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INTERNATIONAL ORGANIZATIONS IN THE STRUGGLE AGAINST
TERRORIST FINANCING, THE CASE OF FATF

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International Organizations in the Struggle against Terrorist Financing:

The Case of FATF

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FOREWORD

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ABBREVIATIONS

AML – Anti-money Laundering

APG- Asia/Pacific Group on Money Laundering

Bank-World Bank Group

Basel Committee-Basel Committee on Bank Supervision

BCBS-The Basel Committee on Banking Supervision

BH-Boko Haram

BIS-Bank for International Settlements

CDPC-European Committee on Crime Problems

CFATF- Caribbean Financial Action Task Force

CFT – Combating Terrorist Financing

EAG- Eurasian Group

EGMLTF-Expert Group on Money Laundering and Terrorist Financing

Egmont Group-The Egmont Group of Financial Intelligence Units

ESAAMLG- Eastern and Southern Africa Anti-Money Laundering Group

ETA-Euskadi Ta Askatasuna - Basque Homeland and Liberty

EU – European Union

FATF – Financial Action Task Force

FIU-Financial Intelligence Unit

FSA-Financial Stability Assessments

FSAP- Financial Sector Assessment Program

FSRB-FATF Style Regional Bodies

FT -Terrorist Financing

GABAC- Task Force on Money Laundering in Central Africa

GAFI-Group d'Action Financière

GAFILAT- Financial Action Task Force of Latin America

GAO-United States Government Accountability Office

GIABA- Inter-Governmental Action Group against Money Laundering in West Africa

GTA-2010 Global Money Laundering and Terrorist Threat Assessment

IAIS-International Association of Insurance Supervisors

ICRG -International Co-operation Review Group

IFI -International Financial Organizations

IMF- International Monetary Fund

IOSCO- International Association of Securities Commissioners

IRA - Irish Republican Army

ISIL-Islamic State of Iraq and the Levant

MENAFATF- the Middle East and North Africa Financial Action Task Force

ML- Money Laundering

MONEYVAL- Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

NATO - North Atlantic Treaty Organization

OECD- The Organization for Economic Co-operation and Development

OFC-Offshore Financial Center

Palermo Convention-United Nations Convention against Transnational Organized Crime (2000)

PKK – Kurdistan Workers Party

ROSC-Report on Observance of Standards and Codes

Special Recommendations-Nine Special Recommendations on Terrorist Financing issued by FATF

SR- Special Recommendation

STR- Suspicious Transaction Reporting

Strasbourg Convention-Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime (1990)

The Forty Recommendations-The Forty Recommendations on Money Laundering issued by FATF

TTF-Topical Trust Funds

UN – United Nation

US- United States of America

Vienna Convention-United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)

WGEI -Working Group on Evaluations and Implementation

WGTM -Working Group on Money Laundering and Terrorist Financing

WGTYP -Working Group on Typologies

Wolfsberg Group-Wolfsberg Group of Banks

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ABSTRACT

This study investigates international organizations which are dealing with terrorist financing, tries to determine what their role is and what contributions they make to the issue. The research topic on struggle against terrorist financing will be analyzed step by step and will be followed by details of international organizations which have prioritized this research topic. Accordingly, this study tries to determine what terrorism is, how it is defined and classified. After that, the reasons for the need for terrorist funding are investigated from the aspects of how legal or illegal sources are flourished and how these funds have been manifested. It is worth mentioning about the early counter-terrorism history in order to determine how international organizations interact with/and are interested in the struggle against terrorist financing and who are the actors and which are the events that affect this process in the world politics. In that transition stage, priorities that lead to the terrorist financing's technical adaptation will be assessed. It will also be investigated which of the international organizations have taken action by way of prioritizing the struggle against terrorism and terrorist financing, and what the roles/and the results of these struggles were. It is considered that some of the international organizations that are struggling against terrorist financing are considered as the authorities which have set international standards. Decisions and reports produced by the international organizations that are involved in the struggle against terrorist financing will be examined in detail and the details of what are the priorities of the international organization that have been struggling against terrorist financing will be examined. This study will abstract the history, the structures, the working groups, composition, and participation of Financial Action Task Force (FATF). There are 40 recommendations and special recommendations set by the FATF to combat terrorist financing (CFT) and anti-money laundering (AML). This study will try to cover the CFT terminologies in the recommendations and will specify what those special recommendations on terrorist financing are and will investigate which

deficiencies and limitations they have experienced in the struggle against terrorist financing. This study analyzes two terrorist groups as a case, Islamic State of Iraq and Levant (ISIL) and Al-Qaeda, to look financial war and strategies on these terrorist groups since 2001. How effective international organizations' campaign to limit terrorist finance has been a matter of controversy. This study suggested the way of solutions on this controversy.

ÖZET

Bu çalışma, terörizmin finansmanı ile mücadele eden uluslar arası organizasyonların hangileri olduğu, rollerinin neler olduğu ve konuya hangi açılardan katkı yaptıklarını araştırmaktadır. Terörizmin finansmanı ile mücadele araştırma konusunun parçalara ayrılarak tanımlanması yapılmaya çalışılacak ve sonunda bu araştırma konusunu öncelikleri arasına koymuş uluslararası organizasyonlar incelenecektir. Bu sıralamaya göre ilk önce terörizmin ne olduğu, nasıl tanımlandığı ve sınıflandırıldığı tespit edilmeye çalışılacaktır. Bundan sonra terörizmin kaynak ihtiyacının nedenleri, hangi yasal veya yasal olmayan kaynaklardan beslendiği ve bahsedilen kaynakların nasıl büyüdüğü araştırılacaktır. Terörizmle mücadelenin geçmişine değinilirken terörizmin finansmanı ile mücadele aşamasına uluslararası alanda nasıl gelindiği, geçiş aşamasında bu sürece etki eden aktörlerin ve olayların neler olduğu belirlenmeye çalışılacaktır. Bu geçiş aşamasında terörizmin finansmanı ile mücadelenin teknik altyapısının hangi önceliklere göre kurulduğu değerlendirilecektir. Uluslararası organizasyonların hangilerinin terörizm ve terörizmin finansmanı ile mücadeleyi öncelikli kılarak hareket ettiği ve bu mücadele de rollerinin neler olduğu araştırılacaktır. Terörizmin finansmanı ile uluslararası alanda mücadele eden organizasyonların hangilerinin uluslararası standartları oluşturabilecek otorite olarak kabul edildiği değerlendirilecektir. Terörizmin finansmanı ile mücadele kapsamında uluslararası çalışmalar yürüten organizasyonların konuyla alakalı almış olduğu kararlar ve raporlar detaylı olarak incelenerek, hangi uluslararası organizasyonun hangi önceliklerle terörizmin finansmanı ile mücadele ettiği detaylarıyla incelenecektir. FATF tarafından terörizmin finansmanı ve kara para aklama ile mücadele için oluşturulmuş 40 tavsiye ve 9 özel tavsiye bulunmaktadır. Çalışma terörizmin finansmanı ile uluslararası mücadele terminolojisini kapsamaya çalışırken, terörizmin finansmanı ile mücadele amacıyla çıkarılan 9 özel maddeyi detaylı inceleyerek eksik ya da kısıtlı yönlerini tespit etmeye çalışacaktır. Çalışma Irak ve Şam İslam Devleti (ISID) ve Al-Qaeda terör

örgütleri ile finansal savaş ve stratejilerini 2001 yılından bugüne kadar analiz etmektedir. Terörizmin finansmanını kısıtlamaya yönelik uluslararası organizasyonların çabalarının etkili olup olmadığı bir ihtilaf konusu iken, çalışma bu ihtilafa çözüm yolları önermektedir.

INTRODUCTION

The notion of terrorism has been a controversial concept that has not been a uniform definition for it over the years. Establishing this definition is the first and most important step for understanding terrorist financing. The common definition of terrorism is also important in the struggle against terrorist financing to identify the risks and to take preventive measures.

Studies conducted in the framework of terrorism in Turkey have been limited to terrorist organizations at the national level in the field. Those national assessments are currently insufficient to define the supranational place of terrorism. Nugent (2003, p.475) notes supranationalism takes inter-state relations beyond cooperation into integration, and involves some loss of national sovereignty. Those inadequate definitions and examples are directly affecting the international struggle against terrorism. One state's definition of terrorism can contradict with the other states' definitions. One state's terrorist could be defined as freedom fighter from the view point of another state. This acute discrepancy among the views of different states stems from the variety of definitions of terrorism. Germany Home Secretary Thomas de Maiziere declared that Germany and Turkey have different prospects on terrorism definition, and this contradiction has eventually harmed bilateral relations (Sputnik 2017). This discrepancy on the definition of terrorism has caused great damage to international relations, and it has unfortunately incapacitated the better and exact understanding of terrorism.

Academic studies within the context of the international struggle against terrorism have been shaped by the role and efficiency of United Nations (UN). They have not included other international organizations which struggle against terrorism in an adequate manner. These limitations have inescapably affected and impacted in a negative fashion our prospects of fighting against terrorism at both national and international levels. Internationally accepted and shared definition of terrorism can help developing international approach to struggle against terrorist financing. International organizations provide many opportunities to develop the

necessary international approach to fighting against terrorism, but we do not know how it might work? And to which extent? In this sense, this study has tried to describe the ways that how international organizations could work and what their prospects would be against terrorism and terrorist financing.

Conceptual debates on terrorism have only identified sociological side, but economic aspects of the issue have been neglected for many years. In our time, there is no internationally accepted definition of terrorism. Therefore, it has also led to the lack of clarification on definition of terrorist financing, despite the fact that this lacking in the definition of terrorism has prevented the concept of struggle against terrorist financing from achieving its goals for many years. Nonetheless, it has become one of the most important issues of the international agenda, in particular with the significant contributions of international organizations after 9/11.

Jimmy Gurule (2009) noted that terrorism is a global threat and it is not possible to win fight against terrorism without common mind, sustainability, continuity and collaboration. This study has supported this idea and underlined the fact that terrorism can only be confronted by the way of establishing a structure over and beyond the borders so as to indicate that this scourge cannot be rooted out by just single state. It should first be accepted that terrorism and terrorist financing are global threats and solutions can only be found on a ground comprised of common mind, continuity, sustainability and collaboration.

History of terrorism has showed that fighting terrorism with mere military and police measures is inadequate and ineffective; it is needed to have the causes and consequences investigated in a systematic and structural way. It is obvious that this substantial threat, which transcends borders, makes cooperation among states compulsory. Within the scope of international cooperation efforts, terrorist financing is one of the major issues in struggling against terrorism.

On September 11, 2001, 19 terrorists committed the largest and deadliest terrorist attack in the United States of America. The response from the international community, and in particular the US, was swift (ed. Ryder 2015, p.3).9/11 attacks triggered, a global war on terrorism and prompted a new burst of

rule-making and interaction on terrorist financing. FATF, the United Nations and the European Union enacted this policy change at a global level in order to struggle against terrorist financing. Then, IMF, the World Bank, Council of Europe, Egmont Group of Financial Intelligence Units, the Wolfsberg Group of Banks and Basel Committee on Banking Supervision enacted CFT regime.

This study has also searched about the possibilities for motivations of international organizations in struggle against terrorist financing? To what extent can their own reasons go in this fight? Moreover, terrorist financing is a global threat and this threat needs collaboration, persistence and global solutions. However, international organizations' efforts on collaboration are limited or not? and to what extent international organizations' efforts in struggle against terrorist financing? This study tried to find answers of these questions.

Robert Axelrod and Robert Keohane (1985) emphasize the importance of anarchy defined as the absence of government but argue that this constant feature of world politics permits a variety of patterns of interaction that could occur among states. Neo-institutional liberalism underestimates the importance of worries about survival as motivations for state behavior, which it sees as a necessary consequence of anarchy.

Neo-institutional liberalism tries to find answers why the actors choose organizations to further their interests and which features of the organizations affect it. Keohane and Nye (2001) argue that interdependence, especially economic interdependence, is an important feature of world politics. Also, Keohane and Nye (2001) argue that states are dominant actors in international relations; it is not an effective instrument of policy. This mutual interdependence among states positively affects behavioral patterns and changes the way the states cooperate (Keohane & Nye 2001).

Neo-institutional liberalism emphasizes that international relation is anarchic, states are self-interested and co-operation among nations are possible. Organizations may define rules, norms, practices and decision-making procedures that shape expectations and this can be overcome the uncertainty that undermines co-operation (Gutner 2016). Neo-institutional liberalism argues that organizations

enhance information about state behavior and increase efficiency. The neo-institutional liberalism defines actors how to cooperate in the international anarchic environment; international organizations are key players that can solve problems such as terrorism, originated in the anarchy in world political system. This study tries to find answers on how the international organizations affect struggle against terrorist financing. Gurule (2009) noted that states should support from international organizations in struggle against terrorist financing. Moreover, he claimed that terrorism is a global threat and money is a liquid commodity, it is not possible without common mind, sustainability, continuity and collaboration. This study has searched for how those neo-institutional liberalism theories work under a global threat, like terrorism.

This study has tried to answer three questions; first is it possible to combat terrorist financing with international organizations under neo-liberal institutionalism? Second which international organizations can combat terrorist financing, and through which mechanisms? Neo-institutional liberalism theory explains international organizations as may define rules, norms and standards, such as Counter Terrorist Financing (CFT) measures. This study has searched that CFT measures has worked on cases or not?

Struggle against terrorist financing has become an internationally recognized issue with the adoption of the International Convention on the Prevention of Terrorist Financing on 9 December 1999 in the UN General Assembly. Measures taken against terrorist financing to be applied by organizations such as Financial Action Task Force (FATF), United Nations, World Bank and International Monetary Fund (IMF), Council of Europe, European Union, G-20, Egmont Group, Wolfsberg Group and Basel Committee on Banking Regulations. They are following a trend of constantly increasing and expanding the range, scope, and field of application of these measures.

This study has mentioned about international organizations which struggle against terrorist financing, after that it has assessed the context of FATF and FATF Special Recommendations on Terrorist Financing. It has specifically

examined FATF, its decision-making processes, 40 Recommendations and 9 Special Recommendations.

Financial Action Task Force (FATF) is one of those institutions that sets standards on the struggle against terrorist financing. It has 40+9 recommendations for money laundering, combating terrorist financing and proliferation. After the 9/11 attacks, the appropriate recommendations that have been developed in the struggle against terrorist financing, which has not been examined before in academic studies related to terrorism.

The fact that terrorist financing and FATF issue has already been very limited in academic studies and the FATF special recommendations for struggling against terrorist financing have not been included in the academic studies sufficiently. It is difficult to find resources on this issue and it is necessary to carry out the research for this study in other languages.

The history of struggle against the terrorist financing by international organizations will be narrated based on their reports. FATF, one of these international organizations, and its nine special recommendations brings out the struggle against terrorist financing, will be examined in detail.

These recommendations are:

- I.** Ratification and Implementation of UN Instruments
- II.** Criminalizing the Financing of Terrorism and Associated Money Laundering
- III.** Freezing and Confiscating Terrorist Assets
- IV.** Reporting Suspicious Transactions Related to Terrorism
- V.** International Co-operation
- VI.** Alternative Remittance
- VII.** Wire Transfers
- VIII.** Non-profit Organizations
- IX.** Cash Couriers

In this study, State Reviews CFT (Countering the Financing of Terrorism), FATF Annual Reports, High Level Principles and Procedures, Methodology of Terrorist Financing, FATF Terrorist Financing Strategy, Financing of Terrorist Organization Islamic State of Iraq, the Levant and Al-Qaeda Reports published by FATF will be cited for determining the possible shortcomings and limited aspects of 9 specific recommendations mentioned to CFT. The actors and factors that impede development of these incomplete and limited aspects will be determined.

International organizations efforts in fight against terrorism are main research topic for this study. It studies on 2 terrorist group cases, such as Al-Qaeda and ISIL. Both cases found out some results on international organizations efforts in fight against terrorism and terrorist financing. These results showed that international organizations have limited affect in fight against terrorist financing. This study argues on limited affects of international organizations and makes future predictions on international organizations fight against terrorist financing.

In the first section, it will be analyzed how to approach the theoretical framework. It will try to explain the crucial role that the international organizations play in supra-national issues of interest to the whole world in the struggle against terrorist financing by referring to neo-institutional liberalism theory thinkers. Where neorealists have been seen to focus on security measures, neo-institutional liberalism are believed to have placed greater emphasis upon environmental and economic issues, with specific emphasis on the latter (Lipson 1984). Keohane and Nye (2001) argue that interdependence, especially economic interdependence, is an important feature of world politics. Also, Keohane and Nye (1971) argue that states are dominant actors in international relations; it is not an effective instrument of policy. This mutual interdependence among states positively affects behavioral patterns and changes the way the states cooperate (Keohane & Nye 2001). This study will also try to explain the cooperation in the struggle against terrorist financing and rational actors such as international organizations and states. Attempt will also be made to explain how this study approaches the concern regarding the theoretical framework. Then a conceptual

definition of terrorism, the first and the most important step in the struggle against terrorism, will be conducted. Terrorism character, history of terrorism, causes of terrorism and classification will be completed.

In second section of this study, the reasons for the need of funding terrorist groups that constitutes infrastructure of the concept of terrorist financing will be investigated. Legal and illegal sources of terrorist financing will be explained in detail.

In third section, the scope of international co-operation studies will be investigated during the struggle against terrorist financing. It includes international organizations such as the International Financial Action Task Force (FATF), the United Nations, the World Bank, the International Monetary Fund, the European Council, the European Union, the G-20, the Egmont Group, the Wolfsberg Group and the Basel Committee on Banking Regulations. Organizations' studies, recommendations and reports on CFT will be assessed.

In fourth section of this study, the structure of the FATF, the membership, and the working groups will be investigated to see what purpose of the FATF recommendations is. Special recommendations under the heading of FATF's combating terrorist financing (CFT) will be interpreted in detail by referring to criticisms regarding the lack of and the limitations of standards. This study tries furthermore to explain the FATF mutual evaluation process in order to understand name and shame model for non-compliant states for CFT. FATF still in process to improve its priority of CFT, so limitations of CFT strategy and special recommendations will be analyzed. In this context, FATF which has a decisive role in specifying the recommendations in the struggle against terrorist financing will be discussed in terms of weak and strong points within the scope of this study. The problems that may be experienced in the implementation of the standards in the international arena will be evaluated. The sanctioning power of the FATF to enforce the standards on member states and the rates of application of the states to the special standards will be handled in a comparative manner.

In fifth section of this study, study put summarize of international organizations efforts and remind their unique reasons in struggle against terrorist financing. The struggle against terrorist financing as earlier sections defined , is reliant on a number of mechanisms including the criminalization of terrorist financing, freezing or forfeiting the assets of terrorists, the use of financial intelligence and use of sanctions. Thus, the key question for this section has been what extent these measures will be able to limit the funding activities of terrorist financing. Moreover, study searched that what extent are CFT measures will have on these terrorist groups? Is this struggle against both terrorist organizations' financing, international organizations efforts are proper or limited?

