

Security Council Al-Qaida Sanctions Committee Highlights Current Trends of ISIL and ANF Financing

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Press Release

The Security Council Committee pursuant to resolutions 1267 (1999) and 1989 (2011) has agreed to convey to Member States the current trends in financing of the Islamic State in Iraq and the Levant (ISIL), Al-Nusra Front for the People of the Levant (ANF) (QDe.137) and any others designated as associated with Al-Qaida. They are drawn from the assessment by the Analytical Support and Sanctions Monitoring Team of the impact of the measures imposed in Security Council resolution 2199 (2015), pursuant to paragraph 30 of the resolution, and the Chair's summary of this document (S/2015/739). The Committee also wishes to provide suggestions to Member States to assist with their implementation of resolution 2199 (2015).

I. CURRENT TRENDS IN FINANCING

In its impact assessment pursuant to paragraph 30 of resolution 2199 (2015), the Monitoring Team reported to the Committee that overall the various financing streams of ISIL have not changed significantly in the past 12 months (S/2014/815, para. 52ff). ISIL core's finances continue to be mainly derived internally, are diversified and vertically-integrated to maximize profits, and remain robust. There may also be a "balloon effect" — as pressure is applied to one income stream, ISIL may increase efforts to obtain income from other sources. However, while it appears that ISIL has become more "professional" at generating revenue, the Monitoring Team has not received information indicating that ISIL in Iraq and the Syrian Arab Republic has been able to access new categories of income streams. ISIL's finances include income from extortion, crude oil smuggling, illicit trafficking of cultural heritage from Iraq and the Syrian Arab Republic and kidnapping for ransom (although the latter is to a lesser extent than 12 months ago). ANF and — to a significantly lesser extent — ISIL have also obtained funds from external donations. The finances of ANF are more obscure than ISIL's, and more reliant on external sources.

ISIL's extortion racket appears to be well-organized and systematic. ISIL "taxes" utilities, government salaries and pensions, businesses, financial transactions and cash withdrawals from banks. It charges its version of "customs duties" and levies "tolls" at checkpoints. After confiscating property, ISIL auctions it off or rents it. ISIL also demands "charity" from the population as well as a "jizyah" tax on minorities in ISIL-controlled territory. As this income stream is generated within ISIL controlled territory, sanctions measures will likely only be able to have an indirect impact.

ISIL currently generates income from oil at various points in the value chain. However, due to the destruction of modular refineries, ISIL has been forced to rely on less efficient and more wasteful refining measures.

Although illicit trafficking of cultural heritage from Iraq and the Syrian Arab Republic has been going on for years, the activities of ISIL and ANF have significantly increased the scale of this problem. While credible estimates related to the overall value of antiquities smuggling by ISIL are currently unavailable, ISIL is increasingly organizing this illicit trade in a quasi-bureaucratic manner. The group generates

revenue at various steps of the process. It demands a fee for granting permits to looters and “taxes” the antiquities excavated and smuggled out of its territory based on their estimated value. Looting is done using heavy-machinery and more portable metal detectors. ANF also appears to derive some income from antiquities smuggling although this seems to be less pervasive.

On the issue of kidnapping for ransom, ISIL’s brutal and public murders of hostages may signal that ISIL is potentially less dependent on this fundraising tactic for now, but that could change as other sources diminish and/or ISIL is able to capture further hostages. ANF has also raised funds through kidnapping for ransom. A small percentage of ISIL’s income has been generated through external donations. ANF, on the other hand, is more dependent on external donations.

II. SUGGESTIONS FOR IMPLEMENTATION

A. Implementation of measures countering asset generation from crude oil smuggling

ISIL’s increased dependence on rudimentary refining methods underlines the importance of Member States ensuring that modular refineries and related material, such as replacement parts, are prevented from being made available for the benefit of ISIL as required by paragraph 1 of resolution 2161 (2014) and emphasized in paragraph 9 of resolution 2199 (2015). Paragraph 9 of resolution 2199 (2015) outlines — among other obligations — that Member States ensure that their nationals and persons in their territory do not make available, directly or indirectly, modular refineries and related material to the benefit of ISIL or ANF. Discussions by the Monitoring Team with industry experts pointed to the fact that the implementation of this provision by private sector stakeholders presents a challenge. This is particularly the case as due diligence procedures concerning business partners close to ISIL or ANF controlled areas seem to regularly go beyond the investigative capabilities of private sector companies. Therefore, more technical guidance by Member States to inform the relevant business entities in their jurisdictions might present an opportunity to enhance the implementation of this provision. In an effort to assist Member States in this regard, the Committee has agreed that the Monitoring Team will prepare a document identifying specific technical challenges that business entities may face in implementing resolution 2199 (2015).

