



## Mains Practice Question

**Q.** To what extent are international organizations and collaborations effective in controlling terror financing across the globe? (150 words)

18 May, 2022 GS Paper 3 Internal Security

### Approach:

- Briefly explain 'terror financing'
- Explain the need to curb terror financing
- Analyse the role of various international organisations and collaborations in controlling terror financing
- Give a forward looking conclusion

### Introduction

The terror financing involves providing finance or financial support to individual terrorists or non-state actors. Terrorists without funding cannot purchase weapons, equipment, supplies, or services. The source of terrorist funds may be licit or illicit, and is done through criminal activities, including drugs or arms trafficking, extortion, and kidnapping for ransom.

### Body

Terrorism financing not only threatens the internal security, but can also undermine economic development and financial market stability. It is therefore of paramount importance to stem the flow of funds to terrorists as:

- Curbing and disrupting the flow of funds to terrorist outfits is one of the most effective ways to fight terrorism.
- The money trail can easily be traced through their transactions, withdrawals which can not only prevent future attacks but also provide insights for further investigations.
- As terrorists and terrorist groups continue to raise money with use of various means, countries must make it a priority to understand the risks they face from terrorist financing and develop policy responses to all aspects of it.

There have been multiple bodies, collaborations which are working to provide a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing (ML/TF). They include Financial Action Task Force (FATF), Egmont Group of Financial Intelligence Units, Asia/Pacific Group on Money Laundering (APG), UNSC Resolution 2462 etc.

### Role of these bodies and collaborations in handling terrorist financing:

- They support national and international efforts to counter terrorist financing and have emerged as a trusted gateway for sharing financial information domestically and internationally in accordance with global Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) standards.
- They have helped in codifying international standards to combat money laundering and terrorist

financing.

- They assess and monitor compliance with the FATF standards.
- They help in conducting studies related to money laundering and terrorist financing methods, trends and techniques and thus help in responding to new and emerging threats, such as proliferation financing used for promoting proliferation of nuclear, chemical and biological weapons.

However there remain significant challenges in achieving the desired goals and many of the suggestions/recommendations remain on paper.

**Those challenges are as follows:**

- First, lack of a universal agreement over what constitutes terrorism weakens efforts to formulate a concerted global response.
- Second, multilateral action suffers from inadequate compliance and enforcement of existing instruments.
- Third, although counter radicalization and deradicalization initiatives have gained some attention over the last five years, progress is lacking, particularly in states with limited resources and expertise.
- Counter-terrorism regime lacks a central global body dedicated to terrorist prevention and response. The landscape for counter-terrorism activity thus lacks coherence.

**Conclusion**

All the nations should resolve to make the international financial system entirely hostile to terrorist financing. Concerted efforts and a comprehensive approach should be adopted to counter terrorism under the UN auspices on a firm international legal basis. Responsibilities of each and every stakeholder should be assigned to prevent financing of terrorist networks and terrorist actions from their territories.

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