In conclusion, a summary is made and results are put forward. There are citations of earlier sections to remind findings. This study put findings of evaluation section and emphasizes limited points of CFT regime. International organizations has essential role in struggling against terrorist financing. This study reminds of this role of international organizations and puts forth its own advices for them in struggle against terrorist financing. Moreover, a future prospect on FATF Special Recommendations is defined and it proves itself up to the hilt that the situation of CFT is limited. Ultimately, this study tries to clarify an up to date perspective on CFT and struggle against terrorist financing strategies.

SECTION ONE

THEORETICAL, METHODOLOGICAL AND CONCEPTUAL FRAMEWORK

1.1 THEORETICAL AND METHODOLOGICAL FRAMEWORK

Robert Keohane (1993) emphasized that students of international affairs need a better theory of organizations. So he started a new discussion over organizations and their importance. Liberal scholars before made organizations the primary subject of their mostly descriptive and patently normative inquiries: organizations mattered to them (Onuf 2002, p.211). Realist and liberal thinkers start with states as rational agents, and not particularly on organizations.

The best theory would tell us when organizations necessarily matter to states, and why necessary and possibly how? It would help us to understand the ways in which organizations possibly matter, by telling us how they come about, what the properties that they have, and how they can be used (Winch 1971).

Economists have also experienced a renewed interest in organizations (Ed. Langlois 1986) (Rutherford 1994). Friedrich Hayek (1974) has a precise point of view to understand, which organizations matter to rational individuals. A giant among liberal economists, the polemicist of great power, Hayek was unwavering in his convictions and relentless espousing them over three decades (Onuf 2002, p.211). Hayek's story would seem to offer something to any scholar who assumes that agents make rational choices (Hayek 1974). Discussions of organizations in the field of international relations (IR) have far more to do with system properties and agent goals than with the cumulative effect of agents' choices on institutional conditions and the specific effects of organizations on agents' choices (Baldwin

1993) (Keohane 1993). Kenneth Waltz (1979) quoted in *Institutions, Intentions and International Relations*, insistence that the market is not an institution or an agent in any concrete or palpable sense, but instead a structural cause, is the reason (Onuf 2002, p.212). He did not accept Hayek's economic organizations explanation and claim that the international system is structurally similar to a market.

This study tries to find the best theory that can explain international organizations in world political system; it analyzes the organizations in international theories based on issues, such as anarchy, state interests, integration and cooperation. This study will finalize with the readings of international relations theories on international organizations.

Although no one denies that the international system is anarchical in some sense, there is a disagreement as to what this means, why it matters and how (Baldwin 1993, p.4). Arthur Stein (1982, p. 324) distinguishes between the independent decision making that characterizes anarchy and the joint decision making in international regimes and then suggests that it is the self-interests of autonomous states in a state of anarchy that leads them to create international regimes. Charles Lipson (1984, p.22) notes that the idea of anarchy is the Rosetta stone of international relations but suggests that its importance has been exaggerated by the neorealist at the expense of recognizing the importance of global interdependence. Robert Axelrod and Robert Keohane (1985) emphasize the importance of anarchy defined as the absence of government but argue that this constant feature of world politics permits a variety of patterns of interaction among states. Joseph M. Grieco (1988, p.497) contends that neo-institutional liberalism and neo-realism fundamentally diverge on the nature and consequences of anarchy. He asserts that the neo-institutional liberalism underestimates the importance of worries about survival as motivations for state behavior, which he sees as a necessary consequence of anarchy.

Helen Milner (1991, p.70, 81, 82) identifies the discovery of orderly features of world politics amidst its seeming chaos as perhaps the central achievement of neo-realism, but she agrees with Lipson (1984) that the idea of anarchy has been overemphasized while interdependence has been neglected. Duncan Snidal (1991) views Prisoner's Dilemma (PD) situations as examples of the realist conception of anarchy, while Grieco (1988) associates PD with neo-institutional liberalism. In general, neo-realism sees anarchy as placing more severe constraints on state behavior than do neoliberals (Baldwin 1993, p.5). Uncertainty and fear defined the perspective for neorealist's anarchic environment, but neo-liberal institutionalism has a different perspective that asserts international organizations can reduce state's uncertainty and fear by encouraging cooperation between them.

Neo-institutional liberalism and neo-realism agree that both national security and economic welfare are important, however, they differ in relative emphasis on these goals. Lipson (1984) argues that international cooperation is more likely in economic issue areas than in those concerning military security. Since neo-realism tends to study security issues and neo-institutional liberals tend to study political economy, their differing estimates of the ease of cooperation may be related to the issues they consider. Grieco (1988) contends that anarchy requires states to be preoccupied with relative power, security, and survival. Powell (1991) constructs a model intended to bridge the gap between neo-institutional liberalism emphasis on economic welfare and neorealist attention of security. In his model, states are assumed to be trying to maximize their economic welfare in a world where military force is a possibility (Baldwin 1993, p.7). For the most part, neorealism or neo-institutional liberalism treats state goals by assumption. As Keohane (1993) points out, neither approach is good at predicting interests.

Furthermore, constructivist lawyers and political scientists have made a strong case that the roles that representatives of states assume, and even their conceptions of self-interest, depend significantly on the rules and practices of

international organizations (Wendt 1992). Hence, how actors' interests are constructed remains an open question. The instrumentalist optic has interests more sharply in focus than the normative optic. It is clearer what those interests are, and that the arguments being made are not circular. However, the fact that organizations can structure interests' means that interests are not the instrumentalist's trump cards after all (Keohane 1999, p.376).

In Morgenthau's view, the obvious measure of a nation's power is found in military strength. Such power is the main determinant for the place of state actors in the hierarchically-arranged international system the agenda of which is dominated by security concerns (Morgenthau 1949, p. 54). Realism defines that states are the main actors in world political system, but in modern world political system, this argument is inadequate. Non-state organizations, multinational companies are also actors that affect the world political system in line with state interests. However, we can say that these new actors cannot establish new paradigms and structures without states. Keohane and Nye (1977) criticized realist school of thought in such a way that; states are not the only players in world political system. They are necessarily unitary actors as they are composed of competing bureaucracies, force itself may now be an ineffective instrument of policy; the traditional hierarchy of issues with military/security matters dominate economic and social ones is now replaced by an agenda in which a clear hierarchy of topics does not exist (Keohane & Nye 1977, p. 24,25).

Neo-realism, unlike Realism, underlines that states continue to be the most talented actors, even if they are not the sole actors of international relations (Ari 2013). At the same time, according to neo-institutional liberalism, states are rational actors. Neo-institutional liberalism, however, accept the presence of other actors from the state (Ari 2013). According to this theory, there are many actors in international relations, such as individuals, international organizations, pressure groups other than states.

Cooperation among nations has become the focus of a wide range of studies in the past decade, a subject of interest to political scientists, economists, and diplomats (Milner 1992, p.466). A notable feature of the recent literature on international cooperation is the acceptance of a common definition of the phenomenon (Keohane 1986). Following Robert Keohane (1986), some scholars have defined cooperation as occurring when actors adjust their behavior to the actual or anticipated preferences of others, through a process of policy coordination (Lindblom 1965). This conception of cooperation consists of two important elements (Deutsch 1949). First, it assumes that each actor's behavior is directed toward some goals. Second, the definition implies that cooperation provides the actors with gains or rewards (Milner 1992, p.468). Keohane (1986), Kenneth Oye's (1986) *Cooperation under Anarchy* volume, Joseph Grieco (1990), and Peter Haas (1990) all employ the same definition. They should, therefore, be able to agree on what is cooperative behavior and what is not. Their disagreements are not about what constitutes cooperation; they are about what causes it (Milner 1992, p.468).

Although neo-institutional liberalism and neo-realism agree that international cooperation is possible, they differ as to the ease and likelihood of its occurrence. According to Grieco (1993), neorealist's view international cooperation is harder to achieve, more difficult to maintain, and more dependent on state power than do the neo-institutional liberalism. Both Keohane (1993) and Grieco (1993) agree that the future of the European Community will be a major test of their theories. If the trend toward European integration weakens or suffers reversals, the neorealists will claim vindication.

David Mitrany is an integration theorist who believed that supra-national institutions should solve common problems, so he focused on the integration process on the functional way (Mitrany 1965). It called this functionalist way as ramification meaning co-operation in one sector would lead governments to extend the range of collaboration across other sectors. As states become more embedded in integration process, the cost of withdrawing from co-operative

ventures increases (Dunne 2001). Haas (1961), also another liberal thinker asserts the reasons whether states need integration or not. Haas emphasized that regional and international organizations are very important for states which don't have enough capacity to reach their aims (Haas 1961). Most states treat regional or international organizations as having importance for them to reach their own goals. These ideas of Mitrany and Haas contributed to European Union integration which clearly ignores the traditional state-centric view that is used for realism. Liberal thinkers decline state autonomy for supra-national organization decision making; however realist thinkers focus on state autonomy as a consequence of their independence (Keohane & Nye 2001).

One of the fundamental concepts of liberalism in international relations is integration. Integration in the world comes from strong international organizations. This process faced some problems and these problems were solved with liberal thinkers' arguments like Mitrany's ramifications (Mitrany 1965). This political and economic integration affected the whole system which stem from common needs and benefits in regional or international level. The system faced problems which state could not solve by themselves. When we look at the core features of neo-institutional liberalism, first of all, the analysis of peace and co-operation emerges (Ari 2013). Neo-institutional liberalism analyzes international relations at the unit level. They are concerned with the systematic consequences of unit level problems.

Democracy, the fundamental principle of liberalism, continues to be the most basic principle of neo-institutional liberalism (Ari 2013). Neo-institutional liberalism thought that cooperation between liberal democratic states is possible. There are, however, some factors that will favor mutual co-operation of the states (Ari 2013). At the forefront of the reasons leading to the cooperation of the states are international organizations, international law, rational behavior of states.

Michael Doyle also thought that liberal states could create peace between other liberal states (Russett et al. 1995). Moreover, integration contained political

or economic gains for the members, that liberalism in international relations emphasizes the position of this type of international organizations (Doyle 2004). Liberal states exercise peaceful restraint, and a separate peace exists among them. It also offers the promise of a continuing peace among liberal states. And, as the number of liberal states increases, it announces the possibility of global peace this side of the grave or world conquest (Doyle 2005).

Stein (1982, p.318) depicts the liberal view of self-interest as one in which actors with common interests try to maximize their absolute gains. Actors trying to maximize relative gains, it asserts, have no common interests. Lipson (1984, p.15, 18) suggests that relative gains considerations are likely to be more important in security matters than in economic affairs. Grieco (1988, p.487) contends that neoliberal institutionalism has been preoccupied with actual or potential absolute gains from international cooperation and has overlooked the importance of relative gains. He suggests that the fundamental goal of states in any relationship is to prevent others from achieving advances in their relative capabilities. (Grieco 1988, p.498) So, it is evaluated that this theory will increase the depth of analysis of our study because this theory accepts that states are rational. Under this assumption, standards set by international organizations put pressure for further cooperation on member states.

Robert Axelrod seeks to address this question: "Under what conditions will cooperation emerge in a world of egoists without central authority?" (Axelrod 1984, p.3, 4, 6) Similarly, Axelrod and Robert Keohane observe in world politics that "there is no common government to enforce rules, and by the standards of domestic society, international organizations are weak." (Axelrod & Keohane 1985, p.226)

Neo-institutional liberalism claims that, contrary to realism and by traditional liberal views, organizations can help states work together (Keohane 1984, p.9). Thus, neo-institutional liberalism argues the prospects for international cooperation are better than realism allows (Keohane 1984, p.14, 16).

Neo-institutional liberalism begins with assertions of acceptance of several key realist propositions; however, they end with a rejection of realism and with claims of affirmation of the central tenets of the institutional liberalism tradition (Grieco 1988, p.493). To develop this argument, neo-institutional liberalism, first observe that states in anarchy often face mixed interests and, in particular, situations which can be depicted by Prisoner's Dilemma (Axelrod 1984, p.7) (Keohane 1984, p.66, 67, 68, 69) (Axelrod & Keohane 1985, p. 231).

Neo-institutional liberalism finds that one-way states manage verification and sanctioning problems is to restrict the number of partners in a cooperative arrangement (Keohane 1984, p. 77). However, neo-institutional liberalism places much greater emphasis on a second factor, international organizations. In particular, neo-institutional liberalism argues that organizations reduce verification costs, create iterations, and make it easier to punish cheaters (Grieco 1988, p.495). As Keohane (1984) suggests, in general, regimes make it more sensible to cooperate by lowering the likelihood of being double-crossed (Keohane 1984, p.97). Similarly, Keohane and Axelrod assert that international regimes do not substitute for reciprocity; rather, they reinforce and institutionalize it. Regimes incorporating the norm of reciprocity delegitimize defection and thereby make it more costly (Axelrod & Keohane 1985, p.250). Also, finding that coordination conventions are often an element of conditional cooperation in Prisoner's Dilemma, Charles Lipson suggests that in international relations, such conventions, which are typically grounded in ongoing reciprocal exchange, ranging from international law to regime rules (Lipson 1984, p.6).

Arthur Stein (1982) argues that just as societies create states to resolve collective action problems among individuals, so too regimes in the international arena are also created to deal with the collective sub-optimality that can emerge from individual state behavior (Stein 1982, p.123). Hegemonic power may be necessary to establish cooperation among countries, neoliberals argue, but it may endure after hegemony with the aid of organizations. As Keohane (1984)

concludes, when we think about cooperation after hegemony, we need to think about organizations (Keohane 1984, p.246).

This study tries to find the best theory that can explain international organizations in world political system; it analyzes international organizations in international theories based on issues, such as anarchy, state interests, integration, and cooperation. The analysis should finally focus on readings of international theories on international organizations.

The critical approach to organizations is emphasized by realist tradition in international relations. Realist approach tries to cover the dynamics of international politics. The researchers seek to find answers as to why the actors choose organizations to further their interests and which features of the organizations affect this choice. Neo-realist and neo-institutional liberalism research organizations find answers to these questions. Realist theories of international relations view the distribution of political and economic power as the principal determinant in approach. Keohane, Stein, Snidal quoted in “Reform at the United Nations: Reconciling Theory and Practice” that explanation of the hegemonic stability theory of the extensive institutionalization in the international system is that hegemonic power creates organizations to legitimize its power (Sönmez 2006, p.37).

Kenneth Waltz’s only comment in the *Theory of International Politics* underlines that the institution has no regulatory role in the system because it simply reflects a state’s interests (Waltz 1979, p.164). Neo-realists believe that international organizations play little or no role in maintaining international security and peace because states’ interests dictate international organizations’ decision making. Mearsheimer approved the neo-realist statement that most powerful states in the system create and shape organizations so that they can maintain their share of world power (Mearsheimer 1994/95, p.13). In this view, organizations are essential areas for acting out the relationship (Evans & Wilson 1992, p.330).

Although neo-institutional liberalism systematically studies the role of international organizations in world politics, since they believe that the conditions under which organizations matter are not present particularly in the security area during the Cold War (Barnett, 1997, p.528). However, both neo-realism and neo-institutional liberalism have a consensus, that states are treated as rational actors operating in a world political system. Neo-institutional liberalism is broadly concerned with explaining how rational states under anarchy conditions can engage in cooperation and how organizations overcome barriers to cooperation by providing states mutual gain (Keohane 1984, p.9).

“We students of international affairs need a better theory of organizations.” (Keohane 1993, p.293). So said Robert Keohane, who is a principal in discussions of organizations and their importance. Liberal scholars of an earlier time made organizations the primary subject of their largely descriptive and patently normative inquiries: organizations mattered to them (Onuf 2002, p.211). A new generation of scholars, realist and liberal, start with states as rational agents, and not organizations. They ask whether organizations matter, not to themselves as scholars, but to states making choices consistent with their goals (Onuf 2002, p.211).

Neo-institutional liberalism and neo-realism theories agree that both national security and economic welfare are important, but they differ in relative emphasis on these goals. Lipson (1984) argues that international cooperation is more likely in areas of economic issue than in those concerning military security. Since neorealist tend to study security issues and neoliberals tend to study political economy, their differing estimates of the ease of cooperation may be related to the issues they study.

Neo-institutional liberalism is the best international relation theory that describes the international organizations to combat terrorist financing. This study can clearly explain the limitations and weaknesses of organizations on the struggle against terrorist financing. Neo-institutional liberalism underlines that

international relations is anarchic, states are rational and cooperation is possible between states.

This study believes that terrorism is originated in this anarchic environment and struggle against terrorism and terrorist financing needs cooperation between states. Thus, neo-institutional liberalism emphasizes that organizations can overcome these anarchic problems with setting rules and procedures. FATF and special recommendations on terrorist financing is the other title that this study will focus using neo-institutional liberalism to exactly define FATF and its recommendations.

1.1.1 Methodology

Struggle against terrorism is a supra-national concept, and cannot be ended without following the trail of money. However, this study divides issues and starts to define terrorism and it will take stock of articles, books and academic studies on terrorism. It will try to reach a common definition of terrorism.

This study will look at the key players in combating terrorist financing, which have not found enough relevance in academic studies and will analyze how relevant international cooperation is in this respect. The scope, deficiencies, and state of existing co-operation activities will be assessed in light of the reports published by international organizations and the relevant articles written on the subject.

It will explain which international organizations are considered to be the key players in the struggle against terrorist financing, which have not been sufficiently included in academic studies. There are not enough academic resources on terrorist financing and related international organizations. Hence, this study benefits from primary sources, such as organizations reports, articles, publications and web sites.

Under FATF and special recommendations sections of this study, FATF publications, reports and personal communication with Alexandra Wijmenga-Daniel who is the Communications Management Advisor at Financial Action Task Force (FATF) will be utilized. For analyzing FATF and special recommendations on terrorist financing, this study will aim to benefit from critical articles and institutional reports on effectiveness of terrorist financing.

1.2 CONCEPTUAL FRAMEWORK

1.2.1 Terrorism Concept and Definition

In general, violence has not a political goal, another way; it covers the whole of the damaging assaults up to the enemy. Violence is both an aim and a prerequisite for terrorism. Terrorism is also politically motivated violence (Bese 2002, p. 23). When assessed in the framework, terrorism is both the fear created by violence and act of violence that creates the case (Zafer 1999, p. 9).

On the other hand, terrorism means organized and systematic use of terror to reach political purposes. Terror is sometimes used instead of terrorism, but also it refers to terrorism (Baseren 2002, p.183). Today terror and terrorism have now disappeared in spoken language, and both concepts have the same meaning and have been started to replace each other (Zafer 1999, p.11).

Terrorism, secretly entered the daily spoken language and to be an indispensable notion of the spoken language at the end of the 19th century (Hoffman 1998, p.13). The ambiguity of terrorism notion is always a problem. Terrorism and terrorist are defined to oppose someone or something, but it is clear that terrorist and terrorism definitions may change and a terrorist will not be a terrorist forever. For example, during the occupation of France, those who were

called terrorists by German occupying army suddenly became the heroes of liberation, the resistance fighters. The victory could determine the results.

Historical events tend to demonstrate that terrorism has never ceased; it sails on the crest of ambiguity and appears in various forms (Sorel 1999). The aphorism of terrorism persists: "one man's terrorist is another man's freedom fighter." The president of Spanish Government J.M. Aznar who assimilates Ben Laden to ETA and declares that he does not make any differences between terrorists (Aznar 2002). Furthermore he added that making differences was to start losing the fight (Le Monde, 17 January 2002). It is the right of states to fight against terrorism, but it should be specified that the ambiguity in the definition of terrorism still continues to this day.

