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## ***Low Cost, High Impact: Combatting the Financing of Lone-Wolf and Small-Scale Terrorist Attacks***

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Chairman Pearce, Ranking Member Perlmutter, distinguished members of the Terrorism and Illicit Finance Subcommittee of the House Financial Services Committee, it is an honor and privilege to testify before you today on this timely and important matter.

Homegrown violent extremists (HVEs), acting alone or in small groups, pose a particularly challenging and immediate threat to U.S. national security. This is true of HVEs acting on the basis of international or domestic extremist ideologies or agendas. The nature of this threat has forced officials to contend with the reality that radicalization happens here in the United States. Even the strictest of immigration policies would not effectively address this issue because radicalization happens here. According to a 2017 Department of Homeland Security (DHS) report, "most foreign-born, U.S.-based violent extremists likely radicalized several years after their entry to the United States."<sup>1</sup> DHS's findings echo a December 2016 report issued by the U.S. House Homeland Security Committee, which concluded that "The United States faces its highest Islamist terror threat environment since 9/11, and much of the threat now stems from individuals who have been radicalized at home."<sup>2</sup>

Homegrown violent extremism can include a spectrum of terror threats from foreign-inspired, enabled, or directed plots. Social media and online communication networks have enabled groups such as ISIS to inspire individuals beyond the territory it controls to carry out attacks in the name of the Islamic State. Additionally, the "influencers" (jihadist voices who may or may not have any formal ties with major jihadist groups but who disseminate jihadist material and rhetoric) and the mirror effect of individuals becoming either "inspired" or "radicalized" by

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<sup>1</sup> "TRMS Exclusive: DHS document undermines Trump case for travel ban," *MSNBC*, March 2, 2017, <http://www.msnbc.com/rachel-maddow-show/trms-exclusive-dhs-document-undermines-trump-case-travel-ban>

<sup>2</sup> "The ISIS Terror Threat in America," Terror Threat Snapshot December 2016, Homeland Security Committee, <https://homeland.house.gov/wp-content/uploads/2016/12/December-Terror-Threat-Snapshot.pdf>

consuming this material from their computers, without necessarily having any direct links to jihadist clerics or groups, have also taken advantage of the new media landscape.<sup>3</sup>

Once an individual or small group has become radicalized and is determined to carry out a terrorist attack, there are many ways they may fund their attack. In contrast to the highly sophisticated attacks of September 11<sup>th</sup>, which cost about \$500,000 and took years of planning to execute, lone offender and small group attacks can be carried out very quickly, with minimal funding and preparation.<sup>4</sup> The result is that in some cases authorities could be denied both the lag time within which they can run an effective investigation and the benefit of key tripwires—like the ability to follow travel, communications and financials trails—that in the past proved to be especially productive lines of investigative inquiry.

Terrorist attacks carried out by lone offenders or small groups are on the rise, especially coming on the heels of explicit calls by both Islamic State and al Qaeda leaders for like-minded followers to carry out attacks in their home countries targeting civilian targets.<sup>5</sup> Both groups have published how-to guides offering advice on how to carry out attacks with homemade improvised explosive devices (IED's), vehicles, knives, arson, and more.<sup>6</sup> In November 2016, for example, al Qaeda in the Arabian Peninsula (AQAP) published its 16<sup>th</sup> edition of *Inspire* magazine which praised three prior lone actor attacks, called for more of the same, and provided operational suggestions for such attacks.<sup>7</sup> In July the Islamic State released an e-book in Turkish with instructions for conducting attacks alone.<sup>8</sup> Additionally, the ninth volume of the ISIS periodical *Rumiyah*, published in May, contained details on the ideal weapons and targets for lone wolf attacks.<sup>9</sup> Indeed, the group has been pushing such attacks for years now. In an online e-book entitled *How to Survive in the West: A Mujahid Guide (2015)* the group argued: "With less attacks in the West being group (networked) attacks and an increasing amount of lone-wolf

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<sup>3</sup> Matthew Levitt, editor, "Defeating Ideologically Inspired Violent Extremism," Washington Institute for Near East Policy, March 2017, <http://www.washingtoninstitute.org/uploads/Documents/pubs/Transition2017-CVE-6.pdf>

<sup>4</sup> Lee Hamilton and Thomas H. Kean, "The 9/11 Commission report: final report of the National Commission on Terrorist Attacks upon the United States", 2004, [http://www.9-11commission.gov/report/911Report\\_Exec.htm](http://www.9-11commission.gov/report/911Report_Exec.htm)

<sup>5</sup> EUROPOL made note of this phenomenon in a bulletin: "Lone Actor Attacks – Recent Developments," European Counter Terrorism Centre, EUROPOL, July 20, 2016, <https://www.europol.europa.eu/publications-documents/lone-actor-attacks-recent-developments>; The FBI has warned of terrorist calls for attacks targeting hospitals, for example. See "Terrorists Call for Attacks on Hospitals, Healthcare Facilities," FIRE LINE: Intelligence for Fire, Rescue and EMS, February 8, 2017, prepared by FBI Directorate of Intelligence, Office of Intelligence and Analysis, <https://info.publicintelligence.net/DHS-FBI-NCTC-HospitalAttacks.pdf>

<sup>6</sup> "EU Terrorism Situation and Trend Report 2016," EUROPOL, 2016, <https://www.europol.europa.eu/activities-services/main-reports/european-union-terrorism-situation-and-trend-report-te-sat-2016>

<sup>7</sup> "The 9/17 Operations," *Inspire Magazine*, November 2016, <https://azelin.files.wordpress.com/2016/11/inspire-magazine-16.pdf>

<sup>8</sup> "Lone Wolves Handbook," June 22, 2017, <https://yalnizkurdunkitabi.wordpress.com/2017/06/22/yalniz-kurdun-el-kitabi-kitap/>