Reports submitted pursuant to paragraph 12 of resolution 2199 (2015) emphasized the challenge of linking seized crude oil to Al-Qaida associated groups, including ISIL and ANF, as required by the language in paragraph 12. Thus, the reporting mechanism under paragraph 12 could be underutilized if Member States encounter difficulties in establishing a clear connection between seizures of oil and ISIL or ANF. However, ISIL’s increasingly bureaucratic methods could make it easier for Member States that seize oil to attribute it to ISIL. According to information received by the Monitoring Team, ISIL appears to keep records and receipts concerning crude oil smuggling operations. If this information is confirmed and these bureaucratic structures become pervasive, the resulting documentation could potentially present an opportunity to ease the current challenges for Member State in their implementation of the measures outlined in paragraph 12 of resolution 2199 (2015).

B. Implementation of measures countering asset generation from illicit trade in cultural heritage

Despite being an issue of concern prior to the actions of ISIL and ANF coming to the fore, the activities of both groups significantly increased the scale of illicit trafficking of cultural heritage from Iraq and the Syrian Arab Republic. During its discussions with Member States and subject matter experts, the Monitoring Team was able to identify six areas which present challenges for the implementation of paragraph 17 of resolution 2199 (2015) by Member States. Addressing these challenges could enhance the capability of all Member States to collectively implement the relevant provision of the resolution.

1. Documentation

Documentation is central to Member States' investigations. Therefore, enhancing the record-keeping relating to cultural objects in Iraq and the Syrian Arab Republic is an issue of significant importance. Due to gaps in record-keeping and inventories for cultural objects in the region, it is difficult to determine which artefacts have been looted from sites under ISIL and ANF control.

Furthermore, artefacts that were looted from unregistered sites of cultural heritage are very difficult to trace back to Iraq or the Syrian Arab Republic. Therefore, it is also important that the documentation of seizures of cultural artefacts by Member States includes details such as date of seizure, location of seizure and origin of the artefacts. Since the illicit trafficking of cultural property has been a challenge in the Syrian Arab Republic and Iraq for many years, it is difficult to ascertain whether seized objects were illegally removed from Iraq since 6 August 1990 and from the Syrian Arab Republic since 15 March 2011 if it is unclear where and when seized artefacts were stolen or looted.

Finally, the exchange of information in different languages remains a technical challenge and at times slows down investigations. Therefore, the development of information exchange platforms accommodating various languages, including Arabic, would be an important step.

2. Due diligence processes

While collectors, art dealers and auction houses are the last "line of defence" against the sale of illegal artefacts, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Criminal Police Organization (INTERPOL) and subject matter specialists emphasized to the Monitoring Team that due diligence procedures are not yet properly implemented in this area. This situation is exacerbated by the increasing sophistication in the forgery of provenance documents. Therefore, effective development of relevant national regulations by Member States concerning the implementation of private sector due diligence measures remains an important step for effective implementation of sanctions measures in this area. Otherwise collectors, art dealers, as well as auction houses will remain at significant risk of being involved in this illicit trade.

3. Cooperation with the financial sector

According to the Monitoring Team's international interlocutors, the risk of terrorism financing is significant in the trading of illicit artefacts. Therefore, strong national mechanisms for a closer coordination between the financial and antiquities trading sector can be a key instrument to mitigate this risk. Further attention by relevant Member State authorities on this issue might potentially increase the practical effects of the relevant sections of resolution 2199 (2015).

4. Discussion on "safe havens"

Some Member States, international organizations and private sector stakeholders have suggested creating safe havens for antiquities outside Iraq and the Syrian Arab Republic. This proposal should be considered with caution. While on the one hand safe havens offer the potential to ensure that stolen and looted artefacts are preserved, they could, on the other hand, inadvertently increase the market size for illicit antiquities and therefore might encourage an increase in the trade.