Terrorism has different definitions; subjective definitions are easier than objective ones, because the objective definition is very difficult, perhaps even impossible. While the simpler part may be more national and state-based, the difficult definition is especially of international scope. In a simpler sense, states can more easily determine whether violence within themselves, is terrorist or not. However, the definition of international violence in the context of terrorism cannot be expressed clearly. As a matter of fact, no definition of terrorism has been made so far as to agree with the international community (Ayhan 2015). The fact that 109 different definitions of terrorism have been made between 1936 and 1981 is the most obvious indication of the difference in the international understanding of terrorism (Jongman & Schmid 2005).

Table 1.1 Frequency of Definitional Elements in 109 Definitions of Terrorism

Frequency of Definitional Elements in 109 Definitions of Terrorism		
Element		Frequency(%)
1	Violence,force	83.5
2	Political	65
3	Fear, terror emphasized	51
4	Threat	47
5	(Psychological) effects and (anticipated) reactions	41.5
6	Victim-target differentiation	37.5
7	Purposive, planned, systematic tactic	32
8	Method of combat, strategy,tactic	30.5
9	Extra-normality, in breach of accepted rules, without humanatarian constraints	30
10	Coercion, extortion, induction of compliance	28
11	Publicity aspect	21.5
12	Arbitrariness:impersonal, random character, indiscrimination	21
13	Civilians, non-combatants, neutrals, outsiders as victims	17.5
14	Intimidation	17
15	Innocence of victims emphasized	15.5
16	Group, movement, organization as perpetrator	14
17	Symbolic aspect, demonstration to others	13.5
18	Incalculability, unpredictability, unexpectedness of occurence of violence	9
19	Clandestine, covert nature	9
20	Repetitiveness: serial or campaign character of violence	7
21	Criminal	6
22	Demands made on third parties	4

“Source: *Frequency of Definitional Elements in 109 Definitions of Terrorism*” (Jongman & Schmid 2005, p.5,6).

According to these variables, we can shape a general terrorism definition which includes words such as violence, force, political, fear, threat, psychological effects, and anticipated reactions. Furthermore, more definitions include victim-target differentiation, purposive, planned, systematic tactic, a method of combat, strategy, tactic, extra-normality, coercion, and extortion, induction of compliance, publicity aspect, and indiscrimination.

1.2.2 Characteristics of Terrorism

Terrorism stems from the idea of overthrowing the existing order (through violent and illegal means). This inspiration motivates the terrorist group's belief, and in this way, unrelated terrorist groups try to reach the same desire.

Terrorism use violence that consists of hijacking, suicide bombings. They try to exhibit injuries or deaths for all to see. Terrorism defines their war which they believe that it has reasons, so they thought that they are of soldiers fighting (Carr 2002).

The reasons for terrorism can be complex and often deep-rooted; however, they are all derived from political, social, cultural and economic conditions and grievances, perceived or real (Moore 2003). Many societies face worse conditions; terrorism chooses violence to solve these complex issues. They turn grievances to violence, and it comes from ethnic, cultural, political, religious and social issues. Terrorist live in the future, and ideal world is their prophecy (Hoffman 1998). Their future defines an ideal world which includes lots of rights that many cannot ignore and this future is unachievable for their enemies.

Terrorism targets people psychology. They try to gain attention and with this attention reach sympathy. They try to gain acceptance; they try to be a leader to demonstrate their ideas on political, social, ethnic and religious movements. They target to get psychological results and these require sudden, unexpected,

random and spectacular attacks. They create uncertainty and occurrence unexpected reactions.

Terrorism occurs from within, their own war with others, and also with their own enemies. Under these circumstances, ending terrorism is not reachable for states. There are lots of reasons which feed terrorism. Poverty, social injustice, ethnic and cultural conflict and political inequality, exploited by religious and ethnic intolerance and radicalism, egged on by maniacal leaders showing no signs of abating in the future. Similarly, the fundamental characteristics and principles of terrorism will not change (Moore 2003).

1.2.3 History of Terrorism

The root word “terror” (from the Latin “terrere”-“to frighten”) entered Western European languages’ lexicons through French in the 14th century and was first used in English in 1528 (Schmid 1997). “Terrorism gained its political connotations from its use during the French Revolution. The French legislature led by Maximilien Robespierre, concerned about the aristocratic threat to the revolutionary government, ordered the public execution of 17,000 people (“regime de la terreur”) to educate the citizenry of the necessity of virtue (ed. Krieken 2002). Robespierre supporters who turned against him, having supported the use of terror in the first instance, accused him of using terrorism in an attempt to identify the illegitimate use of terror (Schmid 1997). Terrorism, initially associated with state-perpetrated violence, shifted to describing non-state actors following its application to the French and Russian anarchists of the 1880s and 1890s (Conrad 2004).

The formation and source of terrorism in the 19th century have emerged mostly from the complaints of the masses of workers in the Western countries that continue industrialization and urbanization in this period. As a result, terrorist acts

were labeled by the workers' movements in this period (Laqueur&Alexander 1987).

According to Laqueur (1977, p.175), the wave of urban terrorism, which started in the late 1960s after World War II, has emerged in different forms in various countries. It emphasizes that this difference is divided into three main branches: the first is separatist terrorism as in Ireland, Spain and Canada, the second is urban and rural guerrillas in Latin American countries, and the third wave is urban terror which starting with new socialist flows emerging in North America, Western Europe and Japan (Laqueur 1977, p.175).

Although in the 20th century, independence movements, in general, came to the forefront of separatist terrorist events, these developments became more prevalent, and the Cold War era terror was the decisive political discourse. The distinctive feature of the Cold War Terrorism is that terrorism is frequently used by states in this period. Here, it is the intensified support of the terrorist organizations that are fighting against the sides that declare the enemy as a result of the states not taking part in the mutual battles of the states located in the eastern and western blocks rather than the terrorist ones themselves (ed. Bal 2006, p.9). Cronin states that countries were going to change the method because of the losses they have made in the hot war, and the 1970s and 1980s call the peak of state terror (Cronin 2002, p.30).

Terrorism was developed with World War II technologies, and Terrorist hijackings of civil aviation aircraft were a feared and relatively common occurrence.(Evans 1969) The United Nations' response to a series of terrorist attacks on diplomats and civilians in the 1970's was similarly reactionary (Pilgrim 1990). The International Convention against the Taking of Hostages (Hostages Convention) followed in 1979, although it did not result in fewer hostage-taking incidents (ed. Bassiouni 2001). Terrorist attack frequency increased after 1989.

The first examples of the attempt to use the more efficient and mass destruction of weapons began in 1990's. As in the Oklahoma bombing, the proportion of explosives used began to be expressed in tons (Ovet 2005, p. 194,195). On March 20, 1995, a Japanese cult called Aum Shirinko Kyo placed

containers of sarin poison gas on five trains of the Tokyo underground network that converged in the Kasumigaseki station, where many government offices are situated, the attack resulted in 12 dead and 5500 injured and of course a great deal of chaos (Laqueur 2002, p.89). In 1990's terrorist acts show us that terrorists' motives differed widely in the past- and they will differ even more so in the future. However, there are discernible patterns that can be broadly applied (Laqueur 2002, p.154).

Soviet invasion of Afghanistan in 1979 had a significant outcome that would surface in the following decade. In order to contain Soviet invasion, the United States, Pakistan, Egypt and Saudi Arabia collaborated to organize the Afghan resistance which consisted of radical Islamist volunteers arriving from different parts of the Middle East (Ozbudak 2015, p.68). The United States had supplied militants in Afghanistan with arms while Saudi Arabia participated in providing manpower and funds to be used by the resistance. Pakistan provided a logistical corridor for the militants arriving from the Gulf, Maghreb and Palestine. Flow of foreign fighters into Afghanistan continued for 10 years where they were subject to religious and military trainings in camps (Anti Soviet Mujahideen 2015).

After almost a decade, Soviet Union withdrew its forces from Afghanistan upon heavy losses. Jihadist groups accomplished their objectives with regards to defeating the USSR. However, after Soviet withdrawal, these groups were split into two different parts. First group returned to their homes in order to serve for local radical Islamist movements. Second group chose to stay in Afghanistan in order to help train younger Jihadists that would later on join radical Islamic armed resistance movements in Chechnya, Bosnia, Algeria and Kashmir (Migaux 2007).

Osama Bin Laden, a wealthy Saudi, was among the fighters who joined the Jihad in Afghanistan. Chipman and Howell quoted in "How Successful In Terrorism" that one of the goals of the attacks by Al Qaida, including those of 9/11, was the generation of a rift between Muslims and the West and the mobilization of Islamic extremists in the Middle East and elsewhere (Lutz, J. M.,

& Lutz, B. J. 2008, p.17). It is also quite possible that he hoped to provoke an excessively violent reaction from the United States with this attack (Kydd and Walter, 2006, pp. 50, 71).

9/11 attacks occurred along a new cross-national area and ethnic lines (Rostow 2001). The aircrafts were used to destroy the World Trade Center towers in New York and part of the Pentagon building in Washington D.C. This huge attack highlighted deficiencies in the struggle against terrorism on law enforcement and coordination needs for criminal and intelligence, the absence of a comprehensive definition of terrorism (Bâli 2001).

Al-Qaeda set out its major goal as the establishment of an Islamic Caliphate, developments in Syria after 2011 indicated that the group appears to have opted to create a local emirate in Syria that would establish political and territorial control over a limited amount of territory within Syria with the support of other opposition groups fighting against the regime forces in Syria (Mapping Militant Organizations 2017). Jabhat al-Nusra (Hay'at Tahrir al-Sham) emerged in Syria during 2011 as a branch of Al-Qaeda that was formed out of the group's branch in Iraq called "Al-Qaeda in Iraq" (Jones 2013, p.55). The group received ideological, logistical and manpower aid from the Al-Qaeda in Iraq during its formation phase (Chulov 2013). During that time, Al-Qaeda in Iraq, which would later become Islamic State of Iraq (ISI) in 2006, was led by Abu Bakr al-Baghdadi, who is now the leader of JN's main rival in Syria, the Islamic State (IS) (Negus 2006).

JN's main aim during the Syrian Civil War was to defeat Bashar al-Assad regime together with other opposition forces in order to establish an Islamic state projected in Al-Qaeda's charter. A significant event during JN's emergence was its split from Al-Qaeda in Iraq, which would later evolve into the Islamic State. During 2013, Baghdadi released a statement where he declared merger of Al-Qaeda in Iraq (also known as the Islamic State in Iraq – ISI) with JN (Szybala 2013). Meanwhile, JN leader Abu Muhammad al-Julani held back the declaration

regarding announcement of JN's affiliation with Al-Qaeda (Szybala 2013). After Baghdadi's declaration regarding the merger of the AQI and JN in Syria, JN leader Julani made a statement where he declared that there is no possibility of such a merger between JN and Al-Qaeda in Iraq. In addition, Julani stated that he held back his declaration of affiliation of JN to Al-Qaeda due to the efforts to understand a Sharia policy that is appropriate for al-Sham (Syria) reality (Szybala 2013).

Although Al-Qaeda leader Ayman al-Zawahiri declared in June 2013 that both JN and ISI were to operate separately in Syria under the umbrella of Al-Qaeda, JN and ISI eventually split in February 2014 (Atassi 2013). Since 2014, clashes occurred between JN and the IS led by Baghdadi. Frequency of clashes between two Jihadist groups from same descent tend to increase as more groups pledge alliance to IS (Senior Al-Qaeda figure killed by ISIS 24 February 2014, p.8) Meanwhile, United States listed both the IS and JN as foreign terrorist organizations in 2004 and 2014 respectively (Foreign Terrorist Organizations 2017).

ISIS is the major threat for today's that there were lots of attacks in different side of the world by ISIS. These attacks made ISIS to a global terrorism threat for Western countries. It is distinctly declared by ISIS that was a war, called Jihad. ISIS is a Jihadist Militant Organization. They believe that they will place Allah's rule on earth in the form of Caliph, associated Islam. However, it is clear that there is no way to condoned murder and slaughter of innocent people under the guise of Jihad (It Is Not Jihad: Al-Qaida and ISIS Spread Turmoil 2017).

International organizations against terrorist financing, try to fight terrorism and terrorist financing. In this way, international organizations have been in a war today in extremist Islamic extremists, such as ISIL, Levant, Al-Qaeda and more. They try to look into terrorist groups to cut their funds. Thus, terrorist financing is a major issue on struggle against terrorism. G20 Leaders at the summit in Hamburg on 7-8 July 2017 expressed their determination to fight terrorist

financing that includes increasing transparency and beneficial ownership of legal persons and legal arrangements (G20 Leaders Strengthen Their Efforts To Tackle Terrorist Financing Together 2017). These issues show us that terrorism's history covers extremist groups and especially since 9/11 attacks, international organizations have been caught in a struggle against terrorism and terrorist financing.

1.2.4 Components of Terrorism

1.2.4.1 Ideology

An ideology is the beliefs, values, principles, and objectives – however ill-defined or tenuous - by which a group defines its distinctive political identity and aims (Rosenbaum 1975). According to Heywood (2007, p. 15), ideology is a more or less coherent set of ideas that form the basis for organized political action directed at conserving, modifying, or removing the existing system of power. Therefore, all ideologies; (a) provide a description of the existing plan, usually in the form of a "worldview," (b) develop a model for the desired future, a good society view, and (c) how to do political development.

Terrorism has an ideology that wants to spread with violent acts. This is the starting point of view for terrorist groups. All of the acts from terrorist groups have an ideological background. Terrorist groups try to engage people on their ideology. If there is a difference in ideology in their terrorist groups, it needs secession from the group. For instance, the Basque group ETA categorize itself communist and separatist. Political partner of ETA, Herri Batasuna categorized himself both Marxist and separatist (Clark 1984). This has caused splits in ETA (Pollack & Hunter 1988). The Palestinian group Hamas also categorizes itself religious and separatist. They believe in a Islamic Palestinian state. They faced

secession because of these ideological differences in Palestinians other groups (Cubert 1992).

Ideology plays an important role for terrorist groups and its targets. They believe that their targets are the main obstructor to reach their ideology. There are three categorizations of ideologies: Radical Leftist Ideology, Racism, and Religious beliefs ideology (Dilmac 2004, p.360).

Ethnic differences are fully learned from others. There are obvious physical differences between humans, but only a few of them are inherited to later generations. Racism is a prejudice based on socially important physical differences. A racist is the one who believes that some individuals are superior or inferior to others as a result of these race differences (Giddens 2000, p.224, 226).

Scholarly and government definitions also has errors when they focus exclusively on the political nature of ethnic terrorism (Tucker 1997, p.52).They ignore the focus of ethnic terrorists on the creation of a strong ethnic identity(Byman 1998, p.152). In fact, ethnic terrorist acts are generally intended to affect political and social balance within the terrorists' own ethnic community; although influencing state's political decisions is the terrorists' nominal goal, it is usually a secondary concern (Byman 1998, p.153).Ethnic conflict also defies very notion of innocent bystanders and not just in the minds of the terrorists (Moxon-Browne 1981, p.42). The vast majority of ethnic conflicts, particularly those that do not involve a strong state, occur essentially between militias of the involved groups (Byman 1998, p.153).

There are lots of examples in the world political history that ethnic problems turn to be terrorism. The experiences the Kurds in Turkey, the Basques in Spain, Jewish radicals under the British Mandate in Palestine, Tamils in Sri Lanka, and other ethnic struggles(Byman 1998, p.151). These are some examples of the phenomenon of ethnic terrorism. There are lots of differences in groups' objectives, their histories, level of support and the responses of the states.

The radical leftist ideology is basically a movement against capitalism, feudalism, comprador bureaucrat capitalism, inequality, exploitation, marginalization and failure of the state to provide good governance (Left Wing Terrorist Groups: Maoist, Marxist, Communist, and Socialist 2017). Radical leftist ideology believes that no political system is correct unless the state is ruled by proletariats or working class (Left Wing Terrorist Groups: Maoist, Marxist, Communist, and Socialist 2017). In fact, the Maoists have been criticizing the second largest successful democratic country, India, as a 'bourgeoisie democracy' (Left Wing Terrorist Groups: Maoist, Marxist, Communist, and Socialist 2017). They argue that the existing democratic system or any political system in a country, except in Russia, China and some West European countries, a 'new democracy' should be replaced by armed revolution followed by socialism and a single party communist state (Left Wing Terrorist Groups: Maoist, Marxist, Communist, and Socialist 2017).

Marxism is the doctrine of the philosophical, economic and socio-political views of Marx and Engels in the 1840s. A Marxist-Leninist terrorism definition is a terrorist act carried out by organizations that aim to destroy the existing order on the ground of the armed folk war and to establish a classless and exploitative order in the direction of Marxist-Leninist principles. In such actions, the aim is not to divide the country, but to change the existing order (Yayla 1990, p.1).

Leftist organizations draw on Marxist and various neo-Marxist theories to justify their revolutionary strategy. A few groups are anarchist or anarchist-syndicalism or environmentally oriented leftist groups that espouse the destruction of global capitalism (Robison, Crenshaw, Jenkins 2006). These groups are united by their anti-capitalist orientation and insistence on the need for a social revolution that frees the exploited (i.e., workers/peasants, other oppressed peoples, animals and the environment) from the capitalist system to become participants in a communal/collectivist or socialist-communist economic system (Robison, Crenshaw, Jenkins 2006). Seventeen percent of all transnational ITERATE

attacks between 1968 and 2002 were conducted by Leftist groups (Robison, Crenshaw, Jenkins 2006, p.2014)

When terrorism tried to reach its targets concerning religious beliefs, it led to the emergence of terrorist groups with religious ideology. It is saddening to practice terrorism based on a person's religious beliefs, even though almost every religion is believed, people's happiness and peace are sought, killing, fighting and conflicts among people are unheard of. However, unfortunately, the fact that all religions are considered to be the greatest sins in the name of religious values can be taken to destroy the human life, reveals the fact that the terrorist groups must be studied extensively regarding social, economic, political and psychological reasons.

The connection between religion and terrorism is not new. More than two thousand years ago the first acts what we know describe as terrorism were perpetrated by religious fanatics (Hoffman 2006, p.131). Religion-based terrorism is fundamentally a source of religious fundamentalism. According to Heywood (2007, p. 351-363), fundamentalism is derived from the root of the fundament, which means "basic" in Latin, and was first used in American Protestant debates in the early 20th century. In its current use, fundamentalism is associated with the great religions of the world, Islam, Christianity, Judaism, Hinduism, Sikhism and Buddhism, and is seen as a kind of religious, cultural movement or proletarian rather than explaining the meaning of the book of the sacred texts. Particularly those who act in the name of religion are inspired by their belief that they are divine, and this leads to all other views. For all these reasons, religious fundamentalists accept basic religious texts as a fundamental ideology, assuming they are a comprehensive social reconstruction program. In this framework, secular ideologies are rejected because they are not based on religious principles and are deprived of the moral essence (Heywood 2007, p.19).

Hoffmann (2006, p.136) says that violence is a sacred activity based primarily on, and above all, a holy act against any divine desire or order and

argues that it is relatively more discriminating and less lethal incidents of violence perpetrated by secular terrorist organizations.