<sup>9</sup> "The Ruling on the Belligerent Christians," *Rumiyah*, May 2017, <https://azelin.files.wordpress.com/2017/05/rome-magazine-9.pdf>

attacks, it will be more difficult for intelligence agencies to stop an increasing amount of violence and chaos from spreading in the West."<sup>10</sup>

Clearly, this has had some effect. In recent years, the pool of potential homegrown terrorists has expanded: Today there are open investigations on about 1,000 potential homegrown violent extremists in all 50 states.<sup>11</sup> And yet, not all of America's radicalized individuals have been motivated by the Islamic State's appeals for lone wolves. Ahmad Khan Rahani, the suspect believed to have been behind the bombings in New York and New Jersey, reportedly was inspired by the U.S.-born al Qaeda cleric Anwar al-Awlaki—who was killed in 2011 by a U.S. drone strike in Yemen, but whose radical preaching lives on in online videos. A note apparently left by the bomber referred to Awlaki and the Boston Marathon bombers, who were also inspired by Awlaki.<sup>12</sup> Indeed, while much of the discussion surrounding lone offenders and small cell attacks has focused on the Islamic State and its affiliates, al Qaeda continues to pose a persistent threat we cannot afford to ignore.<sup>13</sup> Indeed, the online recordings and writings of the late al Qaeda ideologue and radicalizer Anwar al-Awlaki continue to pop up in terrorism cases as particularly effective extremist material which still inspire and radicalize lone offenders and small groups of HVEs to carry out attacks.<sup>14</sup>

Finally, the terrorist threat from lone offenders or small groups is magnified by the phenomenon of returning foreign terrorist fighters (FTF's). “The rate of foreign fighter travel to Syria is unprecedented” NCTC Director Nick Rasmussen testified in 2015, adding that it “exceeds the rate of travelers who went to Afghanistan and Pakistan, Iraq, Yemen or Somalia at any point in the last 20 years.”<sup>15</sup> Many of these battle-hardened fighters will move on to new battlefronts, and others may return home disgruntled or disillusioned by what they saw in Syria and Iraq and prove no threat at home. But some will, and these could either act on their own or recruit a small group to carry out an attack.

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<sup>10</sup> “How to Survive in the West: A Mujahid Guide,” 2015, <https://www.investigativeproject.org/documents/misc/863.pdf>.

<sup>11</sup> “Deputy Attorney General Rosenstein Delivers Remarks at the 10th Annual Utah National Security and Anti-Terrorism Conference,” United States Department of Justice, August 30, 2017, <https://www.justice.gov/opa/speech/deputy-attorney-general-rosenstein-delivers-remarks-10th-annual-utah-national-security-0>

<sup>12</sup> “Bomb Suspects ‘Rambling’ Journal Praised Top al-Qaida Operative, Sources Say,” Jonathan Dienst, Pete Williams, and Tom Winter, *NBC New York*, September 20, 2016, <http://www.nbcnewyork.com/investigations/Pressure-Cooker-Bomb-27th-Street-Manhattan-Boston-Marathon-Ahmad-Rahami-394117971.html>

<sup>13</sup> “How al-Qaeda Survived Drones, Uprisings, and the Islamic State,” Edited by Aaron Zelin, Washington Institute for Near East Policy, June 2017, <http://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyFocus153-Zelin.pdf>

<sup>14</sup> “The Lessons of Anwar al-Awlaki,” Scott Shane, *New York Times*, August 27, 2017, [https://www.nytimes.com/2015/08/30/magazine/the-lessons-of-anwar-al-awlaki.html?mcubz=0&\\_r=0](https://www.nytimes.com/2015/08/30/magazine/the-lessons-of-anwar-al-awlaki.html?mcubz=0&_r=0)

<sup>15</sup> Nick Rasmussen, “Countering Violent Islamist Extremism: The Urgent Threat of Foreign Fighters and Homegrown Terror”, Hearing before the House Committee on Homeland Security, February 11, 2015, <http://docs.house.gov/meetings/HM/HM00/20150211/102901/HHRG-114-HM00-Wstate-RasmussenN-20150211.pdf>

Identifying HVEs before they attack is a tremendous challenge. "We are looking for needles in a nationwide haystack," FBI Director James Comey testified in July 2016, "but even more challenging, we are also called upon to figure out which pieces of hay might someday become needles. That is hard work, and it is the particular challenge of identifying homegrown violent extremists."<sup>16</sup>

The 2105 National Terrorist Financing Risk Assessment notes the case of Michael Todd Wolfe, from Houston, who planned to fund his travel abroad to fight for radical groups in Syria by using an expected tax refund of \$45,000 to cover his expenses. The same type of simple self-funding could also underwrite attacks at home. "Of particular concern," the assessment bluntly concluded, "is that these homegrown violent extremists may use this type of activity to fund domestic terrorist activity in support of extremist ideology espoused by a terrorist group, but without direct assistance from the terrorist group."<sup>17</sup>

In the past, following the money has been a particularly effective intelligence and investigative tool for counterterrorism officials trying to map out terrorist networks and identify terrorist operatives and prevent attacks. But by their very nature, lone offender and small-scale terrorist attacks are less vulnerable to many of the traditional tools in the counter-terror finance toolkit.

The Financial Action Task Force (FATF) succinctly summarized the problem:

In contrast to large terrorist organizations, small cells and individual terrorists face only minor financial needs since costs of terrorist attacks are often small. As such, lone actors and small cell terrorist networks have a much smaller funding requirement given that they do not control territory, field conventional militias, engage in recruitment or propaganda operations, operate checkpoints or deliver social services.<sup>18</sup>

### **The Challenge of Homegrown Financing**

Homegrown violent extremists (HVEs) may raise funds for several purposes, including to carry out attacks at home, to fund their own or others' travel to foreign conflict zones, or to provide material support to a terrorist organization at home or abroad. Whatever the intent, the funding sources and means of transferring these funds are typically the same.

Looking back at homegrown plots in the West—including both homegrown networks and lone offenders—several key patterns emerge.