5. Reporting requirements

Unlike oil-related interdictions, reporting on seizures of illegally removed cultural artefacts, although covered by the general reporting requirement under paragraph 29 of resolution 2199 (2015), is not stipulated as a specific reporting obligation for Member States under the resolution. However, reports of seizures would enable the Committee and the Monitoring Team to assess in more detail the potential size of the illicit trading activities of ISIL, ANF and other Al-Qaida associated individuals and entities in this area. Consequently, regular reports from Member State authorities concerning seizures of illicitly traded cultural artefacts from Iraq and the Syrian Arab Republic would be a very useful and potentially effective tool in countering the challenge that the illicit trade and trafficking presents for terrorism financing.

6. Listings proposals for the Al-Qaida Sanctions List

Listings of individuals and entities on the Al-Qaida Sanctions List is a powerful and effective instrument to implement sanctions provisions and therefore hinder ISIL or ANF's ability to generate revenue through the illicit trade in antiquities. Member States, through their cooperation and awareness raising activities with business entities in the antiquities, art and collectors community, are in a unique position to identify individuals and entities that are strategically relevant to the illicit trade and trafficking activities of ISIL and ANF. Proposing these individuals and entities for listing under the Al-Qaida sanctions regime would aid in better targeting the Al-Qaida Sanctions List, thereby increasing the overall effect of the sanctions provisions not only on ISIL and ANF but also on other individuals and entities associated with Al-Qaida.

C. Implementation of measures countering kidnapping for ransom

As outlined above, kidnapping for ransom is an income stream both for ISIL as well as for ANF in Iraq and the Syrian Arab Republic. Thus, it continues to be important that Member States remain aware that obligations under resolution 2161 (2014) apply to the payment of ransoms to listed groups, as was reaffirmed in paragraph 19 of resolution 2199 (2015).

D. Implementation of measures countering external donations

The continuing risk that both ISIL and ANF receive external funds through donations and other transfers underlines the importance of paragraph 22 of resolution 2199 (2015) urging Member States to address this issue directly through enhanced vigilance of the international financial system and by working with their non-profit and charitable organizations to ensure financial flows through charitable giving are not diverted to ISIL, ANF or any other individuals, groups, undertakings and entities associated with Al-Qaida. A recent listing by the Committee of a non-governmental organization with ties to ANF demonstrates the continued abuse of the charitable sector by terrorist groups.

E. Implementation of measures to deny ISIL and ANF access to the international financial system

Paragraph 23 of resolution 2199 (2015) focuses on ISIL's and ANF's access to the international financial system and urges Member States to take measures to ensure that financial institutions in their territory block such access. It is of crucial importance that Member States remain vigilant in this regard. Although some of the risks have been mitigated through Member State actions, it is important to remain alert as ISIL continues to generate significant funds within territories that it controls in Iraq and the Syrian Arab

Republic. ISIL's potential manipulation of the alternative remittance sector and use of cash couriers remain a significant concern.

Furthermore, cases have been reported of foreign terrorist fighters who joined ISIL and were able to continue accessing the international financial system by withdrawing funds from their national banks accounts using automated teller machines located near areas where ISIL operates. In addition, there is a continuing risk that ISIL core in the Syrian Arab Republic and Iraq may try to provide funds to, or move funds between, its so-called provinces in other areas. Member States should remain aware that the asset freeze against individuals and entities on the Al-Qaida Sanctions List, including ISIL and ANF, is not limited to a particular territory from which a transaction originates, through which it transits or in which it is received.

F. Implementation of measures of resolution 2199 (2015) and the humanitarian community

While the humanitarian community has indicated some chilling effects caused by sanctions in general, no concrete information links those chilling effects specifically to resolution 2199 (2015) and its sanctions measures. Such chilling effects can be dissipated, or at least minimized, through information sharing on sanctions, outreach to donors and coordination between sanction implementation stakeholders and humanitarian aid agencies. Therefore, Member State awareness raising activities concerning the obligations and scope of the measures of resolution 2199 (2015) with humanitarian actors operating within and from their jurisdiction can be an effective mitigation tool to minimize the risk that the measures of resolution 2199 (2015) cause unintended negative consequences in this sector.

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