1.2.4.2 Organization

Terrorist groups are organized in a hierarchical order by the leader. There is a division of responsibilities within the terrorist group.

Terrorist groups should act with secrecy. Besides they should divide the illegal and legal side for their organization. The legal side feeds the illegal side with human source. Terrorist groups carry out their legal activities in the axis of cultural centers, publishing houses, associations and foundations. The aims of terrorist groups operating in the legal field are:

- To organize within the women, workers, civil servants, youth, and detainees,
- To spread their ideology through panels, seminars, conferences, open sessions and radio and television programs
- Provide logistical support (Alkan 2002, p.32, 33).

Organizing in an illegal structure is an indispensable element for a terrorist organization to achieve success. The illegal organization is the most important and complicated element that allows terrorist activities to be carried out. The basic characteristic is that it is carried out with maximum confidentiality (Dilmac 2004, p.360). Besides, illegal side of the terrorist group is the main acting group who play the important role to do a terrorist act. These terrorist acts also play a crucial role for terrorist groups in reaching and separating their ideology.

1.2.4.3 Violence

According to Güzel (2002, p. 148,149,150), terrorism is a particular form of violence or conduct, at least three core elements and terrorist violence has the following distinctive features:

- Due to the effects of terrorist violence, there is an uncertainty. No one can be sure that the next victim will not be himself.
- The effects it creates on individuals and society are arbitrary and unpredictable.
- Terrorism implicitly refuses to recognize all the rules and practices of war. They do not recognize any human limitations and obligations.

Violence is the main element for terrorism and the most important factor to define whether the act constitutes terrorism or not. Terrorist groups use violence in unpredictable ways, thus, terrorism believes that they can induce fear in society. Terrorism tries to convert this fear into weariness with violence.

Some of the scholars believe that violence depends on the nature of human; social conditions direct people to the violence (Unsal 2010, p.29). Violence is defined as making a person, force or pressure, doing something other than what is requested, forcing, attacking, brute force, bodily or psychological suffering (Moses 2010, p.23). Yves Michaud quoted in *Expanded Violence Typology* that we can claim that there is violence in the context of mutual relations where there is violence in moral integrity, symbolic and cultural values, whatever the rate is (Unsal 2010, p.30).

Violence is both vehicle and prerequisite for terrorism. Non-violent action cannot be called as a terrorist act. In general, violence covers all the damaging assaults, from carrying political ends to destruction. E.V. Walters claims that terrorism has 3 sections: the threat of violence, emotional and social reactions (Mazari 2006, p.215)

Violence can be applied not only through armed harm, but also with words, actions and behaviors (Gücenmez 2014, p.18). Pressure on society with this situation called psychological violence and it is tried to reach the desired aim (Bozkurt 2013, p.20).

1.2.5 Classified Terrorism

There are different forms of terrorism and terrorist groups all over the world, and there are also non traditional forms of terrorism, for example hyper-terrorism, cyber terrorism, scandalous states and economic terrorism.

Today, classification of terrorism is done in different ways. Like Administrative Approach, purpose approach, structure approach, Methods approach, and other forms (Intriligator 2010).

1.2.5.1 Terrorism in Terms of Administrative Approach

1.2.5.1.1 Political Approach

The definition of terrorism by political parties and governments within the country, within and outside the country, constitutes a political approach to groups.

Terrorist definitions are made by this political view. In general, they can declare organizations that are unsuitable for their political philosophy as a terrorist organization. As a result of this political situation, political parties or governments in the country and terrorist evaluations in other countries can do the same.

The definition of terrorism, which is shaped according to the political views of current governments around the world, is hampering international fighting on that. For years, the international struggle against terrorism, which should proceed over universal values, has not been sufficiently developed due to the political definitions of terrorism of the current state administrations. This partnership has not been achieved in the classification of terrorism in this area, and countries are defining their friends and terrorists within the framework of the definition of political terrorism as determined by current governments and parties. The truth is that the lack of common definition of terrorism does not end the devastating effects of terrorism.

1.2.5.1.2 Diplomatic Approach

It refers to the diplomatic relations that have developed on the attitudes of governments towards terrorism in the course of conducting international relations. In these diplomatic relations, the true attitudes of states may not always be clear. Sometimes, states cannot tolerate organizations that they do not support their interests. This field can be explained with many examples in the world. Since there is no common definition of terrorism, the definition of terrorism, which varies according to the states, sometimes causes disagreements in diplomacy. The most up to date example of this is the crisis in Syria. The states in close proximity to the region have different views for the groups in the region. In this case, in order to stop the increasing violence in the region, a common cross-border deal work is deadlocked because there is no definition of common terrorism. While some of the groups in the region are a group that should be supported by them as

they move towards the interests of the United States, the same group is a terrorist group that must be fought for the Russian Federation.

The different interests of states in the field of diplomacy and the lack of a common definition of terror can clog peace talks. Unable to stop the increasing violence for these and similar reasons is a loss for world peace and diplomacy. In these cases, there is a need for international organizations to ensure that common lines for terrorism are identified. Diplomacy, which takes into account the sensitivities of countries in the peace talks that preceded the international organizations that rank above the countries, will be effective in stopping the increasing violence.

1.2.5.1.3 Bureaucratic Approach

It is an approach involving the perspectives and activities of the units that have undertaken various tasks in the administration of the states. The approach of these management units is much more mechanical, and their main activity is technical following terror, detecting and capturing criminals, and eliminating the damages. Again, in the scope of the fight against terrorism, they focus on security, economic and sociological areas.

The bureaucracy sets the agenda in the direction of the demands of the governments in the field of fight against terrorism. The texts accepted by countries for combating terrorism under the initiative of international organizations are the main texts that determine the legal and universal infrastructure of the bureaucracy's struggle against terrorism. These texts can also intervene through the representatives sent to international organizations in the process of formation and can be intervened in the interest of the state in the process of formation of the joint text. The latest treaty, which is recognized by the states as common, sets the main road map of the bureaucracy in the field of

combating terrorism since it takes the form of legal legislation following the parliamentary vote.

1.2.5.1.4 Legal Approach

It contains the definition of terrorism within the framework of national legislation and perspectives. It refers to the perspective of terrorism, which is formed within the framework of national legal regulations and international legal regulations (Yücebas 2010, p.239). The international scene has yet to find a universal definition of terrorism that all can adhere to. There are legal definitions in light of the political sensitivities of each state and are also published the list of terrorist groups, some states covered by these definitions (Foreign Terrorist Organizations 2017).

At this point, international organizations are attempting to introduce a definition of terrorism that has no common definition of the states with certain borders. The supranational structure of terrorism does not allow the legal regimes mentioned to remain only nationwide. The necessity of international legal regulations is also a necessity in combating terrorism. The organs to develop international law in this struggle are also international organizations. In the fight against terrorism, common legal texts which are made by observing the sensitivities of the countries are very important. These common texts are the texts that countries will refer to in their domestic law and which they will accept directly. The fight against terrorism, which is required by the structure of terrorism, is a subject that should be pursued on a supra-national structure. In combating terrorism, the universal legal infrastructure is the strongest instrument in the hands of the states.

1.2.5.2 Terrorism by Purposes

1.2.5.2.1 Nationalist and Separatist Terrorism

An ethnic group can be described as a group of people who have a subjective belief in their physical characteristics or similarities in traditions, or that they have common roots between them due to colonization and migration (Sirin, Valentino & Villalobos 2017, p.427). Horowitz (1985, p.64) further improves this to make ethnic groups' intercompany communication more like an extended version of family relations. Smith (2002a, p.57-58) define the ethnic group is a collective private name, common ancestor; history; religion, tradition, language, or organizations, based on more than one cultural diversity; As a community of people identified with a piece of land and with a sense of solidarity.

The concepts of ethnicity, nation, and nationalism are based on very ancient histories. The fact that these subjects are part of the security concept is not so old as it is in academic studies. No one should think that ethnicity and ethnic communities refer to violence. Nevertheless, it is important to keep in mind the concept of ethnicity which has been forgotten for many years while examining the causes of terrorism. ETA, IRA, and PKK terrorist groups are ethnicity based organizations. Persons aiming to produce solutions for these organizations should first investigate their reasons. For this reason, a researcher who has not put the concepts of ethnicity and nationalism at the center of his analysis can never be successful in analyzing such organizations.

There are terrorist activities that an ethnic group makes with nationalist and separatist considerations because they cannot live comfortably in their countries. It should be noted that this classification of ethnic apartheid terrorism is differentiated by researchers. Wilkinson (2006, p. 4) has used ethnic nationalist terrorism in his work, Hoffman (2006) used inter-ethnic and nationalist terrorism

words as substitutes for each other, Byman (1998) referred to as ethnic terrorism, as nationalist and separatist terrorism. Despite differences in putting the name of terrorism mentioned, researchers agree that terrorism involves activating ethnic identities and that ethnic groups have to re-arrange or leave relations with the state.

1.2.5.2.2 Ideological Terrorism

The aims of terrorist groups; depend on the countries in which they operate and the centers they are directed from. Within the framework of known approaches, terrorism targets a system using violence to destroying it and establishes a new management in line with their own ideology.

Terrorist groups argue that their aim is a more happy and just life style for their defenders and they want to eliminate the methods and directors that they view as causing injustice and oppression, depending on ideology.

It is a terrorist movement aimed at the realization of political philosophy or an ideological order. It is also called political or political terrorism. Political terrorism does not involve personal and financial reasons, and activities must involve violence or threat of violence. In this definition, not only those who suffer from terrorist activity but also the wider community beyond it must be affected.

Red brigades in Italy, Hezbollah in the north and Al-Qaeda ideological terrorist groups are examples to be given. It suggests a new world for ideology-based terrorist groups' members. It includes the suggestion that they use violence to reach their ideal outcome of a new order. Its members have high motivation.

1.2.5.2.3 Natural and Environmental Terrorism

Environmental terrorism, include the utilization of natural forces as weapons for hostile purposes (Westing 1984). Environmental terrorists manipulate and destroy in the political or ideological partisanship. Environmental terrorism includes both the targeting of the environment itself, such as deliberate contamination of water or agricultural resources and the use of the environment as a conduit for destruction, such as releasing chemical or biological weapons into the atmosphere (Hedman 1990). The end of the Cold War and the changing face of terrorism have contributed to this improvement. Domestic law has not covered this threat yet. Applicable legal doctrines do not operate effectively with existing anti-terrorism strategies and fail to express adequately. Existing legal doctrines of terrorism are not adequate for the unique environmental terrorism (Schafer 1988). A new criminal law of ecocide will provide more appropriate systems for confronting this emerging threat.

1.2.5.3 Terrorism by Methods

1.2.5.3.1 Nuclear, Chemical and Biological Terrorism

An explosion of a nuclear weapon or device, a radioactive substance, a chemical weapon or substance, caused by terrorist groups, causing massive massacres and destruction, is an activity carried out using disease-causing or lethal pathogens that can be defined as biological weapons. Since the 1970's, it has become possible for terrorists to seize parts of a nuclear bomb and do it in a university laboratory.

On November 23, 1995, a Chechen guerrilla leader, Shamil Basayev, informed a Russian television network that four cases of radioactive cesium had been hidden around Moscow. The network later discovered a thirty-two-kilogram case of the material, emitting over 300 times the amount of normal background radioactivity, in Moscow's Ismailovo Park (Schofield 1998). Nowadays, the consequences of an attack that terrorist groups can make a nuclear incident can be quite large. It may be useful to give an example from the nuclear explosions experienced in order to become aware of the danger.

In 1986, when the nuclear plant in Chernobyl, Ukraine, was out of control, radioactive substances were dispersed in high amounts in the atmosphere. This situation led to the poisoning of animals, plants and all living beings in Belarus, which is the neighbor of Ukraine. After this date, Belarus has become a radioactive wasteland. Only one percent of its land is arable land. In total, 30,000 acres of rich agricultural land are prohibited for use in Russia, Ukraine, and Belarus. At least 70,000 square kilometers of live plant area has been affected by radioactive materials. Experts state that healthy crops will not grow in this region before 600 years (Thomas 1995).

Chemical and biological weapons are other threats to the future of the world. Unconventional terrorist attacks can also be carried out by spreading chemical substances, polluting food and water resources, or spreading radiological effects through the use of explosives. These attacks can be limited or unlimited, and in unlimited unconventional terrorist attacks, terrorist groups are primarily engaged in nuclear or biological weapons rather than chemical weapons.

The use of such weapons or materials by terrorists has caused many disasters. In 1995, a blast was done on the Tokyo metro by Aum Shinrikyo Sect, which used the chemical Sarin gas, and resulted in twelve people died and more than five thousands of people were affected (Berkenstadt et al. 2003). In 2001's, five deaths of the biological substance depend on anthrax used in the US. In Iraq, hundreds of people have been ill or wounded after the terrorist bombing of chlorine gas.

American intelligence sources ensure that Al-Qaeda's experience with chemical, biological and dirty bombs, but they are disappointed because of the technical problems they have experienced and the limitations of damage they have caused (Finjing 2006). There are countless terrorist groups with enough motivation to get chemical, nuclear or biological weapons. NEST stated that after 9/11 attacks, 70 potential nuclear attacks had been detected (Allison 2004). Nuclear, biological and chemical threat assessments should be made on the question of when it will be done before it can be done (Keller 2002).

1.2.5.3.2 Technological Terrorism

Technological terrorism is confronted with names such as modern terrorism, computer terrorism, and cyber terrorism. This type of terrorism includes activities carried out using media such as communication, broadcasting, transportation systems, computer and the internet (Uyar 2008). Technology and knowledge shared over a network are called cyber terrorists by malicious users who use malicious intent in destructive activities for their political purposes outside of their personal aims, and these activities are also creating cyber terrorism.

Terrorist groups like Al-Qaeda do make significant use of the Internet, but as a tool for intra-group communications, fund-raising and public relations (Lewis 2002). Cyber terrorists may also steal the information on credit cards or valuable data to get financial support for their own operations.

In terms of terrorism, the internet is an efficient field of action. Terrorist groups can be used to attack national security and the military secrets of governments. A lot of information/data about the citizens of the state can also be used by these attacks and third parties to the detriment of the citizens (Lewis 2002). Cyber terrorism is the dynamic kind of terrorism. In order to protect

against this terrorism, the state tries to keep up to date with technology and continuous upgrade of skills.

There are lots of ways that cyber terrorist uses to reach personalized or national data. Mail addresses are targets that cyber terrorists can reach without needing too much investment. Mail addresses are areas where all information is available for large companies, states, and people today. This information can easily be accessed from the data collection area. Cyber terrorists who have access to personal data systems using the Web browsers that they use can access many personal files. The software is a system that opens the doors to phones and computers from other easy ways. Chat sites and chat programs are the easiest ways to get personal access to the doors for cyber terrorists. These gates are accessed directly from cyber terrorists via trojans, malicious scripts, viruses, and worms, which are coded for the purpose of the attack. These cyber codes can easily be used to steal files in data center storage. They can multiply the gates that develop upon stealing this information. In wireless communications, User Access Points, DNS and Routing Vulnerabilities are the other main ways for cyber terrorists to steal the data from their owners.

1.2.5.3.3 Independent Terror

It is a personal terrorist activity that is made up of a group, state and non-religious affiliation, usually marginal, mental illness and addiction. This includes activities such as racist attacks on strangers and slanderous attacks by students on their teachers and friends. Today, especially in societies, it is possible to see separatist attacks on migrants. There are regulations to correct this situation, however, racists groups are carrying out these attacks against people who are faced with ostracization.

Terrorism has changed dramatically in recent years. Attacks by groups with defined chains of command have become rarer, as the prevalence of terrorist networks, autonomous cells, and, in rare cases, individuals, has grown (Burke 2017). This evolution has prompted a search for a new vocabulary, as it should. The label that seems to have been decided on is “lone wolves” (Burke 2017).

“In April 1925, the New York Times reported on a man who “assumed the title of ‘Lone Wolf’”, who terrorized women in a Boston apartment building. But it would be many decades before the term came to be associated with terrorism. In the 1960s and 1970s, waves of rightwing and leftwing terrorism struck the US and western Europe. It was often hard to tell who was responsible: hierarchical groups, diffuse networks or individuals effectively operating alone. Still, the majority of actors belonged to organizations modeled on existing military or revolutionary groups. Lone actors were seen as eccentric oddities, not as the primary threat.” (Burke 2017, p.42)

It is the short history of independent terror of lone wolf terrorists. In today's, there is an increase on this independent terrorism. Islamist groups, right-wing white supremacists, abortion foes, and separatists of various stripes have all used this tactic with varying degrees of success (Byman 2017).

We're seeing attacks like the one outside Parliament in London where carnage is manufactured from the innocuous (Aly 2017). This is not the spectacular, cinematic terrorism of 9/11 or even the coordinated mass-casualty terrorism of the Bataclan in Paris (Aly 2017). It's not the stuff of blueprints and cells. It's crude, apparently spontaneous, and individual. Its power owes nothing to weapons, funding and networks, and everything to its lightness, its agility, its imponderous (Aly 2017).

1.2.5.4 Structural Terrorism

1.2.5.4.1 Terrorism against the State

1.2.5.4.1.1 State Terrorism against Other Elements of State

State terrorism is the act of violence that a state imposes against its own citizens within its borders (Mickolus 1977, p.211). States have the legal and military power to restrict the freedom of their own citizens or third parties, to considerably oppress them and to disgrace them. States are talking about state terrorism when it is used not to preserve public order but to suppress citizens (Zafer 1999, p.57).

Adolf Hitler, Joseph Stalin, Mao Tse Tung, Vladimir Lenin, and Maximilien Robespierre were those who in the past practiced state terrorism (Mullins 1997, p.37). The 20th century was the period when state terrorism became widespread with the rise of totalitarian regimes. Many states with different political views, especially Germany and the Soviet Union, have been terrorizing their own citizens. After the Cold War, states with totalitarian or military regimes such as Iraq, Syria, Burundi Raunde, Indonesia, Zaire, and Yugoslavia have implemented terrorism against their own citizens (Wilkinson 2003, p.107, 108). State terrorism has always spread and become more violent than terrorist acts carried out by individuals or groups (Thackrah 1987, p.31).

1.2.5.4.1.2 State-Supported Terrorism

Due to the national interests of states, terrorism in other countries may be supported by states, in physical, moral, logistical, political and diplomatic ways, contrary to the spirit of international law and relations. This occurs when a state subsidizes terrorist groups to engage in acts against another state or indoctrinate them openly in order to support them either materially or politically, or to terrorize a certain segment of their own people within their state borders.

It is also possible to categorize the support that states have made to terrorist groups. Accordingly, the first form is ideological support. Terrorist groups are used to spread ideologies by states. The second form is financial support. Terrorist groups need financial support from the state to carry out their activities, their education and for many other reasons. The third way is military support. States provide support for terrorist groups, such as arms, ammunition, military training, and courses. The fourth or top level form is operational support. The state provides operational support for the realization of specific attacks. Iran's support for Hezbollah terrorist organization is a good example for all the mentioned forms.

Some states are supporting terrorism and are known as countries that support terrorism by the international system and countries such as Syria, Libya and Iran are partly or completely excluded by the international system in the context of the 20th century terrorist acts and the role which they play.