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<sup>16</sup> James Comey, "Worldwide Threats to the Homeland: ISIS and the New Wave of Terror," Hearing Before Committee on Homeland Security U.S. House of Representatives, July 14, 2016, <http://docs.house.gov/meetings/HM/HM00/20160714/105134/HHRG-114-HM00-Wstate-ComeyJ-20160714.pdf>

<sup>17</sup> "2015 National Terrorist Financing Risk Assessment," U.S. Department of Treasury, 2015, <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Terrorist%20Financing%20Risk%20Assessment%20E2%80%932006-12-2015.pdf>

<sup>18</sup> "Emerging Terrorist Financing Risks," Financial Action Task Force, October 2015, <http://www.fatf-gafi.org/publications/methodsandtrends/documents/emerging-terrorist-financing-risks.html>

### 1. *Low-Cost Attacks*

As large, complex terror plots are becoming increasingly difficult to carry out, many terrorists are setting their sights lower and are planning smaller, cheaper attacks. Whereas the September 11<sup>th</sup> attacks cost approximately \$400,000-\$500,000, took years to plan, and involved dozens of people, today's lone offender and small cell plots may cost as little as \$100.<sup>19</sup> According to the 2014 The Norwegian Defence Research Establishment report, 75% of the 40 jihadi plots studied in Europe between 1994-2013 cost less than \$10,000 to execute.<sup>20</sup>

Lone offender and small terror cells are able to keep costs low for their plots since they have few members to train and equip, rely on simple weapons such as knives, and in contrast to larger terrorist organizations, they are not subject to the high and indirect costs of developing and maintaining a terrorist organization.<sup>21</sup>

In Great Britain and France, knives and cars are two of the most commonly used weapons in small scale attacks.<sup>22</sup> Both are unsophisticated, readily available and often involve no costs at all since they are already in the possession of the attackers.

In 2013, Michael Adebolajo murdered Lee Rigby, a British soldier in London. Adebolajo first ran Rigby over with his car and then stabbed him to death with a machete and a knife. Adebolajo purchased the knives the day before the attack, likely for no more than £20 or £30.<sup>23</sup>

In another case in September 2014, Ahmad Numan Haider used a knife to attack two counter-terrorism police officers in Melbourne, Australia.<sup>24</sup> In December that same year, Haron Monis held 18 people hostage in a café in Melbourne, and ultimately killed one person.<sup>25</sup> Monis used an

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<sup>19</sup> Lee Hamilton and Thomas H. Kean, *The 9/11 Commission report: final report of the National Commission on Terrorist Attacks upon the United States*, 2004, [http://www.9-11commission.gov/report/911Report\\_Exec.htm](http://www.9-11commission.gov/report/911Report_Exec.htm)

<sup>20</sup> "The financing of jihadi terrorist cells in Europe," Emilie Oftedal, Norwegian Defence Research Establishment (FFI), January 6, 2015, <http://www.ffi.no/no/Rapporter/14-02234.pdf>

<sup>21</sup> Ibid.

<sup>22</sup> "Lone-Actor and Small Cell Terrorist Attacks: A New Front in Counter-Terrorist Finance," Tom Keatinge and Florence Keen, Centre for Financial Crime and Security Studies, January 24, 2017, <https://rusi.org/publication/occasional-papers/lone-actor-and-small-cell-terrorist-attacks-new-front-counter>

<sup>23</sup> "What led Michael Adebolajo and Michael Adebowale to murder Rigby?" Laura Smith-Spark and Kellie Morgan, *CNN*, December 19, 2013, <http://www.cnn.com/2013/12/19/world/europe/uk-soldier-killing-profiles/index.html>.

<sup>24</sup> "Inquest finding into the death of radicalized teen Numan Haider," James Dowling, *Herald Sun*, July 31, 2017, <http://www.heraldsun.com.au/news/law-order/inquest-finding-into-the-death-of-radicalised-teen-numan-haider/news-story/2e7b7bb84e585b41433f06ee21bf5c51>

<sup>25</sup> "Sydney siege inquest: Man Haron Monis was a 'psychopathic lone wolf terrorist,'" Australian Associated Press, *The Guardian*, May 2, 2016, <https://www.theguardian.com/australia-news/2016/may/02/sydney-siege-inquest-man-haron-monis-was-a-psychopathic-lone-wolf-terrorist>

unregistered sawn-off shotgun in the attack that is thought to have been purchased for a low-price on Australia's "grey market."<sup>26</sup>

While the causalities in these and similar attacks are usually low, the perpetrators nonetheless received publicity, instilled fear in the public, and killed targets. Therefore, though causalities may be lower for smaller-scale attacks, the threat they pose to the public must not be underestimated.

## 2. *Self-Financing*

In many cases, lone offenders or small groups of may self-finance their activities through legal means such as dipping into their own bank accounts, taking out a loan, receiving welfare payments, or working at a job to raise sufficient funds. They could generate funding through illegal activities. In Europe, since 2001, the proportion of cells that are self-financed through legal activities is higher than those cells that receive external funding.<sup>27</sup>

As demonstrated above, self-financed attacks tend to be cheaper, less sophisticated, and smaller-scale than more expensive attacks. But with fewer opportunities for error, and lacking the need to amass large amounts of money that could raise suspicions, self-financed attacks are more likely to be successfully carried out than attacks that receive external funding. According to the 2014 Norwegian Defence Research Establishment report, "among entirely self-financed cells, 53% have managed to carry out their plans, compared to only 21% among those that receive some external support."<sup>28</sup>

Beyond European cases, in several cases homegrown violent extremists in the U.S. have also used their own salaries to fund attacks. For example, Christopher Lee Cornell saved his own money to buy supplies for his plot to set off bombs near the U.S. capital. In 2015, Cornell had enough money to purchase two semiautomatic weapons and 600 rounds of ammunition with the intention of building, planting, and bombing the U.S. Capitol and shooting people as they ran away.<sup>29</sup> The FBI caught Cornell before his was able to execute his plan; however, he had still managed to raise enough money to fund his plot.

