

Two Steps to Crack Down on Islamic State Financing Options

by [Matthew Levitt \(/experts/matthew-levitt\)](/experts/matthew-levitt)

Dec 17, 2015

Also available in

[العربية \(/ar/policy-analysis/khtwtan-ltdyyq-alkhnaq-ly-khyarat-tmwyl-tnzym-aldwlt-alaslamyt\)](/ar/policy-analysis/khtwtan-ltdyyq-alkhnaq-ly-khyarat-tmwyl-tnzym-aldwlt-alaslamyt)

ABOUT THE AUTHORS



[Matthew Levitt \(/experts/matthew-levitt\)](/experts/matthew-levitt)

Matthew Levitt is the Fromer-Wexler Fellow and director of the Reinhard Program on Counterterrorism and Intelligence at The Washington Institute.



Articles & Testimony

The finance ministers gathering at the UN this week should focus on taking actionable steps against the Islamic State's backdoor funding schemes, some of which involve continued access to the international banking system.

Treasury Secretary Jacob Lew is chairing a summit of finance ministers on Thursday on strengthening global efforts to combat Islamic State's financing. This has the potential to be much more than a photo op.

Much has been done to cut Islamic State off from the international banking system, but a large portion of ISIS's revenue base is beyond the reach of finance ministers and their private-sector partners. Neither government regulators nor bank compliance officers have tools to contend with the massive sums ISIS raises through criminal activities in its territory. Coalition forces have left Iraq, and there is no longer an Iraq Threat Finance Cell operating out of Baghdad's Green Zone to follow the money trail. Iraqi law enforcement is unable to effectively combat ISIS's massive extortion and taxation rackets. That leaves airstrikes -- the domain of defense ministers -- to liberate territory from ISIS extremists and try to deny them the ability to tax and extort local populations.

Still, the finance ministers could follow up on the work of the Counter ISIL Finance Group by focusing attention on Islamic State's continued access to the international financial system, which includes banks and informal networks such as money exchange houses. ISIS has found ways to move payments for smuggled oil and antiquities through the banking system, as well as small transactions from foreign fighters, and more. At least 20 Syrian financial institutions continue to operate in ISIS-held territory, [the Financial Action Task Force reported this year \(http://www.fatf-gafi.org/media/fatf/documents/reports/Financing-of-the-terrorist-organisation-ISIL.pdf\)](http://www.fatf-gafi.org/media/fatf/documents/reports/Financing-of-the-terrorist-organisation-ISIL.pdf), and embattled Syrian President Bashar al-Assad uses these banks to further his business interests with Islamic State. In Syria, some bank branches in ISIS territory could "maintain links to the financial system," even though most

international institutions ceased business operations with these banks.

In Iraq, the government's central bank ordered financial institutions to prevent transfers involving banks in ISIS-held territory, but the group continues to use banks just outside of areas it controls to access the international financial system. ISIS has received funds through electronic funds transfers "in areas known to be a funding, logistical and smuggling hub for foreign terrorist fighters and terrorist organizations," according to U.S. authorities. "Excessive cash deposits" have also been placed in U.S. accounts and then sent via bank wire transfers to areas close to where ISIS operates.

Adam Szubin, the head of Treasury's terrorism and financial intelligence branch, pointed in a speech last week to international cooperation facilitated by the Counter ISIL Finance Group, including financial intelligence sharing and freezing of ISIS revenue streams. But the working-group level cannot span the politically sensitive gap that allows ISIS to continue accessing the banking system.

This brings us to the finance ministers gathering Thursday and two key objectives: First, support and empower front-line states -- Turkey in particular -- to prevent ISIS operatives and supporters from accessing the banks within their borders. Because ISIS continues to access banks in Syria, where the regime is part of the problem, the finance ministers should press for a United Nations-level commitment to wall off Syria from the international financial system. The U.S. Treasury Department has been working with governments in the Middle East and beyond to wall off ISIS from the international financial system. In March, a Treasury delegation warned banks in the region to watch for ISIS money transfers from Persian Gulf countries through Turkey or Lebanon. But as Mr. Szubin noted last week, the U.S. "cannot counter ISIL's finances alone."

Second, the finance ministers should agree to strengthen the cooperation between their respective governments and the financial sector. ISIS recruits from outside Syria often have financial trails that can be exploited by those monitoring them, an FBI official said last month. Treasury's Financial Crimes Enforcement Network has created a set of "business rules" to vet suspicious activity reports filed by banks. Searching names, IP addresses, emails, and phone numbers generates more than a thousand investigative leads each month in the U.S. This type of information reporting between private-sector and government agencies should be systemized across borders, along with intelligence sharing; a resolution is expected to be issued after Thursday's meetings urging member states to increase such intelligence sharing.

Islamic State does not enjoy easy access to the banking system, but its backdoor schemes mean it is not fully cut off. Plugging those gaps will be no small feat, but the finance ministers gathering Thursday can take actionable steps.

Matthew Levitt is the Fromer-Wexler Fellow and director of the Stein Program on Counterterrorism and Intelligence at The Washington Institute. This article originally appeared on the Wall Street Journal blog "Think Tank."

(<http://blogs.wsj.com/washwire/2015/12/17/two-steps-to-crack-down-on-islamic-state-financing-options>)



Wall Street Journal

RECOMMENDED

BRIEF ANALYSIS

[Unpacking the UAE F-35 Negotiations](#)

Feb 15, 2022



Grant Rumley

[\(/policy-analysis/unpacking-uae-f-35-negotiations\)](/policy-analysis/unpacking-uae-f-35-negotiations)



ARTICLES & TESTIMONY

[How to Make Russia Pay in Ukraine: Study Syria](#)

Feb 15, 2022



Anna Borshchevskaya

[\(/policy-analysis/how-make-russia-pay-ukraine-study-syria\)](/policy-analysis/how-make-russia-pay-ukraine-study-syria)



BRIEF ANALYSIS

[Bennett's Bahrain Visit Further Invigorates Israel-Gulf Diplomacy](#)

Feb 14, 2022



Simon Henderson

[\(/policy-analysis/bennetts-bahrain-visit-further-invigorates-israel-gulf-diplomacy\)](/policy-analysis/bennetts-bahrain-visit-further-invigorates-israel-gulf-diplomacy)

TOPICS

[Energy & Economics \(/policy-analysis/energy-economics\)](/policy-analysis/energy-economics)

[Terrorism \(/policy-analysis/terrorism\)](/policy-analysis/terrorism)

REGIONS & COUNTRIES

[Syria \(/policy-analysis/syria\)](/policy-analysis/syria)