1.2.5.4.1.3 State Tolerance Terrorism

Although the state does not actively support terrorist groups in its territory, it does not interfere with the terrorist groups that continue its activities in the

country or does not endeavor to take them out of the country and does not take any action to suppress the activities of this terrorist organization. In this case, where the state does not support the terrorist organization in any way, the terrorist organization meets self-supporting needs or has foreign sponsors or supporters (Erickson 1989, p.26). The terrorist organization carries out a non-written agreement with the host state, primarily in other countries, not in the country in which they operate. An example of this is the existence of the separatist ETA terrorist organization in France that struggles for the independence of the Basque region (Erickson 1989, p.26).

It is possible to cite more examples under this heading because many states can tolerate terrorist groups that will not cause harm to their own interests or weaken another state in an environment where general standards on struggle against terrorism cannot be met. This is a very old state strategy. States use these terrorist groups that develop in their own lands from time to time as a power in their own hands. Until state sees terrorist groups as a threat, terrorist groups act as trump cards for states.

1.2.5.4.1.4 State Sponsored Terrorism

The sponsorship of the state by terrorism is the control or direction of terrorist acts. In this case, the state uses terrorism as a direct means of struggle and provides terrorist acts through the use of unofficial state agents, mercenaries or armed gangs, which are organized, equipped or controlled for terrorist acts (Cassese & Topal 2005, p.59). The fact that states sponsor terrorism is due to the fact that terrorism is an alternative low-cost struggle according to normal warfare (Jenkins 2003, p.25).

It is a terrorist activity that the state has organized outside its own organizations and officials, using volunteer persons against ideologies or other

interests, voluntary civilian organizations, and even other countries as sponsors (Ganor 1997).

Especially during the cold war, both superpowers sought to expand their spheres of influence by financing the armed groups. The support given by the United States to the opponents of the revolution in the mid-American era and the Union of the former Soviet Socialist Republics to Marxist groups in the south-American era is examples of this title.

After World War II nearly half of all rebel groups received support from foreign states (Cunningham et al. 2013, p.527). Pakistan, for instance, started to sponsor Mullah Omar's Taliban in the mid-1990 in order to affect the Pashtun outright victory in Afghanistan's civil war (Christia 2012).

The research finds that 93 per cent of all terrorist attacks between 1989 and 2014 occurred in countries with high levels of state sponsored terror, involving extrajudicial killing, torture, and imprisonment without trial (Institute for Economics and Peace 2016, p.3).

1.2.5.4.1.5 State Inadequacy

States do not want terrorist groups and their elements to be within the borders of the country. However, if they do not have enough police, military power or technological facilities, the fight against terrorism may be insufficient (Erickson 1989, p.26).

This inability does not remove the states' responsibility for combating terrorism (Reisman 1999, p.44). In such a case, the state has international responsibility to ask for help from another state. In 1977, Somalia, in Mogadishu, asked for help from West Germany (Erickson 1989, p.26). Although this does not give a very positive picture to the state's authority, fighting against terrorism is a

tribute to fulfill the responsibility of states. Sometimes states that cannot solve terrorism by their own means can request help from international organizations such as United Nations.

1.2.5.4.2 Terrorism in Terms of Where It Is Made

1.2.5.4.2.1 Local Terrorism

It is a terrorist activity that has no external connection, its causes, its source and its consequences come from within the country, and can usually be done against a famous politician, businessman, private or official institution. The type of terrorism mentioned is a rare type of terrorism today. Nowadays, a terrorist organization that does not receive its source from a different state or state seems to disappear. Local terrorism limits its boundaries and aims to the state. The resources it needs, and it aims to achieve are all within the borders of the state.

1.2.5.4.2.2 International Terrorism

International terrorism is a terrorist activity involving the territories or citizens of more than one state, including a threat that goes beyond the national border, against the national system and beyond the national borders. The content of its activities results in international consequences. It is within the scope of this type of terrorism that the actions taken in more than one states take place and that an attack on organizations where members of more than one states are members. In cases where they are co-operated by terrorist groups originating from more than

one state, they are also treated against international law and are called international terrorism.

1.2.5.4.2.3 Transnational Terrorism

It is the type of terrorism that occurs when actions are taken in multiple states that are not under the control of any state without the support of any state. The structure of terrorism is a partnership that is largely in need of support. There is no chance that a terrorist organization that is not supported by any state or group can exist for a long time. Terrorist groups, which now carry out actions in more than one state, mostly transnational terrorism support other states. In an environment in which all states cannot bring common definition and standards on the struggle against terrorism, one state's terrorist organization can become a freedom fighter for the other state. Therefore, terrorist group may be supported by other states. Hence, it is not possible to see today enough trans-national terrorism types that do not receive support while supranational actions are being carried out.

1.2.5.4.2.4 Other Terrorism

Terrorism is a living and breathing structure. Every day it develops its actions and goals in according to the changing world. Trying to use the advantages and disadvantages of the globalizing world to make its actions more effective, to try to reach more geography to use mass media as much as possible to talk more about the propaganda.

In today's changing world, different names are being sought for changing terrorism, such as media terrorism, economic terrorism, and ecological terrorism. However, terrorism in this context should include an ideology, an organized structure, and violence with a certain political element and a plan.

SECTION TWO

TERRORIST FINANCING

2.1 FUNDING NEEDS FOR TERRORISM

The first step in the understanding of modern terrorist groups is to define the needs for funds to continue. It is important to understand that the costs are not limited to terrorist attacks, and terrorist groups have different needs. These funds are used to promote a militant ideology, pay operatives and their families, arrange for travel, train new members, forge documents, pay bribes, acquire weapons, and stage attacks. To make propaganda is an important step for terrorist groups to achieve the goals benefiting from legal organizations, such as media outlets and charities.

The funds requirement varies according to the types of terrorist groups. There are two types, those in the first group are traditionally diversified and have a supra-national hierarchy while the other one is composed of smaller and independent groups. According to these variations, the funds need are determined. Certainly, terrorist groups cannot survive without financial resources. It is also necessary to know the history of terrorist financing in order to better understand the concept of resource needs.

Terrorist groups have been provided with funds from different sources. In the 19th century, terrorist acts did not need large funds because they had lower costs. In this period, terrorist organizations' funds have been provided with sympathizers and wealthy states. For example, in 1858 the Irish Revolutionary Brotherhood was founded with \$400 sent by sympathizers living in the United States of America (Laqueur 2002).

Table 2.1 1880-1975 Funding Sources of Terrorist Groups

Terrorist Budgets				
Year	Terrorist Group	Country	Income(in 1976 dollars)	Source
1880	Noradyana Volya	Russia	Insignificant	Donations from well-wishers
1880	Irish dynamiters	Ireland	50000	Irish sympathizers in US
1896	Anarchists	France, Italy	Insignificant	Donations
1906	Social Revolutionists and other groups	Russia	5-10 Million	Robberies, some voluntary donations
1932	IMRO	Bulgaria	2-3 Million	Extortion, Bulgaria, Italy
1933	Ustasha	Yugoslavia	1-2 Million	Italy, Hungary
1947	IZL-Stern Gang	Palestine	1-2 Million	Donations from well-wishers, robbery
1970	Tupamaros	Uruguay	5-10 Million	Abductions, robbery
1970	ALN	Brazil	5-10 Million	Abductions, bank robbery
1974	ERP-Monerost	Argentina	50-100 Million	Abductions, robbery
1975	Fatah	Middle East	150-200 Million	Mainly donations from Arab oil-producing countries
1975	PFLP-PDFLP Saiqa	Middle East	20-30 Million	Donations from Libya, Iraq, and Syria
1975	IRA, provisionals and regulars	Ireland, Ulster	1-3 Million	Donations and robberies, protection rackets and income from legitimate business
1975	UDA,UDF	Ulster	?	Same

“Source: 1880-1975 Funding Sources of Terrorist groups” (Laqueur 2002, p.90)

During the cold war period in which the bipolar system reigned, the two countries, which were unable to fight directly against each other, were supported by terrorist groups and competed with each other through them. According to James Adams, who put forward his first major work on terrorism financing, terrorism has changed between 1960 and 1980, but this change has not been reflected in the defense policies of the West (Adams 1986). However, after the cold war, state support for terrorist groups has decreased. This decline has prompted terrorist groups to seek alternative funds (eds. Cakmak & Altunok 2008). The decline in state intervention in the market during the 1990s, when free market economy conditions began to dominate the market, was an opportunity for terrorist groups. The rise of hurdles has opened the way for the globalization of terrorism. In this way terrorist groups have created a great market by communicating with each other. The size of this market had reached 1.5 trillion dollars by the time of the 9/11 attacks (Napoleoni 2004).

The 9/11 attacks against the United States have been perpetrated by the abduction of 4 planes by 19 people, simultaneously crashing into Pentagon and the World Trade Center Twin Towers. The impact of these events in the short run has been felt worldwide. The struggle against terrorism is divided into two periods: before 9/11 and after 9/11. The state support given to the terrorist groups has been further reduced thanks to the struggle against the terrorist financing that made the real progress after the 9/11 attacks. After this date, struggle against terrorist financing has become one of the most important topics.

Blocking the funds to terrorist groups will reduce the operational capacity of them. Measures to prevent terrorist financing increases the risk and costs of terrorist groups for the next action. Sensitivity to terrorist financing shifts terrorist organization to activities that are more visible and detectable.

2.1.1 Broad Organizational Costs

Terrorist groups need a supporting infrastructure, trained membership and ideology development to carry out their attacks and to find funds. These infrastructure costs relate to charitable organizations and mass media outlets.

The Terror organization needs to make compromises or be complicit with charities and business for continuity in its attacks. Terrorist groups make their way through the charities operating in the states in which they are trying to settle in. Terrorist groups receive financial support for their attacks from these legally functioning charities.

For example, the employees of a TV channel in the UK were members of a terrorist organization. This channel can be viewed in the Middle East and Europe. It was found that the channel has been collecting donations on behalf of the terrorist organization deemed affiliated with its bank account. At the same time, the channel had been broadcasting videos that encourage children to become suicide bombers. The legal authorities in UK removed the said TV channel and broadcasting was forbidden in France, Netherlands, Spain, Brazil and China, thanks to co-operation against terrorist financing (FATF 2008).

In all these cases, the significant infrastructure is crucial for the terrorist groups, whose aim is international restructuring. For example, Al-Qaeda has spent nearly \$30 million a year on broad organizational costs, as reported by the National Commission on Terrorist Attacks of the United States (Roth, Greenburg & Wille 2004).

2.1.2 Direct Operational Costs

2.1.2.1 Direct Costs

An effective attack requires a critical preparation process. This requires a long and costly preparation phase, such as the right choice of where to take action, the identification and supply of weapons to be used for action. 9/11 attacks are the best example for understanding the direct costs of terrorist groups. According to the US Commission reports, Al-Qaeda has spent \$ 30 million annually for training and preparation of militants, support for senior Taliban and Taliban officials and individual assistance to relevant terrorist groups before the 9/11 attacks (The National Commission on Terrorist Attacks upon the United States 2011).

Another example is that the direct costs of East African embassy bombings were set at \$ 50,000 by the United Nations. The steps of the attacks are as follows:

1. Al-Qaeda opened a fake business in Nairobi in 1993.
2. High-ranking Al-Qaeda members have travelled several times to Nairobi.
3. East African Al-Qaeda members have been trained in areas such as bombing, hijacking, kidnapping, assassination, intelligence gathering.
4. Rented a house in Nairobi for bomb education.
5. Another house has been used for preparatory work in Darussalam.
6. Satellite telephones were provided to communicate between Osama Bin Laden and East African terrorists.

7. Bribes given to local public officials to avoid trouble during their work.

8. Provided high-tech video cameras and electronic devices

9. Pick-up truck to be used for embassy bombing.

10. Provided TNT explosives to be used for embassy bombing (Prober 2005).

Expenditures made until the end of the terrorist attacks are called direct costs. According to the statistical data, terrorist acts most commonly used in terrorist attacks are bombing with vehicle (38%), shooting with firearms (24%), suicide bombing (10%) and hostage taking (5%) (Lotan 2006, p.10).

Table 2.2 The Direct Attack Costs Of A Terrorist Conspiracy

Attack	Date	Estimated Costs
London Transport System	7 July 2005	GBP 8 000
Madrid Train Bombings	11 March 2004	USD 10 000
Istanbul Truck Bomb Attacks	15&20 November 2003	USD 40 000
Jakarta JW Marriot Hotel Bombing	5 August 2003	USD 30 000
Bali Bombings	12 October 2002	USD 50 000
USS Cole Attack	12 October 2000	USD 10 000
East Africa Embassy Bombings	7 August 1998	USD 50 000

“Source: The Direct Attack Costs of a Terrorist Conspiracy” (FATF 2008, p.7)

Those spendings mentioned in the table of direct attack costs may also be misleading because the need for financing of terrorist groups is not limited only to the ultimate direct attack costs. The direct costs for these attacks are often smaller than other costs. It is unrealistic to comment on the costs of a terrorist organization simply looking at direct attack costs (Aykın & Sözman 2008).

2.1.2.2 Salaries and Member Compensation

The most important elements of terrorist attacks are not weapons and explosives. The people who will carry out the possible attack are members of the terrorist organization and the regular payments made to them are a salary expense. Members of the organization live in mountainous areas and cell-house environments in cities. The lifestyle of members is costly, and they will not be able to meet with their own means. For this reason, it is necessary to make regular payments to the members of the organization.

For example, members of the IRA organization were paid 30-40 pounds per week. This salary varies according to the task of the organization. A senior IRA official in the Dublin area has been quoted saying that around 6,000 pounds were paid to keep morale high between 1994 and 1996. The salary payments play a major role in keeping the links between the organization members and the organization tight (Horgan & Taylor 1999).

Terrorist groups may also provide financial support to the families of deceased operatives. Terrorist groups find funds for salaries of their members and the families of jailed or deceased members. These funds ensure that relations between the organization and its members continue for a long time (FATF 2015).

2.1.2.3 Education, Travel, Accommodation Expenses

According to Phil Williams, the cost of special training for a terrorist organization that wants to perform effective attacks is quite high. Long-term training is needed for the development of terrorist organization members who conduct terrorist acts. The best example is the flight training of terrorists linked to the Al-Qaeda that carried out the attacks of 9/11 attacks (Williams 2005).

All terrorist groups need spaces to provide weapons training, bomb training, clandestine communication and ideology training for sympathizers. They need reliable areas and training opportunities for all these training activities. Virtual training programs can be made on a much wider sympathizer group on the internet.

Psychological and military training should be given to terrorist groups to acquire suitable talents for their members, but psychological and military education entails infrastructure cost (FATF 2015).

Terrorist groups need to constantly relocate their members and top managers to avoid arrest and detection of their location. The cost of relocation is increasing because of the use of forged passports and other difficulties in these relocations. Travel expenses for all terrorist groups today is a major item.

It would be fallacious to think that terrorist attacks are merely composed of direct costs. The accommodation, dressing and other needs of those who will carry out these attacks will incur considerable costs. It has to have enough members and sympathizers in order to maintain continuity in its attacks. Some part of these groups may need to be found in the city while the other part continues the armed struggle in the mountain. In organizations with large memberships, costs such as housing and dressing in the countryside as well as the cost of living for the members of the city are added. The Hezbollah, a terrorist organization, has supported all expenses incurred by its members in the armed

wing, such as house rent, health care expenses, subsistence expenses and similar expenses (Yurtseven 2006, p.146).

2.1.2.4 Other Terrorist Organization Aid

Terrorist groups which have reached a large organization scale may sometimes be involved in establishing smaller subcontracting terrorist groups or supporting organizations with the same ideology. These supports are also necessary expenses. Terrorist groups can establish an organization by hiding that this is an extension of their organization, aiming to use in acts to gain legality. The terrorist group is also funded by its other funds and members (Akın 2009).

2.1.2.5 Propaganda Expenses

It is important for terrorist organizations to use all means of propaganda to achieve their goals. It is important to carry out media campaigns to carry out the propaganda, to engage in political influence, to continuously increase the potential of the members, or to carry out social projects to create sympathy in the public. They benefit from the media which is a huge cost, too. It should be noted that the annual satellite usage fee for a terrorist group which wants to use a channel to carry out its propaganda work is around \$3 million. Expenses made for the technical infrastructure that the television channel needs to be operated are also expenditure items (Aykın & Sözmen 2008).

Terrorist organizations are involved in the propaganda to recruit members and increase funds. Diversification of the channels of the propaganda is an advantage for them. While other media are costly investments, on the contrary, internet access and social media means are less expensive and are able to reach

much more people. The development of technology has enabled low-cost and efficient channels to spread propaganda of terrorist groups. Today, terrorist groups are investing especially in social media and trying to take advantage of the opportunity to reach massive mass with lower cost. For instance, ISIL's "Dabiq" and Al Qaeda in the Arabian Peninsula (AQAP)'s "Inspire" online magazines (FATF 2015).

2.2 RAISING TERRORIST FUNDS

Terrorism commits new crimes without regard to laws, values, principles and human life to meet their needs (Lilley 2006). The quest for terrorist groups to create funds varies. Analyzing the ways that terrorist groups use to provide funds determines the roadmap of the struggle against terrorist financing.

It is possible to categorize the financial resources of terrorist groups under three main headings:

- Raising Funds From Legitimate Sources
- Raising Funds From Criminal Proceeds
- Raising Funds From Foreign States (Aykın & Sözmen 2008)

Differences in ideology for terrorist groups affect funds choice. Terrorist groups use methods of providing funds that their geography allows and that they consider appropriate within their own timeframe. These crimes provide funds through many activities such as Human Trafficking, Drug, Arm, Cigarette, Migrant and Commodity Smuggling, Robbery, Theft, Extortion, Kidnapping, Ransom, Counterfeiting, Credit Card Fraud and Terrorist Groups' Publication Revenue.

The acceleration of globalization has transformed the world into a small village. The physical borders between states lose importance, the acceleration of

the movements of people, goods and money, the developments in the information sector and the opportunities offered by the internet make new ways for easy access. Terrorism develops its structures using this developing and globalizing system. The missing points in these developing areas are important for terrorist groups trying to establish their funds by committing a crime.

Terrorism exceeds the borders of the states, which makes the problem global. Canadian-financed terrorism can lead to mass casualties in Sri Lanka. French-born terrorists in Spain and financially supported terrorists from the United States have caused disruption in Britain, and Afghan-German origin terrorists from Saudi Arabia are planners and practitioners of 9/11 attacks (Demir 2006). In the work to identify networks that financed terrorist activities after the 9/11 attacks; Charities, Non-governmental Organizations, Legitimate Business, Self Funding have been mentioned (Burke 2004). In order to ensure the positive consequences of the measures to be taken to the global dimension of terrorism, it is crucial that the financial resources of terrorism are appropriately and accurately identified.

Terrorist groups need money to sustain their assets and terrorist activities, and these funds are obtained from the support of foreign states, raising funds from legitimate sources and criminal proceeds. On the other hand, they worry about hiding their purpose and the source and destination of their funds. For these reasons, they use different methods to curb money and prevent money recognition.