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<sup>26</sup> "Lone-Actor and Small Cell Terrorist Attacks: A New Front in Counter-Terrorist Finance," Tom Keatinge and Florence Keen, Centre for Financial Crime and Security Studies, January 24, 2017, <https://rusi.org/publication/occasional-papers/lone-actor-and-small-cell-terrorist-attacks-new-front-counter>

<sup>27</sup> Lee Hamilton and Thomas H. Kean, The 9/11 Commission report: final report of the National Commission on Terrorist Attacks upon the United States, 2004, [http://www.9-11commission.gov/report/911Report\\_Exec.htm](http://www.9-11commission.gov/report/911Report_Exec.htm)

<sup>27</sup> "The financing of jihadi terrorist cells in Europe," Emilie Oftedal, Norwegian Defence Research Establishment (FFI), January 6, 2015, <http://www.ffi.no/no/Rapporter/14-02234.pdf>

<sup>28</sup> Ibid.

<sup>29</sup> Criminal Complaint for Christopher Lee Cornell, United States District Court for the Southern District of Ohio, January 15, 2017, [https://www.justice.gov/sites/default/files/opa/press-releases/attachments/2015/01/15/cornell\\_complaint.pdf](https://www.justice.gov/sites/default/files/opa/press-releases/attachments/2015/01/15/cornell_complaint.pdf).

In 2016, Lionel Nelson Williams of Suffolk, Virginia, provided a \$200 prepaid cash card to a person he thought was an ISIS affiliate.<sup>30</sup> The FBI has noted that prepaid cards are an easy and accessible way to transfer money, yet are very difficult for authorities to track. They are anonymous and once purchased, the money may be sent anywhere around the world.<sup>31</sup> A month later, in November 2016, Williams used an electronic money transfer service to transfer \$50 for the purchase of 10,000 rounds of AK-47 ammunition to a supposed ISIS affiliate in the Middle East.<sup>32</sup> Bank records indicate that Williams had limited money in 2015-2016, while these activities were going on. Nonetheless, Williams was willing to fund weapons for ISIS from his own bank account.

Some lone offenders and small cells that do not have sufficient salaries accept money from their families, or some money take without their knowledge.<sup>33</sup> In other cases, self-financed terrorists ask to borrow money from friends and families without disclosing or being truthful about what the money would be used for.<sup>34</sup> In the case of Mohammed Merah, discussed in greater detail below, Merah received some financial and material support from his family before carrying out a series of shootings in France in 2012. His sister bought him cell phones, allowed him to use her internet while planning his attack, and purchased plane tickets for him. In an interview, she admitted to giving him her credit card to buy plane tickets from France to Damascus, though she said he paid her back afterwards. Last week, an Uzbek man in Brooklyn pled guilty to conspiring to provide material support to the Islamic State.<sup>35</sup> He raised the money he needed to attempt to travel abroad and join ISIS—some \$2,400—from fellow Uzbeks in Brooklyn who donated their own money to support his terrorist travel.<sup>36</sup> Another defendant was charged in this case last week.<sup>37</sup>

*Criminal Activities:* Crime has the potential to bring in sufficient funds for a homegrown attack as well. While criminal groups, lone offenders, and small cells may differ ideologically, they

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<sup>30</sup> Affidavit in Support of an Application for a Criminal Complaint for Lionel Nelson Williams, U.S. Department of Justice, December 22, 2015, <https://www.justice.gov/opa/press-release/file/920321/download>

<sup>31</sup> Gerald Roberts, “Money Flow in the Age of ISIS,” May 15, 2015, *Washington Institute for Near East Policy*, <http://www.washingtoninstitute.org/policy-analysis/view/money-flow-in-the-age-of-isis>

<sup>32</sup> Affidavit in Support of an Application for a Criminal Complaint for Lionel Nelson Williams, U.S. Department of Justice, December 22, 2015, <https://www.justice.gov/opa/press-release/file/920321/download>

<sup>33</sup> “The financing of jihadi terrorist cells in Europe,” Emilie Oftedal, Norwegian Defence Research Establishment (FFI), January 6, 2015, <http://www.ffi.no/no/Rapporter/14-02234.pdf>

<sup>34</sup> Gerald Roberts, “Money Flow in the Age of ISIS,” May 15, 2015, *Washington Institute for Near East Policy*, <http://www.washingtoninstitute.org/policy-analysis/view/money-flow-in-the-age-of-isis>

<sup>35</sup> “Brooklyn, New York, Resident Pleads Guilty to Conspiring to Providing Material Support to Terrorists,” U.S. Department of Justice, August 14, 2015, <https://www.justice.gov/opa/pr/brooklyn-new-york-resident-pleads-guilty-conspiring-provide-material-support-terrorists>

<sup>36</sup> “Fifth Defendant Charged with Attempt and Conspiracy to Provide Material Support to ISIL,” U.S. Department of Justice, June 11, 2015, <https://www.justice.gov/opa/pr/fifth-defendant-charged-attempt-and-conspiracy-provide-material-support-isis>

<sup>37</sup> “Defendant Charged With Conspiring and Attempting to Provide Material Support to ISIS and Al-Nusrah Front,” U.S. Department of Justice, August 31, 2017, <https://www.justice.gov/opa/pr/defendant-charged-conspiring-and-attempting-provide-material-support-isis-and-al-nusrah-front>

often cooperate and collaborate on crimes to raise money for attacks.<sup>38</sup> In Europe, petty crime appears to be the second largest source of funding for lone offenders and small cell groups.<sup>39</sup> In South East Asia, in particular in the Philippines and Indonesia, terrorists have raised funds for attacks by robbing people, smuggling goods and drugs, kidnaping, and extortion.<sup>40</sup>

