nations (UN) analytical Support and Sanctions Monitoring Team, published in February 2021, confirmed that IS has supporters in Sri Lanka. (SATP, n.d.).

Despite having its own economic powerhouse, ISIS frequently launders money between jurisdictions for a variety of reasons. The initial target of this is local banks in the countries where they do business (McCarthy, n.d.). However, ISIS continues to be highly active in the Middle East (Bunzel, 2021). In addition to Syria and Iraq, affiliate groups are also appearing in Pakistan, Afghanistan, West Africa, Egypt, Saudi Arabia, and the Philippines (The US Gov, 2017). The fighters who trained and returned from Syria and Iraq would be one potential threat. According to Lorenzo Vidino's (2017) statement to the United States Senate Foreign Relations Committee, of the 51 attacks they witnessed in Western countries over a period of three (3) years, 18% were carried out by fighters who had trained and returned. The majority were committed by people who had little to no connection to ISIS. Vidino added that 8 percent of the 51 attacks examined were large, organized attacks carried out by people who had received direct orders from ISIS. One important finding is that 66 percent of attacks were carried out by people who had some connection to Islamic states but acted independently, compared to 26% of attacks carried out by people who had no connection to ISIS but were still motivated by the ideology (The U.S Gov., 2017).

According to reports, a couple of Sri Lankans moved to Syria to join ISIS and received training there (Aneez, 2016). As a result, the trained and returned individual would be responsible for any potential future attacks. Consequently, identifying such a person is one of the essential requirements to stop further attacks. One of the potential centers for ISIS is the Middle East; through these nations, finan-

cial support for attacks could be provided. However, ISIS employs foreign terrorists from Europe to transfer funds through European bank accounts (European Parliament, 2017). However, the Middle East would be ISIS's best option for financing terrorism in Sri Lanka when compared to Europe. This is due to the fact that the Middle East is home to a large number of migrant workers and that there are numerous worker remittance transactions occurring each month. ISIS would have a great opportunity to conceal the goal and funding source because of this. The "Hawala" system, a well-known underground banking system with a long history, is another option for transferring money (European Parliament, 2017). Most terrorist organizations transfer their illicit funds using the Hawala system. ISIS could potentially use this method, known as "Undiyal" in Sri Lanka, to carry out its terrorist activities. ISIS uses virtual currency like Bitcoins in addition to the shadow banking system for their operations (Dion-Schwarz et al, 2019). Amiram et al (2022), have examined the Easter Sunday attack in Sri Lanka and have revealed that the attack was financed by ISIS through Bitcoin.

In considering LTTE, the fundraising patterns, the Tamil diaspora is one of the potential methods of generating funds. LTTE used to collect monthly basis cash from families abroad, especially in Canada, the United States, the UK, France, Switzerland, Australia, Sweden, Finland, Norway, and India (Manoharan, 2004). The LTTE was thought to have made around \$ 2 million each month. In addition to those, donations are their other main source of funding. The literature demonstrates that the LTTE heavily utilizes the "Undiyal" system for money transfers. One potential threat to any country that continues to take steps to prevent the financing of terrorism is the underground banking system.

## **CONCLUSION:**

Future insight into the prevention of terrorist financing should concentrate on both fiat and virtual forms. Terrorist organizations transfer money more frequently through formal or informal methods like underground banking systems. To identify illicit proceeds, however, anomaly detection from financial data is one of the essential requirements, and technological advancement is another critical requirement. According to the literature, a greater percentage of terrorist funds are produced through legal means, making it difficult to identify such proceeds without considering the combinations and relationships between transaction patterns.

The reorganization of the LTTE and ISIS are likely to pose the greatest threats to terrorism in the future, according to the literature. The majority of the money was raised by the LTTE from the diaspora, NGOs, and wealthy Tamils, as it was revealed. Since the LTTE may be reorganizing, increased attention to the patterns of transactions from popular jurisdictions for Tamil diaspora is therefore essential. Financial institutions should be taught by the authorities to be vigilant and report suspicious activity right away. Additionally, the terrorist group is strongly motivated by the current socioeconomic situation to establish and carry out terrorist attacks.

Another potential threat to terrorism in Sri Lanka is ISIS. ISIS is one of the most powerful and dangerous terrorist organizations in the world. The attack on Easter Sunday was financed with virtual currencies. Authorities should therefore be concerned with potential financing options for fiat and virtual forms. Although Sri Lanka does not accept virtual currencies, the authorities should be alert of

such activities. However, the Tamil diaspora in various countries would currently be the LTTE's main source of funding. The authorities should use all available means to identify such activities. The underground banking system is one potential threat to terrorism in that case, so it needs to be carefully addressed. ISIS should engage in a variety of activities because they have several ways to transfer money. As a result, preventing terrorism requires a concerted effort from authorities, financial institutions, law enforcement, and intelligence support.

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