Table 2.3 US Agencies Should Systematically Assess Terrorists’ Use Of Alternative Financing Mechanisms

Alternative Financing Mechanisms	Earnings	Moving	Storing
Trade in commodities			
Illicit drugs	X		
Weapons	X		
Cigarettes	X		
Diamonds	X	X	X
Gold		X	X
Systems			
Charities	X	X	
Informal banking		X	
Currency			
Bulk cash		X	X

“Source: *US Agencies Should Systematically Assess Terrorists’ Use of Alternative Financing Mechanisms*” (Financing 2003, p.10) <<http://www.gao.gov/new.items/d04163.pdf>>. [12 March 2017].

2.2.1 Raising Funds from Legitimate Sources

Terrorist groups gain support and funds from and through legitimate sources, such as charities, non-profit organizations, legitimate business, and self-funding by terrorists and their compounds from employment, savings and social welfare payments. This is called black-washing where legal funds are used for terrorism or radicalization (FATF 2008).

Obtaining legal income is one of the most important features that distinguish terrorist groups from organized crime groups. It is often used because it is difficult to track the income provided by legitimate sources for terrorist organizations (Aykın & Sözman 2008, p.34).

2.2.1.1 Charities, Non-profit and Non-governmental Organizations

Some non-profit organizations are used to terrorist financing (FATF 2014). Terrorist organizations earn income through the religious, ethnic or geographical ties of people through organizations under the name of charity. It is alleged that an American-owned foundation funded \$ 13 million in 2000 and transmitted it to the terrorist organization (GAO 2003, p.14).

There are reasons why terrorist groups want to use charities or non-profit organizations as a tool. These organizations are based on public trust, have a collective amount of donation and aid of a considerable amount. Collected donations are usually cash. Some charities or non-profit organizations are international and engage in international financial transactions. Also, charities and non-profit organizations are much more flexible than companies. Regulations on charities or non-profit organizations, such as keeping records, reporting and auditing are more relaxed. Based on these reasons, terrorist organizations often use these tools in providing funds to terrorist groups. Charities or non-profit organizations have been recognized by the FATF as an important area of funding for terrorism (FATF 2008, p.11).

The use of non-profit organizations or charities as a tool for financing terrorism is in 3 forms (Aykın & Sözman 2008):

1-Transferring some of the funds to terrorist organizations through fraudulent acts: They donate part of the money to terrorist organizations by making misrepresentations on their expense items, that they donate by offering different reasons to donors.

2-Use of these organizations as masks: Non-profit organizations and charities are being used as a means to remove the financial link between terrorist organizations and financiers. Charities and non-profit organizations used to collect funds from sympathizers who want to support ideological views of terrorist groups are being transferred or spent through foundations and associations to protect the collected funds from the inspection and detection of legal authorities (Lilley 2006, p.140).

3-Exploitation of non-profit organizations and charities: The gains from donors that they have collected are totally controlled by terrorist groups. It is important to supervise the organizations that are used as a tool in terrorist financing without harming other useful organizations (Lilley 2006, p.139).

2.2.1.2 Legitimate Business

A natural outcome of financial support is capital accumulation in the hands of a terrorist group and some of this capital is opened as a legitimate business by using clean sheet people as a front. Otherwise, the link between the legitimate business and terrorist group can be easily determined. Legitimate businesses that have direct links with terrorist groups or are established and operated by sympathizers are an important resource for terrorist financing (Shelley 2008). The companies established through terrorist organization make money by importing and exporting goods which are indicated by a terrorist group but in compliance with legal framework. Transfers made between two legitimate trading companies

through the establishment of companies for imports or exports are carried out in line with the wishes of the terrorist organization.

IRA, like other terrorist groups, has benefited from legitimate businesses. IRA focuses on areas such as markets, cafes, pubs or accommodation facilities with a high number of transactions. IRA collects a sum of \$ 10 million a year from these commercial activities (Chrisafis 2005).

Dispersion of funds between legitimate businesses is a common way used in terrorist financing. For instance, the personal bank account of a restaurant manager regularly received checks from another company, but his accounts did not show any normal financial activity such as food, travel, etc. The bank account of other company showed significant cash withdrawals. The restaurant manager account was held by the bank because of a suspicious transaction. FIU analysis that restaurant manager and other company's owner linked to Salafist movements and case was referred to the prosecutors for investigation (FATF 2008).

2.2.1.3 Self Funding

One of the principal sources of income of terrorist groups is the money that they collect from members or sympathizers in the name of contributions. The terrorist group determines the amount of money that the member or sympathizer can donate, according to the economic situation of that person. Sympathizers donate significant amounts of donations and aid to organizations. The PKK and Hezbollah are terrorist groups that collect large amounts of money in these ways.

Funding for religious-oriented terrorist organizations is much easier. The individual benefits collected by religious organizations reach great numbers. The Al-Qaeda terrorist organization also collects large amounts of money under the name of donations and zakat through Islamic charities in many parts of the world (Waszak 2004, p.696).

2.2.2 Raising Funds from Criminal Proceeds

Interest in the illegal activities of the terrorist groups that brought in large amount of funds to the organized crime organizations in the post-cold war period increased. The reasons that direct the terrorist groups towards illegal sources is mainly the decrease of state support after expansion of struggle against terrorism depends on attacks of 9/11 and the high turnover of the criminal market (Aykın & Sözmen 2008, p.20).

In the past, when terrorist groups were being helped by states that supported terrorism, this support, after 9/11 became a less reliable source of funding for terrorist financing. Small cell constructions of terrorist organizations have also restricted access to these resources. Terrorist groups have chosen to find alternate sources for the reduction of foreign support (FATF 2008, p.15).

Organized crime organizations and terrorist groups have entered into cooperation as a reflection of the concentration of terrorist groups in illegal income-generating activities. Terrorist groups provide logistical support while organized crime organizations meet weapons and other hardware needs.

Organized crime organizations also serve terrorist groups, such as organizing counterfeit passports, credit cards, and fraudulent activities in the field of social services, in order to ensure that members of the terrorist groups are able to go abroad and live comfortably in the country (Carter 1994).

2.2.2.1 Drug Trafficking

Drug trade is a very profitable area that terrorist groups use to raise funds. It has been found in many countries that terrorists are increasingly involved in illegal trade in drugs, which is the easiest way to make money and more profitable

than others (GAO 2003, p.11). There are two arguments on how raising fund system has turned state sponsorship to drug trafficking. According to a report prepared by the Federal Research Division of Library Congress, the decline of state sponsorship of terrorism in the 1990's due to the collapse of the Soviet Union has played a critical role in terrorist groups' turning to drug trafficking (Hudson et al. 2002, p. 2). It has been suggested that tendency to increase in this source is influenced by the effect of the international initiatives against the terrorist supporters, especially after the 9/11 incidents as terrorist groups increasingly participated drug trafficking in recent years (KOM 2011, p.2, 53).

A control system has been envisaged by the United Nations for the trading of drugs and psychotropic substances. Regarding this, the United Nations has three conventions. With these conventions, the use of hundreds of psychoactive substances is restricted to health and scientific purposes only. Despite these limitations, the fact that five percent of the world's population is using any form of the drug has made these substances, which are restricted in production, distribution, and use, a significant criminal market for illegal organizations (CE 2005, p. 29). In 2005, the estimated value of international illicit drug trade was valued at US \$ 322 billion (UN 2007, p.170).

According to the US State Department reports, at least one of the world's 25 largest terrorist groups has ties with global drug trade (UNODC 2005). Some of these terrorist groups are the Colombian Revolutionary Armed Forces (FARC), Colombian United Defense Groups (AUC), National Liberation Army (ELN), Gleaming Road, Palestinian Islam Jihad, Al Qaeda, Uzbekistan Islamic Movement, Hezbollah, PKK, Freedom (ETA) includes Tamil El-Amin Freedom Tigers and Abu Sayyaf (Thachuk 2008, p.17).

Terrorist groups emerging in states which have failed to make sufficient efforts to deal with corruption and criminal offenses are actively involved in drug trafficking. The only reason terrorists are into drug trade is not only financial resources; some terrorist groups are believed to have supplied addictive drugs to weaken the communities and their rivals (Beers & Taylor 2002).

Terrorist groups do not like to be referred to as drug traders as this can harm their propaganda; however they increase great funds from the drug trade. Some states that support terrorist groups accept the negative image of the drug trade and states abstain from supporting terrorist groups (Yücebas 2010).

2.2.2.2 Arms Smuggling

The link between arms smuggling and terrorism has been proven many times. All around the world, terrorist organizations smuggle arms. It is known that ETA, IRA, and PKK terrorist organizations have provided resources by entering into arms smuggling business (Gheordunescu 1999).

The smuggling of arms and ammunition particularly increases during periods of intense terrorist incidents (Uyar 2008). Smuggling of arms means two dimensions in terms of terrorist groups. Terrorist Groups can get their needs, besides earning money through weapons smuggling. They can also increase cooperation by selling arms to each other (eds. Cakmak & Altunok 2008).

There is a direct relationship between arms smuggling and terrorism. On the one hand, terrorist groups provide their needs of weapons, and on the contrary, they raise the fund. There is demand-driven supply in arms smuggling. The hiding and storage of a weapon is not as easy as a drug. Control mechanisms in arms smuggling work effectively. For these reasons, weapons smuggling cannot take the first place in raising funds for terrorist organizations (Sevim 2000).

2.2.2.3 Robbery, Theft, and Extortion

Terrorist groups, especially in the establishment phase, receive funds for a crime such as theft, robbery, and extortion. For instance, during the establishment phase of ISIL terrorist group in Iraq and Syria, they gathered funds by carrying out acts of robbery, extortion, and theft. For all terrorist groups, bank branches, foreign exchange offices and jewelry stores are a goal for resource provision (Gökbunar R. & Gökbunar, A. 2010).

Bank robberies have also been identified as a viable option for terrorist groups to access large sums of money. Bank robbery is a source of funds for the terrorist groups. Recently, a Dutch person who returned from Syria was arrested in possession of firearms. The investigation showed that he was preparing an armed robbery, and he was suspected of planning to use the proceeds of the crime to finance terrorism (Europol 2015, p.10).

Some terrorist groups have committed extortion crime by taking the goods of the persons by use of force. Another aspect of robbery, theft and extortion crimes committed by terrorist groups in order to provide funding is the propaganda (Yıldırım 2012). They try to spread the name of the terrorist group with these reports easily found in the visual and written press.

According to the researchers, \$1 million were collected by a terrorist group before 2001 from Canada, Britain, Switzerland and Australia in a month (Cronin et al. 2004). According to another research, there is a particular economy, which has been formed for extortion. Canada has over 100,000 CAD, and UK has over 100,000 GBP in extortion economy. When similar figures are considered in France and Norway, the prospect for terrorist organizations could be better understood (Becker 2006).

2.2.2.4 Kidnapping and Ransom

Ransom and kidnappings are often a crime committed by terrorist groups. When it succeeds, it provides income through intimidation or threat. For paramilitary groups and terrorist groups, kidnapping and ransom is a major source of income (MASAK 2007, p.57).

Ransom is defined as the money someone must pay for himself or for someone else on his behalf to get rid of any incarnation or slaughter. Ransom in terms of terrorist groups is to get money from businessmen, well-known bureaucrats, statesmen and so on. It can be defined as a request for money by kidnapping individuals (Aykın & Sözmen 2008, p.34).

Many terrorist organizations in the world have committed kidnappings and ransom crimes. For instance, ETA, when compared with other terrorist groups, made the biggest revenue from ransom. Catalan businessman Jesus Serra Santamans was kidnapped in April 1980 and released for \$ 1.5 million. Industrialist Adolfo V. Martin was abducted and released on February 24, 1990, in change with \$ 2.8 million ransom (Alkan 2004).

One of the most frequently used methods of terrorist groups is forced taxation, which is also called interlinking. Terrorist groups receive tribute through intimidation. Depositors are mostly people and goods. They give money to the terrorist organization to protect their security. Especially in the border regions, they are paying taxes under the name of the protection money to the smugglers. Sometimes they also give receipt for the tribute received (Yayla 2008, p.434).

2.2.2.5 Migrant Smuggling

In the Protocol to the United Nations Convention against Transnational Organized Crime, human trafficking is defined as the illegal entry of persons who are not nationals of an individual country and those who do not reside in the country (UN 2000-1).

For terrorist groups, smuggling of migrants and human has two benefits. The first one is raising funds; the other is getting human resources for themselves. Terrorist groups increase cooperation with each other also in smuggling of migrants.

According to the International Organization for Migration, there are around 130 million migrants in the world, of whom 20 to 30 million are illegal immigrants. 4 million of these illegal immigrants are in constant motion. Smuggling of migrants provides substantial funds. The cost of smuggling of migrants is determined by the state of origin, the income of the migrant, the risk taken on the journey, the level of professionalism of the service provider, and the destination country (CE 2005, p.39).

Terrorist groups provide commissions under the name of tax in the face of security guarantees by observing crossings from the border. According to the asylum policy of European states, they make asylum, forfeit their financial aid from their refugees who can get right to residence.

2.2.2.6 Cigarette and Commodity Smuggling

Smuggling is a type of crime based on socio-economic differences between states. This kind of crime, which is made by taking advantage of the difference between the states where the smuggling is made, provides significant

funds (Yayla 2008). The most preferred smuggling item is cigarette. This is mainly due to the high level of private consumption tax applied, ease to maintain and easy convertibility into money. In 2000, The UK Organize Crime Task Force reported that loss of revenue from fuel smuggling and counterfeit tobacco products between Northern Ireland and the Republic of Ireland reached 568 million dollars. It is estimated that the IRA's money acquisition capacity for fraudulent goods and property smuggling is between \$ 7.7 and \$ 12.3 million (Thachuk 2008).

For instance, The Real IRA has flooded Ireland with contraband cigarettes, and imported counterfeit versions of popular brands and cigarette smuggling have emerged as a top funding source for the organization. The combined IRA groups have reaped an estimated USD 100 million in proceeds from cigarette smuggling over a five-year period (FATF 2012, p.32). There are lots of examples in terrorist groups which raise funds from cigarette and commodity smuggling. Although the smuggling of cigarettes and goods is a type of crime that is ignored by the states, there is a high direct supply of resources among terrorist finances. Terrorist groups get easier, and high gain of funds from cigarette and goods smuggling are attractive for IRA, PKK, Hezbollah and many terrorist groups(Gücenmez 2014).

According to the European Commission Anti-Corruption Office, cigarette smuggling is very common in Europe, and it is used in many Eastern European states as illegal cash. Terrorist groups are looking for the possibility of generating income by putting all kinds of goods into the state as fugitives when necessary. For example, some terrorist groups have earned income by illegally entering and selling merchandise produced in Europe and trans-shipping to a free zone in South America to a third country, and finally, these incomes have been used for financing terrorist activities (Lilley 2006).

2.2.2.7 Counterfeiting and Credit Card Fraud

Another way to get money is to make fake credit card and legal papers. Today, high-quality printing devices, tools, and equipment are accessible by everyone. Fraud for terrorist organizations is not limited to money alone. Fake passports, identity cards or documents are sources of income as well (Oztürk 2000). For this reason, terrorist groups have specialized in counterfeiting.

According to OECD data, fake and counterfeit goods account for about 7% of the world trade. One of the reasons for this, is the fact that forgery crime has fewer penalties than other crime types (Erdinc 2006). Tangible counterfeit products volume in international trade could be up to 200 billion US dollars, which is larger than GDPs of about 150 economies around the world in 2005. Nevertheless, domestically produced and consumed counterfeit products and counterfeit digital products that are distributed via the internet are not included; if the volume of these is added it is estimated that total volume of counterfeit goods could well be several hundred billion dollars more (OECD 2007).

Terrorist groups are also able to generate income by using fraudulent activities. Terrorist groups, especially those who obtain credit card information by fraudulent means, rob these accounts. The credit card and special information is used by the terrorist organizations are used for raising funds according to FATF's Terrorist Financing Working Group, to carry out their work as stated in the terrorism financing report (Aykın & Sözmen 2008).

2.2.3 The Role of Safe Havens, Failed States, and State Sponsors in Raising Funds

States without effective judicial system, tolerant to or direct supporter of terrorism create an unsafe environment for many to live. Safe havens, failed states

and state sponsors today are an important resource for terrorist groups, such as Somalia, Iraq and the Pakistan-Afghan border. States with poor judicial control, terrorism tolerance, and sponsors of terrorist groups are crucial for the terrorist to move and use finance, moreover to enhance their role in raising funds (FATF 2008).

Terrorism has been used by powerful states for many years as a foreign policy tool to facilitate the functioning of politics and to neutralize its opponents. Some states that are unable to find a way out for themselves in the face of practical politics of strong states and unable to obtain their rights in the international arena; see terrorism as a chance to overcome obstacles (Alkan 2004).

Terrorist groups are provided with financial support, either implicitly or explicitly, besides support such as, granting asylum to members of international organizations who want to use terrorism as a tool for international politics, allowing the use of the state's territory as a base. Covert financial assistance provided to terrorist groups can be done by methods such as money and in-kind assistance to associations and foundations close to the terrorist organization (Aykın & Sözman 2008).

States can use terrorism as a foreign policy instrument. Some states use terrorist groups frequently to influence other states for their interests. Many examples of this have been seen during the Cold War. The former Soviet Union and Eastern Bloc states have helped terrorist groups. After the end of the Cold War era, the states have not fully extricated themselves, despite a gradual decline in their support for terrorism. The support given by the state to terrorism for use in its foreign policy can be at the level in terms of, simple aid or the point of sponsorship (Basaren 2006, p.15).

States that support terrorist groups grant rights to organizations such as shelter, asylum, and publication in their countries. They are doing logistics, weapons and ammunition aid. Although measures to finance terrorism after the 9/11 attacks have narrowed the possibility of sponsoring terrorist groups by the

states, they can still receive foreign state aid of terrorist groups operating at local and international levels in different parts of the world. There are reasons why states choose sponsor terrorist groups. First of all, they want to ensure that the relevant state can be directed in the desired manner without disturbing the relations. It does not contain the risks that the direct appeal of the “gentleman” may be revealed and that intelligence organizations of terrorist groups can be used as side-arms and serve in an operational sense (Aykın & Sözman 2008).

SECTION THREE

INTERNATIONAL FIGHT AGAINST TERRORIST FINANCING

Terrorism is the greatest threat to peace, security and human rights in the national and international arena. By taking advantage of developing and changing economic, social and technological conditions, the impact of terrorism is increasing gradually everyday. Besides national efforts, international cooperation is very crucial to counter terrorist groups that are looking for greater interaction with society and developing relationships with organized crime organizations.

Acute discrepancy among the views of different states stems from the variety of definitions of terrorism. At 1937 Convention on the Prevention and Punishment of Terrorism (League of Nations 1937), it is the first international attempt to achieve a definition of terrorism (Bantekas 2003) The regulation of terrorism in international law progressed with the acts of terrorism (Bantekas & Nash 2009, p.195). The ongoing work since 1960 has gained momentum as terrorism has gained a global threat dimension. Discussions on causes of terrorism and measures to be taken, diplomatic contacts and international legal arrangements have been done.