Mohammed Merah, who carried out three attacks in France in 2012, relied on criminal activities as his main source of funding for the attacks, namely theft, robbery, and drug trafficking.<sup>41</sup> Merah earned \$58,000 by acting as a drug courier between Spain and France, and was also heavily involved in a criminal network in France.<sup>42</sup> He had at least 18 convictions from French courts for his involvement in burglaries, thefts, robberies, and other petty crimes.<sup>43</sup> Merah used this money to fund his travel to Pakistan in 2011, where he received training at a camp controlled by Tehrik Taliban Pakistan and al-Qaida in Waziristan. When he returned to France in November 2011, he had approximately \$24,500, but wanted to raise additional money.<sup>44</sup> Merah refused to admit to the exact crime, but he said he reconnected with his criminal networks and “did some work with them,” earning him a little over \$12,000.<sup>45</sup>

Merah claims that al Qaida offered to finance his attacks; however, he refused, claiming it was “easy to get money in France.” In addition to the money he earned from crime, he also received some support from welfare and from his family.<sup>46</sup> By March 2012, he had purchased the weapons he would use in his attack, as well as addition arsenal, guns, and ingredients for petrol bombs that were later found in his apartment.

In one case in the United States, Abdul Malik Adbul Kareem, who was convicted by a federal judge in Arizona in March 2016 “of conspiracy to transport firearms and ammunition in interstate commerce with the intent to commit murder and aggravated assault,” made a false

<sup>38</sup> Gerald Roberts, “Money Flow in the Age of ISIS,” May 15, 2015, *Washington Institute for Near East Policy*, <http://www.washingtoninstitute.org/policy-analysis/view/money-flow-in-the-age-of-isis>

<sup>39</sup> “The financing of jihadi terrorist cells in Europe,” Emilie Oftedal, Norwegian Defence Research Establishment (FFI), January 6, 2015, <http://www.ffi.no/no/Rapporter/14-02234.pdf>

<sup>40</sup> “Terrorist Financing Regional Risk Assessment 2016: South-East Asia and Australia,” AUSTRAC, 2016, [http://www.austrac.gov.au/sites/default/files/regional-risk-assessment-SMALL\\_0.pdf](http://www.austrac.gov.au/sites/default/files/regional-risk-assessment-SMALL_0.pdf)

<sup>41</sup> “Exclusif - Transcription Des Conversations Entre Mohamed Merah et Les Négociateurs,” *Liberation FR*, July 17, 2012, [http://www.liberation.fr/societe/2012/07/17/transcription-des-conversations-entremohamed-merah-et-les-negociateurs\\_833784](http://www.liberation.fr/societe/2012/07/17/transcription-des-conversations-entremohamed-merah-et-les-negociateurs_833784).

<sup>42</sup> Makarenko, Tamara. Europe’s Crime-Terror Nexus: Links between Terrorists and Organized Crime Groups in the European Union. European Parliament, 2012. <http://www.europarl.europa.eu/document/activities/cont/201211/20121127ATT56707/20121127ATT56707EN.pdf>.

<sup>43</sup> Paul Cruickshank and Tim Lister, “How Did Mohammed Merah Become a Jihadist?” *CNN*, March 26, 2012, <http://www.cnn.com/2012/03/26/world/europe/france-shooting-suspect/index.html>

<sup>44</sup> Thibault Raisse, “Le Pacte Secret de Merah Avec Un Lieutenant de Ben Laden,” *Le Parisien*, March 21, 2014, <http://www.leparisien.fr/faits-divers/le-pacte-secret-de-merah-avec-un-lieutenant-de-ben-laden-21-03-2014-3693621.php>.

<sup>45</sup> “Exclusif - Transcription Des Conversations Entre Mohamed Merah et Les Négociateurs,” *Liberation FR*, July 17, 2012, [http://www.liberation.fr/societe/2012/07/17/transcription-des-conversations-entremohamed-merah-et-les-negociateurs\\_833784](http://www.liberation.fr/societe/2012/07/17/transcription-des-conversations-entremohamed-merah-et-les-negociateurs_833784).

<sup>46</sup> “Size of Merah Gun Arsenal Amazes French Public,” Andrew Osborn, *IOL News*, March 23, 2012, <http://www.iol.co.za/news/world/size-of-merah-gun-arsenal-amazes-french-public-1.1263042#.U198AVfc9nU>.

insurance claim to raise money for his plot in Texas.<sup>47</sup> Kareem pretended to be injured in a car accident and made an insurance claim based on his injuries to raise money for the weapons and ammunition that he would later purchase for a plot to attack on Prophet Mohammed cartoon contest in Texas. The exact amount he received from his claim as well as the price of the weapons he purchased are both unknown.<sup>48</sup>

*Legal Financial Loans:* Lone offenders and small cells in the United States and abroad have exploited different types of loans in order to fund attacks. Ahmedy Coulibaly, one of the three terrorists in the Paris attacks in 2014, funded his plot by taking out a £6,000 loan from the credit agency Cofidis. He provided the agency with a phone bill, pay slips, and identification in order to obtain the loan and finance his operation.<sup>49</sup> The two Kouachi brothers reportedly received \$20,000 from al-Qaeda in the Arabian Peninsula, but the rocket-propelled grenade launcher and the Kalashnikov automatic assault rifles used by the Kouachis cost less than \$6,000.<sup>50</sup>

The San Bernardino shooter, Syed Rizwan Farook, who killed 14 people in the 2015 shooting, borrowed \$28,500 from Prosper Marketplace, a San Francisco online lender, just two weeks before the December 2<sup>nd</sup> attack.<sup>51</sup> Officials believe that this loan may have financed the ammunition, pipe-bomb parts, and shooting practice at local gun ranges.

Online loans are an easy way to gain fast access to large sums of cash, in contrast to credit cards, which take much longer to process and oftentimes require a strong financial history. While banks and money lenders have to check customers' names against a federal database of known terrorists and criminals, lone offenders and homegrown violent extremists are often not known to law-enforcement authorities and may slip under the radar.

More recently, Salman Abedi, the suicide bomber from the May 2017 Manchester arena attack, took advantage of European loans in order to fund his attack.<sup>52</sup> Abedi collected at least £7,000 from the Student Loans Company, which is covered by taxpayer money.<sup>53</sup> Abedi was eligible for student loans after enrolling in Salford University in October 2015, though it is suspected that he

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<sup>47</sup> Michael Martinez and Scott Glover, "ISIS supporter convicted in failed plot targeting Mohammed cartoon contest," *CNN*, March 17, 2016, <http://www.cnn.com/2016/03/17/us/texas-garland-cartoon-shooting-abdul-malik-abdul-kareem-conviction/index.html>

<sup>48</sup> Ibid.

<sup>49</sup> Rukmini Callimachi and Jim Yardley, "From Amateur to Ruthless Jihadist in France: Chérif and Saïd Kouachi's Path to Paris Attack at Charlie Hebdo," *The New York Times*, January 17, 2015, <http://www.nytimes.com/2015/01/18/world/europe/paris-terrorism-brothers-said-cherif-kouachi-charliehebdo.html>.

<sup>50</sup> "Belgian Arms Dealer Confesses to Supplying Paris Attackers," Shlomo Papirblat, *Haaretz*, January 14, 2015, <http://www.haaretz.com/news/world/1.637034>

<sup>51</sup> "Loan to San Bernardino shooter draws scrutiny to online lending industry," James Rufus Koren and Jim Puzzanghera, *LA Times*, December 11, 2015, <http://www.latimes.com/business/la-fi-prosper-regulation-20151210-story.html>

<sup>52</sup> "Exclusive: Manchester suicide bomber used student loan and benefits to fund terror plot," Robert Mendick, Martin Evans, and Victoria Ward, *Telegraph*, May 27, 2017, <http://www.telegraph.co.uk/news/2017/05/26/exclusive-manchester-suicide-bomber-used-student-loan-benefits/>

<sup>53</sup> Ibid.

did not show up for courses and signed up for his degree with the sole intention of collecting his loans.<sup>54</sup>

David Videcette, a former Metropolitan police detective who helped investigate the 2005 London bombings, said that it is not uncommon for terrorists to finance their attacks “at the expense of the taxpayer.”<sup>55</sup> The British government has admitted in the past that there is no way mechanism in place for them to monitor how students are using their loans, and that they do not know how many terrorists may be exploiting this system.<sup>56</sup>

*External Support:* Though most lone offenders or small groups are self-funded, there are examples of lone offenders who have connections to terrorist organizations and receive external monetary support to carry out attacks abroad. Nine out of ten cells that receive external support have at least one member who has been trained and/or fought abroad, according to a Norwegian study.<sup>57</sup> For example, the 2001 and 2003 shoe-bombers, Richard Reid and Saajid Badat, who attempted to blowup aircrafts with explosives hidden in their shoes, received training and material support from al Qaeda leaders in Afghanistan.<sup>58</sup>

In addition to receiving foreign support, some homegrown violent extremists raise funds at home to send abroad. In one example, Ali Shukri Amin, a teenager from Virginia, used Twitter to circulate instructions on how to fund ISIS through Bitcoin.<sup>59</sup> He first began tweeting in 2014, and became increasingly radicalized and motivated to help people join the ISIS, either financially or by traveling to Syria.<sup>60</sup> His Tweets stressed the anonymity of Bitcoin, and how donors’ personal information as well as amount of funding would remain undiscovered and unknown to authorities. Amin was arrested in 2015 and in June that year he pled guilty to providing material support to ISIS.

### 3. *Transfer Methods*

While transferring funds is most common among individuals or groups who receive external funding from larger terrorist organizations, even smaller cells or lone attackers may need to transfer money. When the Islamic State controlled territory, it drew foreign fighters from around the world who would sometimes transfer funds to the Islamic State. According to a recent U.N. Security Council Report on ISIL, cash, money service businesses such as Western Union, and

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<sup>54</sup> “Exclusive: Manchester suicide bomber used student loan and benefits to fund terror plot,” Robert Mendick, Martin Evans, and Victoria Ward, *Telegraph*, May 27, 2017, <http://www.telegraph.co.uk/news/2017/05/26/exclusive-manchester-suicide-bomber-used-student-loan-benefits/>

<sup>55</sup> *Ibid.*

<sup>56</sup> *Ibid.*

<sup>57</sup> The data on foreign fighters is adapted from the data set “Foreign Fighter Observation Set 1.0 (.xls)” compiled by Thomas Hegghammer, available at [hegghammer.com/text.cfm?path=2176](http://hegghammer.com/text.cfm?path=2176).

<sup>58</sup> “Sources: Reid is al Qaeda operative,” Maria Ressa, *CNN*, December 6, 2003, <http://edition.cnn.com/2003/WORLD/asiapcf/southeast/01/30/reid.alqaeda/>

<sup>59</sup> “A Teen’s turn to radicalism and the U.S. safety net that failed to stop it,” Yasmeeen Abutaleb and Kristina Cooke, *Reuters*, June 6, 2016, <http://www.reuters.com/investigates/special-report/usa-extremists-teen/>

<sup>60</sup> *Ibid.*

bank transfers were among the most popular methods of transferring funds.<sup>61</sup> These same methods are now available for individual or small groups of operatives who could receive external support from the remnants of ISIL or, theoretically, for the movement of money between cell members.

The U.N. Security Council reported in August that “despite military pressure and falling revenues, the ISIL core continues to send funds to its affiliates worldwide, using a combination of money or value transfer services and the transport of bulk cash.”<sup>62</sup> The report goes on to note that “ISIL core has also sent money to places where it does not have affiliates, which according to a Member State assessment, is an attempt to prepare for its eventual military defeat” in Syria and Iraq. In other words, not only is ISIL preparing to move funds to its other provinces, it is also moving funds to other places where newly inspired followers or returning foreign terrorist fighters can use ISIL funds to carry out attacks. The U.N. also expressed concern that returnees were being briefed in detail on how to act when questioned by government authorities to avoid deportation and arrest, and noted that at least a small category of individuals intend to conduct terror attacks on their return from jihadi battlefields.