All relevant international organizations, especially the United Nations, are working to ensure that all countries are united in a joint action platform against the threat of terrorism. It has evolved with the change of world politics and with the related new studies. The problem of definition of the concept of terrorism has also affected the efforts to find solutions.

Despite the fact that terrorism has accelerated, there is no common mind by the way of achieving solutions of this global threat. The new problem has been that the definition of terrorism varies among countries. This differentiation has made it difficult to fight terrorist groups and has created a legal gap for them to

continue their assaults. The ongoing terrorist activities since 1960 have shown that the problem is not just an issue of one state, but of more than one state.

The world politics lacks authoritative governmental organizations and is characterized by uncertainty. Within this settings, international regimes need mutually beneficial agreements between states for resolving common problems, such as terrorism, because it is clear that structural condition of anarchy does not mean a total war of all against all (Keohane 1982). The anarchy needs cooperation on shared problems. Cooperation has increased on a question that concerns more than one state. The notion of cooperation has evolved with changing world politics in time. The struggle against terrorism needs international order and international cooperation through an interpretation of international regime formation that relies heavily on the rational choice analysis in the utilitarian social contract tradition (Keohane 1982). Regimes are more like contracts when actors with long-term objectives who seek to structure their relationships in stable and mutually beneficial ways (Lowry 1976, p.276). The fight against terrorism needs a contract that covers all these common needs and benefits, for regimes, because until the notion of terrorism is defined in the directives of state's or international organization's interest, the international struggle is inadequate. It needs cooperation between state's and international organization's interests. For this reason, cooperation has come to the forefront, which can carry out international struggle, which also cares about both interests of the state and international organizations. International organizations have developed their work in this regard.

Until today, 12 universal agreements have been drafted to prohibit specific acts such as hijacking, hostage-taking, and bombing in order to protect societies and several steps have been taken in fighting terrorism by ensuring that the contracts are signed by the states. Many of the crimes which were committed have been recognised as criminal acts before the preparation of these contracts and protocols in the internal laws of the states. Nevertheless, the main feature of these

contracts is that they should foresee the crimes as international crimes of terrorism and mention the necessity of full international cooperation on these crimes.

The needs of money to finance the activities of terrorist groups gives them global nature and threaten the integrity of states, the peace and security of the people, and thus generate a substantial amount of income through legal action or illegal activities. The struggle against terrorist financing is considered as one of the priority issues of international organizations, and the necessary work has been initiated in this field. It is worth considering that terrorism and terrorist activities can be prevented by cutting off their financial resources and bringing their assets to a final stage in the struggle against them (Aykın & Sözmen 2008).

The internationalization of the supply of terrorist financing has brought about the beginning of the struggle with terrorism financing on the international platform (Utük 2009, p.43). According to Aykın (2010, p.144); "Struggle against terrorist financing; Removal or reduction of fund collection and supply facilities of terrorist groups to the lowest level, determination of funds to be used for terrorist groups or acts of terrorism and confiscation on funds. It involves preventing terrorist groups from clearing their criminal proceeds from illegal ways and identifying, monitoring or preventing terrorist groups or terrorists' ways of sending funds." The struggle against terrorist financing is considered to be one of the priority issues of international organizations, such as Financial Action Task Force (FATF), United Nations, World Bank and International Monetary Fund (IMF), Council of Europe, European Union, G-20, Egmont Group, Wolfsberg Group and Basel Committee on Banking Regulations. The necessary work has been initiated in this field for discovering hidden terrorist activities and interrupting them by cutting off financial resources. Thus it would be possible to bring their assets to an end in a decisive battle against terrorism.

Decisions have been taken by the United Nations to combat terrorist financing (CFT) to protect the international peace. Decision 49/60 dated at 09.12.1994 stated that, all terrorist acts were crimes and with the decision of

51/210 dated at 17.12.1996, it was decided to take measures and introduce legal arrangements to prevent terrorist financing.

The International Convention on the Prevention of Terrorist Financing was prepared and presented to the signatories of the members by the UN in 1999, emphasizing that all forms and manifestations of terrorist acts have increased worldwide and that the increase in the number of terrorist acts is proportional to the financial resources of the terrorists.

The 9/11 attacks were a turning point that directly accelerated the fight against terrorism. This watershed has shown to the whole world, that it is not possible to reach a solution with terrorism and that both military and police measures need to be used in the combat. The United States has also chosen to combat terrorist financing (CFT) as one of its anti-terrorism methods. On 24 September 2001, President George W. Bush (2001) announced the major thrust of war on terrorism. Executive Order 13224 on Terrorist Financing was to be pursued with equal vigor and publicity as the initiatives, which at that time had not yet been publicly commented (Heng & Mcdonagh 2008). To emphasize the importance, the president insisted on unveiling the initiative in the Rose Garden¹ himself, rather than delegating it to an Under-Secretary (George WB 2001).

The US changed its own terrorism strategy and established a new proactive, preventative strategy for waging financial war (Shetterly 2005).

The Financial Action Task Force (FATF), which was established to prevent the use of the financial system by criminals and to combat money laundering, which issued 40 Recommendations on this framework at international level. 9/11 attacks activated, a global war on terrorism and prompted a new burst of rule-making and interaction on terrorist financing. It published 8 Special Recommendations in 2001 on the struggle against terrorist financing by expanding the scope of the studies it conducts in this context. Then it added one

¹ White House Rose Garden is used frequently to greet distinguished visitors and for special ceremonies and public statements, the contemplative setting is often a very personal and private place for the US President.

more recommendation and reached a total of 9 special recommendations on combat terrorist financing (CFT).

In addition to the UN and FATF, international organizations such as the European Union (EU), the International Monetary Fund (IMF), the World Bank (WB) and the Council of Europe (EC), G-20, the Egmont Group, the Wolfsberg Group and the Basel Committee are also taking steps to combat terrorism and terrorist financing, for punishment and impositions of the penalties in accordance with international provisions.

3.1 THE UNITED NATIONS

The United Nations is an important part of the struggle against money laundering and counter-terrorism campaign, as it enjoys the membership of all recognized state entities. It prepares international agreements and conventions binding regarding parties on money laundering and terrorist financing (Schott 2006). It establishes the legal ground necessary for the development of cooperation between states in the context of the detection and prevention of such crimes.

The United Nations has played a major role in counter-terrorist financing since the 1960s. After the massacres at Lod Airport in Israel and at the Olympic Games in Munich; the Resolution 3034 was decided at General Assembly (Sederberg 1989). It established an ad-hoc Committee on terrorism for submitting recommendations on international terrorism (Koh 2006).

After 1963, decisions were made by the United Nations Secretary-General on terrorist financing. The first decision associated with terrorist financing is "Covenants on Crimes and Certain Other Actions on Airplanes" (Kiser 2005, p. 123). The actions specified in similar UN contracts and protocols have been accepted as the premise of terrorist financing. These are:

- Actions are Taken in the Convention on the Elimination of Illegal Seizure of Airplanes (16 December 1970, Lahey)
- Actions are Taken in the Convention on the Elimination of Illegal Acts against Civilian Security (23 September 1971, Montreal)
- Actions are Taken in the Contract for the Prevention and Punishment of Crimes against Internationally Protected Persons, Including Diplomatic Agents (14 December 1973, New York)
- Actions are Taken in the International Treaty against Hostage-Taking (17 December 1979, New York)
- Actions are taken in the Physical Protection Contract of the Nuclear Material (March 3, 1980, Vienna)
- Protocol on the Prevention of Illegal Acts of Violence in Airports Serving International Civil Aviation, Actions Taken In Additional Protocol to the Convention on the Prevention of illegal against Civil Aviation Security (24 February 1988, Montreal)
- Actions are Taken on the Contract to Prevent illegal Acts against the Safety of Maritime Navigation (10 March 1988, Rome)
- The Actions are Taken in the Protocol on the Prevention of illegal Actions against the Security of the Fixed Platforms Installed on the Continental Site (10 March 1998, Rome)
- Actions are Taken on the Contract to Prevent Terrorist Bombings (15 December 1997, New York) (Aykın & Sözman 2008, p.77).

The financing of terrorism was not considered as a major issue in the fight against terrorism until the mid-1990s. In 1996, United Nations General Assembly prepared a resolution and mentioned on both legitimate and illegitimate financial resources of terrorist organizations. It mentioned that terrorist groups involved in organized crime and the abuse of charitable organizations. It was the first time

when it was mentioned about terrorist financing and needs for measures to prevent the terrorist funds' international movements.

“(f) To take steps to prevent and counteract, through appropriate domestic measures, the financing of terrorists and terrorist organizations, whether such financing is direct or indirect through organizations which also have or claim to have charitable, social or cultural goals or which are also engaged in unlawful activities such as illicit arms trafficking, drug dealing and racketeering, including the exploitation of persons for purposes of funding terrorist activities, and in particular to consider, where appropriate, adopting regulatory measures to prevent and counteract movements of funds suspected to be intended for terrorist purposes without impeding in any way the freedom of legitimate capital movements and to intensify the exchange of information concerning international movements of such funds,”(UN 1996)

“5. Reiterates its call upon States to refrain from financing, encouraging, providing training for or otherwise supporting terrorist activities ;”(UN 1996).

In 1998, the Resolution 53/108 of the General Assembly formed an ad-hoc committee to prepare a draft convention for the suppression of terrorist financing. The need for a contract to be prepared by the UN to deal specifically with terrorism, in particular on the possibility of terrorist financing, on the inability and ineffectiveness of fighting terrorism financing, has been achieved and the International Convention on the Prevention of Terrorist Financing has been prepared by the UN.

“11. Decides also that the Ad Hoc Committee established by General Assembly resolution 51/210 of 17 December 1996 shall continue to elaborate a international convention for the suppression of acts of nuclear terrorism with a view to completing the instrument, shall elaborate a draft international convention for the suppression of terrorist financing to supplement related existing international instruments, and subsequently shall address means of further developing a comprehensive legal framework of conventions dealing with international terrorism, including considering, on a priority basis, the elaboration of a comprehensive convention on international terrorism;”(UN 1999, p.2)

The contract was drawn up in support of the initiative initiated by France in the G-8 countries (Clifton 2000). In May 1998, the Foreign Ministers of the G-8 countries considered combating terrorism funding as a priority issue (G-8 1998, paragraph 28).

In the last quarter of 1998, France initiated the negotiations of the Convention and proposed a text to the UN. The text of convention evaluated by ad hoc committee and adopted by the General Assembly on 9 December 1999. The convention defines the financing of terrorism as:

“...directly or indirectly, unlawfully and willfully, providing or collecting funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out:

(c) An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex 219; or

(d) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.”(UN 1999, p.3)

The Convention has three main obligations for countries. The first of these requires that countries should regulate the financing of terrorism offenses in domestic law. The second is the development of international cooperation and the enhancement of mutual judicial assistance.

The third is related to the issue of evidence on the financing of terrorist activities and the establishment of fundamental obligations for the determination of the role of financial organizations (Aykın & Sözmen 2008).

There are other suggestions for the state in the struggle against terrorist financing. The convention advises establishing regulations prohibiting the opening of accounts for unidentified holders or beneficiaries. For legal entities, to require financial organizations to verify the legal existence and the structure of the customer by obtaining either from a public register or from the customer. It advises by making clear the role of financial organizations to report all unusual large transactions immediately to the relevant authorities. Financial organizations are also to maintain all transaction records for at least five years (Utük 2009). The Convention defines only a general framework for the measure to be taken with the objective of struggling against terrorist financing.

In 1999, the Resolution 1267 of Security Council demanded that Taliban should give up providing a safe haven for terrorist and turn over Osama Bin Laden (Utük 2009, p.35). In accordance with UNSC Resolution 1267 dated 15.10.1999 on combating terrorist financing, measures such as freezing of Taliban and Al-Qaeda assets, travel ban and arms embargo are required. According to this

Resolution, the Al-Qaeda and Taliban Sanctions Committee was established. The committee has a duty on monitoring the measures taken by member states against the Taliban and Osama bin Laden (United Nations Security Council 1999).

In 2000, the Resolution 1333 of Security Council, with emphasis on drug trafficking as one of the significant financial resources of the Taliban and demanded to stop illegal drug trafficking. Furthermore, it stated that the Committee established under the Resolution 1267 has the task of forming blacklists of individuals and entities associated with Al-Qaeda, Osama bin Laden, and the Taliban. According to the blacklist, the Resolution advised to member states to freeze the funds, assets and economic resources of blacklisted individuals and entities (United Nations Security Council 2000).

In 2001, the Resolution 1363 of Security Council, established a monitoring mechanism to work on arms embargoes, fight against terrorism and related legislation and arms sales, terrorist financing, money laundering, financial transactions and drug trafficking in order to monitor the implementation of Decisions 1267 and 1333 of the countries; and to form customs, border security and security services under the coordination of the Monitoring Group. It is stated that the Monitoring Group will report to the Committee and the Sanitation Implementation Support Group will report on the Monitoring Group that will work in the field of fight against terrorism. According to this Resolution, Security Council improved the struggle against terrorist financing and defined a relationship between drug and arms trafficking and terrorist financing. Security Council ascribes that terrorist groups are raising funds from these illegal activities and focus should be on financial transactions which relate to terrorist financing (United Nations Security Council 2001).

In 2001, the Resolution 1373 of Security Council does not mention any terrorist groups or individual's name, so it can be regarded as a global context for fighting terrorism that should be accepted by all member states. The Resolution mainly focuses on the financing of terrorism and advice to all member states to

prevent and suppress the financing of terrorism. On the subject of financing of terrorism, the resolution can be regarded same as International Convention for Suppression of the Financing of Terrorism, deliberate provision or collection of funds to use in terrorist acts which should be criminalized by all member states (United Nations Security Council 2001). Besides, according to the Resolution, all member states should:

“freeze, without delay, funds and other financial assets or economic resources of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds derived or generated from property owned or controlled directly or indirectly by such persons and associated persons and entities.”(United Nations Security Council 2001, p.2)

The resolution mentions the international cooperation on counter-terrorism. All member states are called upon to cooperate against terrorism by means of bilateral and multilateral agreements and become parts of the international conventions and protocols related to terrorism. Moreover, it mentions the need for actions against threats at a national, regional and international level due to money laundering, transnational organized crimes, and terrorism.

In 2001, the Resolution 1377 of Security Council stressed out the full implementation of Resolution 1373 and importance of cooperation on international terrorism (United Nations Security Council 2001). In 2003, the Resolution 1455 of Security Council tried to improve the measures of the

Resolution 1267 considering the Al-Qaeda and Taliban. Taliban Sanctions Committee can review the blacklist (United Nations Security Council 2003).

In 2003, the Resolution 1456 of Security Council calls upon member states to take steps to prevent and suppress the support the terrorism and adopt the Resolutions 1373 and 1455. Besides, the Resolution persists that the member states to become a part of all international conventions and protocols on terrorism, especially to the 1999 International Convention for the Suppression of the Financing of Terrorism. It draws attention to cooperate for struggle against terrorism and imposed sanctions on Al-Qaeda. It proposes to take measures to prevent Taliban and Al-Qaeda's access to the financial resources (United Nations Security Council 2003).

In 2004, the Resolution 1526 of Security Council states that member states should continue to implement the measures of Resolution 1333 against the individuals and entities blacklisted by the Committee established under Resolution 1267 (Utik 2009, p.92). Furthermore, the Resolution focuses on abuse of non-profit organizations and alternative remittance systems which were used for flow of funds of Taliban and Al-Qaeda. It proposes to the member states to take measures against the movement of funds and economic resources to individuals and entities related to Taliban and Al-Qaeda (United Nations Security Council 2004).

In 2004, the Resolution 1566 of Security Council mentioned the international cooperation in the struggle against terrorism. Therefore, The Resolution established a working group for submitting recommendations to the Security Council. These recommendations include the measures on individual or entities associated with terrorism. The measures include not only bringing them to justice but also freezing their economic resources to cut their access to all types of arms and to prevent their free movement. Unlike the Resolution 1267, the working groups not only focuses on Taliban and Al-Qaeda but also other terrorist organizations. The struggle against terrorist financing has developed as the

working group monitors the measures executed by member states (United Nations Security Council 2004).

In 2005, the Resolution 1617 of Security Council stresses out again the Resolution 1267 regarding sanctions on the individuals and entities related with Taliban and Al-Qaeda. Moreover, the language in which Resolution was used has evolved from day to day in the fight against terrorist financing (United Nations Security Council 2005). The Resolution determined the measures for struggle against Taliban and Al-Qaeda financial resources:

“-participating in the financing, planning, facilitating, preparing, or perpetrating of acts or activities by, in conjunction with, under the name of, on behalf of, or in support of;

-supplying, selling or transferring arms and related materiel to;

-recruiting for; or

-otherwise supporting acts or activities of; Al-Qaida, Osama bin Laden or the Taliban, or any cell, affiliate, splinter group or derivative thereof.” (United Nations Security Council 2005, p.3)

The Resolution also requests the Member States to report the actions that are taken to (or “intending to”) impose the sanctions on the individuals and entities, which are included on the list. Finally, the Resolution refers to another international body, FATF and urges Member States to implement FATF’s Forty Recommendations on Money Laundering and Nine Special Recommendations on Terrorist Financing (Utük 2009, p.94). It is the first time that it refers to the FATF in United Nations General Assembly and Security Council Resolutions.

In 2006, the Resolutions 1730 and 1735 of Security Council emphasize the importance of cooperation and exchange of information between member states,

Counter-Terrorism Committee and the Committee established under Resolution 1267. Moreover, the Resolution 1735 updates the version of the list of individuals and entities related with Taliban and Al-Qaeda for freezing asset and border control (United Nations Security Council 2006).

In 2008, the Resolution 1817 of Security Council focused on the relation between terrorism and organized crimes especially in Afghanistan. It calls upon the member states not only to take measures on illicit drug trafficking but also to improve the cooperation in regional and international level (United Nations Security Council 2008).

In 2008, the Resolution 1817 of Security Council proposed the member states to implement the provisions of the Resolution 1373 fully. It requests the Committee to monitor the member states for full implementation of the sanctions on individual and entities associated with Taliban and Al-Qaeda and forms reports on improvements on implementation to Security Council.

The International Convention for the Suppression of the Financing of Terrorism is the first international document associated with the financing of terrorism, before the 9/11 attacks upon the United States. The Convention urges the member states to criminalize the financing of terrorism, freeze and confiscate the funds associated with terrorism. Moreover, the Convention focuses on the cooperation and exchange information between states struggling against the financing of terrorism.

The struggle against the financing of terrorism has begun before 9/11 attacks, but it was taken acceleration after the events of 9/11. The US pressed the Security Council to combat the financing of terrorism and urged the member states to freeze funds and financial resources of the individuals and entities associated with Al-Qaeda and Taliban. This blacklist has been regularly updated and was monitored in the process by special committees.

3.2 THE WORLD BANK AND INTERNATIONAL MONETARY FUND

Although the missions of the World Bank and the IMF differ from one another, the methods of combating money laundering and terrorist financing in general, are similar. This area is conducive for joint studies. The main objective of the World Bank is to fight poverty on the globe. To this end, the World Bank has been working to ensure that the development capacities of the states are increased by providing financial and technical assistance. Otherwise, the main objective of the IMF is to maintain fiscal stability in the macroeconomic framework. In this context, the IMF has been working to increase international monetary cooperation, facilitate balanced development of international trade, increase foreign exchange stability, and help establish the multilateral payment system (Schott 2006, p. X-2).