Australian officials are similarly concerned. According to an Australian report, “regional authorities are concerned by funds flowing into the region to support local terrorism networks.” The report notes that “given only small sums are required to stage a deadly attack, even modest amounts of funding from foreign terrorist groups pose a significant risk to the region’s security.”<sup>63</sup>

U.S. authorities are equally concerned, as highlighted by a recent case here in the Washington, D.C. area which offers a concrete example of ISIS apparently attempting to provide funds for an attack here in the United States.<sup>64</sup> Last month, U.S. investigators uncovered an ISIS financial network that was transferring money to an operative in the U.S. through false eBay transactions.<sup>65</sup> The recipient, Mohammed Elshinawy, pretended to sell printers on eBay as a cover for the payments he was receiving through PayPal and Western Union for “operational purposes” in the U.S.<sup>66</sup>

While the details and extent of the international financial network have only recently been uncovered, Elshinawy had been on the FBI’s radar since at least 2015. In December 2015, he was arrested by the FBI in Maryland for receiving money from ISIS to carry out an attack in the

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<sup>61</sup> “Twentieth report of the Analytical Support and Sanctions Monitoring Team,” United Nations Security Council, August 7, 2017, [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2017/573](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2017/573)

<sup>62</sup> Ibid.

<sup>63</sup> “Regional Risk Assessment on Terrorism Financing, 2016: Southeast Asia and Australia,” AUSTRAC, [http://www.austrac.gov.au/sites/default/files/regional-risk-assessment-SMALL\\_0.pdf](http://www.austrac.gov.au/sites/default/files/regional-risk-assessment-SMALL_0.pdf)

<sup>64</sup> “FBI Says ISIS Used eBay to Send terror Cash to U.S.” Mark Maremont and Christopher Stewart, *Wall Street Journal*, August 10, 2017, <https://www.wsj.com/articles/fbi-says-isis-used-ebay-to-send-terror-cash-to-u-s-1502410868>

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

U.S. He was later convicted for “attempting to provide material support to the Islamic State of Iraq and the Levant (ISIL), obstruction of agency proceedings; and making false statements and falsifying or concealing material facts.”<sup>67</sup>

While many cash based transactions occur in personal meetings between terrorists and the perpetrators of the attack, in some cases, terrorist groups rely on cash couriers to transfer the money to their affiliates. ISIS has often broken down into smaller amounts in order to make the transaction harder to detect, according to a U.N. report.<sup>68</sup> Couriers, often selected for their nationalities and ability to enter certain countries, are paid by ISIS to deliver money to associates abroad. However, the movement of funds is highly dependent on transit routes, many of which have been shut down in order to prevent this very issue. Consequently, ISIS has encouraged its affiliates to become more self-sufficient and self-fund attacks.<sup>69</sup>

While ISIS and other large terrorist organizations have been cut off from the formal banking system, terrorists are still able to exploit the system to transfer funds. Since many lone or small groups are self-financed, often using their own income to fund attacks, they have legitimate bank accounts and credit cards which may be abused to pay for attack-related expenses and transfer money between cell members. In one example, in 2010, Nasserline Menni was found guilty of transferring £5,725 to Taimor Abdulwahab, who carried out a suicide bombing in Sweden in December 2010.<sup>70</sup> Menni transferred the money through multiple bank accounts he had open, some of which were under aliases.<sup>71</sup>

The U.S. Treasury Department’s Terrorist Finance Tracking Program (TFTP) collects data on international financial transactions to gain information about terrorist networks and plots.<sup>72</sup> The TFTP has successfully intercepted many illegal transactions and thwarted many plots, such as threats to the 2012 Summer Olympic Games in London, and a 2011 assassination plot to kill the Saudi Arabian Ambassador to the United States.<sup>73</sup> But in the case of small scale plots by lone offenders or small groups, international transactions are less likely to take place. Nonetheless, while this may not prove to be as effective a disruption tool in these cases, it will still prove to be an effective investigative tool in the wake of an attack. The TFTP played important roles in the

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<sup>67</sup> “Maryland Man Charged With Attempting to Provide Material Support to ISIL,” U.S. Department of Justice, December 14, 2015, <https://www.justice.gov/opa/pr/maryland-man-charged-attempting-provide-material-support-isil>

<sup>68</sup> “Twentieth report of the Analytical Support and Sanctions Monitoring Team,” United Nations Security Council, August 7, 2017, [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/2017/573](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2017/573)

<sup>69</sup> Ibid.

<sup>70</sup> “Terrorist Finance Tracking Program. Questions and Answers,” The United States Department of the Treasury, <http://www.treasury.gov/resource-center/terrorist-illicitfinance/Terrorist-Finance-Tracking/Documents/Final%20Updated%20TFTP%20Brochure%20%288-5-11%29.pdf>.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> “Terrorist Finance Tracking Programme,” European Commission on Migration and Home Affairs, [https://ec.europa.eu/home-affairs/what-we-do/policies/crisis-and-terrorism/tftp\\_en](https://ec.europa.eu/home-affairs/what-we-do/policies/crisis-and-terrorism/tftp_en)

investigations that followed several terrorist attacks, including the 2013 Boston bombings.<sup>74</sup> While no one system can monitor every transaction, the TFTP is an important measure that the West has in place to address terrorist's exploitation of the international banking system.

Lastly, the hawala or other informal value transfer systems are also popular methods of transferring money for terrorism.<sup>75</sup> While the hawala system is rarely used to transfer money within a small terrorist cell or within Europe, for example, it has been a popular method of transferring funds from European jihadi cells to terror groups abroad.<sup>76</sup>

### **Countering Homegrown Financing**

The challenges posed by lone offender and small group terrorism should not have come as a surprise to practitioners. Indeed, the 9/11 Commission Report forecasted that such a development would likely occur:

Though progress has apparently been made, terrorists have shown considerable creativity in their methods of moving money. If al Qaeda is replaced by smaller, decentralized terrorist groups, the premise behind the government's efforts—that terrorists need a financial support network—may become outdated. Moreover, some terrorist operations do not rely on outside sources of money and may now be self-funding, either through legitimate employment or low-level criminal activity.<sup>77</sup>

Financial information will always have post-blast utility for investigators piecing together what happened after an attack or disrupted plot, but there is no getting around the fact that HVE trends may undermine the efficacy of some elements of our traditional financial intelligence (FININT) toolkit as a preemptive investigative and intelligence tool. FININT, however, is only one tool in a much larger intelligence toolbox. But while other tools—in particular old-school HUMINT operations—take on greater importance in such cases there is still much that “following the money” can do in tandem with other tools. Despite all of the above, authorities are not without recourse to minimize the challenges posed by small-scale, homegrown terrorist financing.

1. Even lone offenders and small groups need money. Despite the challenges noted above, FATF underscores that even lone actors or small cells have financial needs that must be met: “That said [small cells and individual terrorists] must have the financial means to provide for their own food, shelter, communication devices, transport and any

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<sup>74</sup> Ibid.

<sup>75</sup> “The financing of jihadi terrorist cells in Europe,” Emilie Oftedal, Norwegian Defence Research Establishment (FFI), January 6, 2015, <http://www.ffi.no/no/Rapporter/14-02234.pdf>

<sup>76</sup> “The financing of jihadi terrorist cells in Europe,” Emilie Oftedal, Norwegian Defence Research Establishment (FFI), January 6, 2015, <http://www.ffi.no/no/Rapporter/14-02234.pdf>

<sup>77</sup> National Commission on Terrorist Attacks upon the United States, Thomas H. Kean, and Lee Hamilton. *The 9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks Upon the United States*, (Washington, D.C.: 2004), p.383

procurement requirements for terrorist plots.”<sup>78</sup> Often, even lone offenders and small groups will have ties—including financial ties—to others that could provide leads for intelligence and law enforcement officials. Consider cases of crowd-sourcing online or within the local community, or those in which operatives rely on family or friends for seed money for their operations or terrorist travel plans. Contrary to convention wisdom, sometimes even a small financial footprint can have investigative utility.

2. In the purest sense, cases of actual lone wolves are still rare. More often than not, most operatives referred to as lone wolves might more accurately be described as known wolves. Since wolves are pack animals, “lone wolf” is meant to conjure the image of someone who has rejected his nature and is now acting completely independently — a rogue individual operating outside the scope of any cell, network, or group. But while there are cases of inspired individuals — often people from broken homes<sup>79</sup>, with criminal records or histories of mental instability<sup>80</sup> — who attack on their own with no formal ties to any group, those rare cases are the exceptions that prove the rule. More often than not, evidence indicates that suspects thought to have been lone wolves might more accurately be described as known wolves — people whose radicalization, suspicious travel, suspicious financial activities, criminal activities, or changes in behavior were observed by acquaintances. In this regard, programs aimed at preventing and countering violent extremism (P/CVE)—which are incredibly important in their own right—could also provide useful points of entry for financial insight and investigation.
3. The private sector has access to tremendous financial information and could be better positioned to act on or share this information with relevant authorities—acting out of the private sector’s own business interests—if government did more to help the private sector identify trends and developments in the types of suspicious financial activities to be looked for as the Islamic State morphs as an organization, as al Qaeda resurrects itself, and as lone offender and small group terrorist activities increase in tempo. The US government does this for itself all time. Consider the Treasury Department’s Financial Crimes Enforcement Network (FinCEN), which has automated “business rules” it develops to search Bank Secrecy Act (BSA) for key terms, the latest typologies and other trends to identify current terrorist activities. One key development here is the use of IP addresses to help track financial information related to terrorist activities. There is more that could be done to share this information with the private sector, especially regarding trend analysis over time. FATF published a report on typologies in 2015, but that needs

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<sup>78</sup> “Emerging Terrorist Financing Risks,” Financial Action Task Force, October 2015, <http://www.fatf-gafi.org/publications/methodsandtrends/documents/emerging-terrorist-financing-risks.html>

<sup>79</sup> “My Journey Through Brussels’ Terrorist Safe Haven,” Matthew Levitt, *Politico*, March 27, 2016, <http://www.politico.com/magazine/story/2016/03/brussels-attacks-terrorist-safe-haven-213768>

<sup>80</sup> “The Line Between Terrorism and Mental Illness,” Jeet Heer, *New Yorker*, October 25, 2014, <http://www.newyorker.com/news/news-desk/line-terrorism-mental-illness>.

to be updated and such issues should be part of an ongoing public-private conversation. The U.S. should look at the UK's Joint Money Laundering Intelligence Taskforce as an example.

4. FININT can produce surprising leads, as in the targeting information that FININT helped put together for the U.S. military airstrikes targeting ISIS oil income.<sup>81</sup> Following the money will still play an important role even in the space of lone offenders and small cells, especially when these display any form of connective tissue to other operatives, to ISIS planners abroad. But this one tool will always be most effective when applied in a layered fashion with other tools, including tracking communications, running HUMINT operations, and training the public to report suspicious activities more generally. Efforts such as the "See Something, Say Something" public information campaign are an important part of the counterterrorism puzzle.

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<sup>81</sup> "In taking economic war to Islamic State, U.S. developing new tools," Yeganeh Torbati and Brett Wolf, *Reuters*, November 24, 2015, <http://www.reuters.com/article/us-france-shooting-usa-sanctions-insight/in-taking-economic-war-to-islamic-state-u-s-developing-new-tools-idUSKBN0TD0BJ20151124>