In April 2001, the World Bank and the IMF's Executive Directors pointed out that terrorist financing was a serious threat to the development of countries and the financial stability of their economy, and they began to work within this scope. After 9/11 attacks, the Councils extended their scope to include terrorist financing. Besides, the Boards adopted 40 Recommendations on money laundering and terrorist financing in July and August 2002, and to approve 9 Special Recommendations for the prevention of terrorist financing exclusively as essential international standards (World Bank 2002). The Boards determined that the fight against laundering and terrorist financing as an area of operational work, and in November 2002 they put into practice a 12-months pilot program which uses a comprehensive assessment methodology internationally. Within the scope of the pilot program, The IMF and the World Bank have been doing country assessments and have decided to continue their work in this area after March 2004, when they received the pilot program results. It also stated that during these studies, cooperation with regional organizations like FSRB and FATF should be continued (IMF n.d.).

Within the scope of the studies carried out by the World Bank and the IMF; Initiatives have been made to develop international dialogue. Also, in this context, it is made in the context of international struggle against money laundering and terrorist financing with the development of the evaluation methodology. The methodology consisted of 120 criteria covering each of the FATF Forty and Special Recommendations, including implementation of criminal law enforcement (FATF 2004). It covered the legal and institutional AML/CFT framework for a country, including the establishment of financial intelligence units (FIUs). The methodology also covered relevant United Nations (UN) Security Council Resolutions and international conventions and other measures of international standard setters. It provided an in depth assessment of the preventive measures for financial organizations (Schott 2006, p. X-5). The methodology will be used by the international organizations in their evaluations of AML/CFT controls carried out as part of their overall assessments of a country's compliance with international financial standards in the FSAP and OFC processes. They will result in an ROSC for AML/CFT, which will be reported to the Executive Boards of the Bank and the Fund. The methodology will also be used by the FATF and FSRBs in their mutual evaluations. FATF and the FSRBs will prepare an ROSC as part of their mutual evaluations, which will be recognized by the Bank and the Fund and working towards improving the institutional capacity through the intensification of educational activities (Schott 2006, p. X-6).

In 2002, the World Bank and the IMF worked together with the FATF, FATF-Style Regional Bodies (FSRB), the Egmont Group, the Basel Committee on Banking Supervision, International Association of Securities Commissioners (IOSCO) and International Association of Insurance Supervisors (IAIS) on single comprehensive anti-money laundering and countering terrorist financing assessment methodology. This method was revised in 2004, and 200 criteria were determined to assess countries' efforts to prevent money laundering and terrorist financing (Schott 2006, p. X-6).

In 2011, the Executive Board of IMF discussed the evolution of the IMF's AML/CFT programs and established guidance as for the way of improving in this topic. In 2012, the guidance on the AML/CFT in surveillance and financial stability assessments (FSA) was issued. It mentions that the money laundering (ML), terrorist financing (FT) threaten stability, the balance of payments stability, the effective operation of the international monetary system. In 2014, The Board of IMF reviewed the AML/CFT strategy. Firstly, it approved the revised FATF AML/CFT standard and assessment methodology. It also approved the continuity of AML/CFT issues (IMF 2016, p.2).

In 2009, IMF established a donor-supported trust fund. Until 2014, the Topical Trust Funds (TTF) which received contributions from France, Japan, Luxembourg, Netherlands, Norway, Qatar, Saudi Arabia, Switzerland and the United Kingdom, more than \$25 million dollars for improving the AML/CFT capacity (IMF 2016, p.3).

Furthermore, the World Bank and IMF dialogue series increases the awareness of states to combat terrorist financing. Within the scope of the studies carried out by the World Bank and the IMF, the organizations try to build institutional capacity in order to provide technical assistance for states and to conduct studies associated with anti-money laundering and terrorist financing (Schott 2006).

3.3 THE COUNCIL OF EUROPE

The Council of Europe was established in 1949 to protect human rights, the rule of law and democracy. It identifies the prevention of the financing of terrorism as one of the most important aspects of the struggle against terrorism (Utük 2009). Thus, in 2005 the Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime and on the Financing of Terrorism was

signed in Warsaw among 29 member states (out of 47) of the Council of Europe, but only 7 of them ratified it (Council of Europe 2005).

The Council of Europe determined to update its 1990 Convention on Money Laundering to redefine the financing of terrorism and to draw attention on resources of terrorism, not only money laundering from criminal activities, but also through legitimate ones. The text also underlines the fact that quick access to financial information or information on assets held by terrorist groups, is a major step to reach success to prevent financing of terrorism. The convention proposes a mechanism to ensure the proper implementation by parties (Council of Europe 2005).

The Council of Europe Convention defines financing of terrorism in Article 1; it has amended the International Convention on the Prevention of the Financing of Terrorism of the United Nations. It has been stated that the provisions of the Convention (International Convention on the Prevention of Terrorist Financing) should be taken into account in this context (Council of Europe 2005, p.2).

“Article 2 – Application of the Convention to the financing of terrorism

- Each Party shall adopt such legislative and other measures as may be necessary to enable it to apply the provisions contained in Chapters III, IV and V of this Convention to the financing of terrorism.
- In particular, each Party shall ensure that it is able to search, trace, identify, freeze, seize and confiscate property, of a illegal or illicit origin, used or allocated to be used by any means, in whole or in part, for the financing of terrorism, or the proceeds of this

offence, and to provide co-operation to this end to the widest possible extent.” (Council of Europe 2005, p.2)

In Article 2 of the Council of Europe Convention; It is stated that the parties need to search, trace, identify, freeze, seize and confiscate property belonging to or used for the purpose of financing of terrorism or for the purpose of which they are legally or illegally sourced, or that they should obtain international cooperation in this regard (Aykın & Sözmen 2008, p.85).

“Article 4 – Investigative and provisional measures

Each Party shall adopt such legislative and other measures as may be necessary to enable it to identify, trace, freeze or seize rapidly property which is liable to confiscation pursuant to Article 3, in order in particular to facilitate the enforcement of a later confiscation.” (Council of Europe 2005, p.3)

In Articles 3 and 4 of the Council of Europe Convention; It is stated that each state which is a party must take proper and other precautions necessary for the realization of the proceeds of crime or the confiscation of the goods equivalent to this income and the property of the proceeds. In this context, it is stipulated that it is a necessity to take proper and other precautions that may be necessary for the detection, arrest, freezing and seizure of property subject to confiscation (Aykın & Sözmen 2008, p.85).

“Article 5 – Freezing, seizure, and confiscation

Each Party shall adopt such legislative and other measures as may be necessary to ensure that the measures to freeze, seize and confiscate also encompass:

- the property into which the proceeds have been transformed or converted;
- property acquired from legitimate sources if proceeds have been intermingled, in whole or in part, with such property, up to the assessed value of the intermingled proceeds;
- income or other benefits derived from proceeds, from the property into which proceeds of crime have been transformed or converted or from the property with which proceeds of crime have been intermingled, up to the assessed value of the intermingled proceeds, in the same manner, and to the same extent as proceeds.”
(Council of Europe 2005, p.3)

In the money laundering convention, only the proceeds from illegal activities were taken into consideration, while in the renewed convention, Article 5 of the Council of Europe Convention was established, bearing in account the existence of illegal revenues in the financing of terrorism as well as income derived from legal remedies. Income derived from proceeds of freezing, seizure and confiscation measures, if the incomes are mixed with wholly or partly legally derived assets, illegal incomes mixed with legal income and the income derived from the crime, the assets for which the incomes have been changed or converted, income or other benefits must be included (Aykın & Sözman 2008, p.86).

Article 7 of the Convention contains the authorization of the courts to take measures for the freeze, seize and confiscate property mentioned earlier. It was stated that the exceptional circumstances that would prevent the courts from taking these measures should be avoided.

“Section 2 – Financial intelligence unit (FIU) and prevention

Article 12 – Financial intelligence unit (FIU)

- Each Party shall adopt such legislative and other measures as may be necessary to establish an FIU as defined in this Convention.
- Each Party shall adopt such legislative and other measures as may be necessary to ensure that its FIU has access, directly or indirectly, on a timely basis to the financial, administrative and law enforcement information that it requires to properly undertake its functions, including the analysis of suspicious transaction reports.”
(Council of Europe 2005, p.6)

Under the provisions of Articles 2 and 12 of the Convention, each member state should establish financial intelligence units to carry out measures to prevent international financing of terrorism. Also, the financial intelligence units (FIU) recommended being established should be legally defined to implement and follow these measures. It is stated in the Council of Europe Convention that the importance of international cooperation among FIUs is also emphasized and it is also stated that each country should be authorized to take suspension or suspension decision of the operation carried out at the request of another FIU (Aykın & Sözmen 2008, p.86). The Convention states that countries should benefit from the FATF Special Recommendations when regulating the struggle against the financing of terrorism (Council of Europe 2005).

In conclusion, the Council of Europe Convention on Financing of Terrorism mentions search, trace, identify, freeze, seize and confiscate property belonging to or used for the purpose of financing of terrorism or income derived from the crime of terrorist financing, and in this respect shall enforce extensive international cooperation (Ustün 2008).

3.4 THE EUROPEAN UNION

The states which are members of the European Union have worked in relation to drugs, immigration, asylum, police and judicial matters, in particular, terrorism, in similar way to the Council of Europe decision of 2 December 1975. TREVI (Terrorism, Radicalism, Extreme, and Violence International) co-operation was created by participating in the observer countries of the member countries of the European Union. The Working Group was established on May 31, 1977. It was tasked with conducting a routine analysis of known and probable terrorist groups and developing a secure and rapid network to gather information about them. Moreover, the Group prepares the joint working groups on the subject of financing of terrorist groups and provides information flow and exchange in other matters (ed. Güzel 2002).

The European Union has some special groups and committees which work on the financing of terrorism and assist the Council and the Commission. The first of them is an Expert Group on Money Laundering and Terrorist Financing (EGMLTF) frequently meets to share views and help the Commission define policy and draft new legislation. The EGMLTF assist the Commission in the preparation of legislative proposals and policy initiatives, moreover to provide expertise to the Commission when preparing to implement measures. The second of them is a Committee on the Prevention of Money Laundering and Terrorist Financing may also convene to give its opinion on enforcement measures put forward by the Commission.

The European Union draws attention to combat money laundering and the financing of terrorism to prevent the market from being misused. EU rules in this area largely based on international standards adopted by the Financial Action Task Force's (FATF), Special Recommendations and the Commission Communication on the Prevention of and Fight against Terrorist Financing of

October 2004 (Commission of European Communities 2004). They are tailored to the EU's needs and complemented by national rules.

The Commission's Communication on the Prevention of and Fight against Terrorist Financing mentions the horizontal measures, the transparency, exchange of information and traceability of financial transactions as critical areas in the struggle against terrorist financing (Commission of the European Communities 2004).

In Exchange and Analysis of Information part, the Communication (Commission of the European Communities 2004) has proposed the importance of exchange of information among competent authorities and the private sector. The Communication draws attentions to exchange information in investigations of terrorist financing, and sharing of intelligence with criminal prosecutors would enhance the prospects of successful prosecutions (Commission of the European Communities 2004, p.5). The Communication believes that the programs, FIU.NET and SUSTRANS which are used for the exchange of information on terrorist financing between member states, are indispensable in struggle against terrorist financing. (Commission of the European Communities 2004) The financial sector does have information for suspicious transactions or financial patterns of suspects so that financial organizations could give access to encrypted data (Commission of the European Communities 2004, p.5).

In Traceability of Financial Transactions part, the Communication states that it should be well formed and cooperation mechanism among the national actors dealing with identification, tracing, freezing, and confiscation of assets associated with terrorist financing. Establishing adequate links between funding activities and the pursuit of terrorism/terrorist attacks would allow financial data to be turned into intelligence which can be turned into evidence (Commission of the European Communities 2004, p.6).

In Transparency part, the Communication states that improving transparency of legal persons is a key element in countering an infiltration by

terrorist organizations and their sympathizers. Moreover, transparency is a core issue in a charitable or non-profit sector which are among the most preferred ways of terrorist financing. The European Commission also try with Europol, its automatic intelligence gathering and analysis tools to apply to the charitable sector (Commission of the European Communities 2004, p.7,8).

The Council Decision (Commission of the European Communities 2005) underlines the backgrounds of the final draft of the Directive 2005/60 on the Prevention of the Use of the Financial System for the Purpose of Money Laundering and Financing of Terrorism. The fight against the financing of terrorism is one of the key aspects of the EU's counter-terrorism strategy, and this Decision shows us the way of European Union to struggle against the financing of terrorism.

On 14 December 2004, EU Counter Terrorist Financing Strategy was formed. The key elements of the Strategy can be summarized as follows (Council of European Union 2004):

- The strategy states to improve transparency and traceability would be important in developing investigations. Thus, member states should develop financial investigative skills to follow money trails backward to the person providing finance and forwards to terrorist cells (Council of European Union 2004, p.6).
- The individual who carries cash and other equivalent instruments across borders is another method of moving funds for terrorist financings, such as small banking transfers. Technology for detecting this phenomenon should be developed and deployed. Thus, analysis of trends and techniques in terrorist financing should be followed by parties with reports from Europol (Council of European Union 2004, p.5).
- There are differences between money laundering and the financing of terrorism, and therefore in the methodologies to be successful in correctly identifying relevant suspicious transactions. For terrorists, the acquisition

of funds is not an end in itself but a means of committing a terrorist attack (Council of European Union 2004, p.4). Thus, the actors who are in a struggle in terrorist financing should distinguish the differences of methodologies of these crimes which have developed together.

- The Strategy underlines the cooperation with international actors with full implementation of the International Convention for the Suppression of the Financing of Terrorism, UN Security Council Resolution 1373 and other relevant international conventions and Security Council Resolutions. Moreover, cooperation with FATF and its FATF-style Regional Bodies should be developed (Council of European Union 2004).

“Between December 2003 and February 2005, the committee of experts held seven meetings and discussed a draft new convention on laundering, search, seizure and confiscation of the proceeds of crime and the financing of terrorism. The agreement reached at the December 2004 meeting was submitted to the Parliamentary Assembly of the Council of Europe on 27 January 2005 for consultation (Opinion No 254/2005). At its final meeting in February 2005, the committee of experts discussed parliamentary amendments and drew up a final draft, which was examined by the CDPC on 7 March 2005. At its 925th meeting on 3 May 2005, the Committee of Ministers formally adopted the Convention, paving the way for the formal endorsement of the text at the third summit of the Heads of State or Government held under the aegis of the Council of Europe in Warsaw on 16 and 17 May 2005.” (Commission of the European Communities 2005, p.2)

Council Directive 1991/308/EEC of the European Parliament on the Prevention of the Use of the Financial System for the Money Laundering has been

repealed by the Directive 2005/60 on the Prevention of the Use of the Financial System for the Purpose of Money Laundering and Financing of Terrorism. This directive sets out the necessary arrangements for EU member states in their legislation under the framework of fighting money laundering and financing of terrorism. According to the agreement, all member states are required to make their internal legislation compatible with the Directive by 15 December 2007. The Directive defines terrorist financing as;

“The provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out any of the offences within the meaning of Articles 1 to 4 of Council Framework Decision 2002/475/JHA of 13 June 2002 on combating terrorism.” (European Parliament & Council of the European Union 2005, p.20)

The Directive focuses on the CDD procedures and to enhance CDD measures should be applied in member countries which have high-risk of money laundering and terrorist financing. It mentions the importance of FIUs to follow the AML/CFT. Also, it draws attention to report suspicious transactions. Money laundering and terrorist financing are international problems, and the effort to combat them should be global (European Parliament & Council of the European Union 2005, p.18).

According to the Directive, credit and financial organizations, auditors, external accountants, tax advisors, real estate agents, casinos and notaries and other independent legal professionals when they act on behalf of their clients or assist them in any financial or real estate transaction and finally other natural or legal persons trading in goods, only to the extent that payments are made in cash

in an amount of 15.000 EURO or more, are obliged parties. (European Parliament & Council of the European Union 2005, p.16).

The other important document in EU's struggle against the terrorist financing is the Regulation (EC) 1889/2005, focuses on the movement of money. (European Parliament & Council of the European Union 2005) According to the Regulation, any natural person entering or leaving the Community and carrying cash of a value of 10.000 EURO or more should make a declaration including full name, nationality, the owner, the amount of cash and transport route comprising where he is leaving or entering the Community.

In 2005, the European Commission underlined the importance of cooperation and exchange of information between competent authorities in horizontal structures. The cooperation between Finance, Justice, Interior and Foreign Ministries, financial intelligence unit, law enforcement authorities, intelligence agency and public prosecutor offices in policy formation and operational issues (Commission of the European Communities 2005, p.3). Concerning non-profit sector, it suggests that the member states should monitor the non-profit sectors and ensure reporting regularly, in order to protect non-profit sectors from terrorist financing (Commission of the European Communities 2005, p.12).

In 2016, the European Commission stress out in Proposal for a Directive of the European Parliament and of the Council amending Directive (EU) 2015/849 on the Prevention of the Use Of The Financial System for The Purposes of Money Laundering or Terrorist Financing that an action plan presented by the Commission(European Commission 2016-I) at 2 February 2016 for strengthening the fight against terrorist financing that focuses on two main strands of action: tracing terrorists through financial movements and preventing them from moving funds or other assets; and disrupting the sources of revenue used by terrorist organizations, by targeting their capacity to raise funds(European Commission 2016-II).

The European Union's struggle against the terrorist financing covers a extended range of issues and focus on suspicious transactions, customer due diligence mechanisms, exchange of information on both national and international level, the physical movement of currency, the prevention of the use of non-profit sector for the purpose of terrorist financing, financial sector for purpose of terrorist financing.

3.5 THE EGMONT GROUP OF FINANCIAL INTELLIGENCE UNITS

On June 9, 1995, the Egmont Group was formed in Brussels with 24 countries and eight international organizations. The organization takes its name from the place, where the meeting is held, the Egmont-Arenberg Palace in Brussels. Its main goal is to help countries to develop systems of counter intelligence at the national level and to remove the obstacles in front of international information exchange related to money laundering (Aykın 2007, p.7). In this context, in addition to providing financial assistance to the financial intelligence units, training, experience and knowledge to the staff, international exchange of information is developed, and a systematic structure is provided.

Information exchanges between Egmont Group member countries are made through financial intelligence units (FIUs) of countries. The financial intelligence unit is described by Egmont as:

"It is the central national unit responsible for collecting, analyzing and referencing to relevant authorities reports of financial information required by national legislation and regulations in order to combat incurred income and potential terrorist financing or money laundering and terrorism financing." (Egmont Group 2004, p.3)

The Egmont Group ensures a platform on combating terrorist financing and money laundering (TF/ML) for exchange of the information of expertise and financial intelligence. The FIU has an important position to cooperate and support national and international level struggle against terrorist financing and share secure financial information domestically and internationally in compliance with global standards on CFT/AML. It is the operational tool for international CFT/AML system. Thus, its sharing of financial intelligence has become an indispensable part of international efforts to struggle against TF/ML. Financial Intelligence Units provide and exchange information in compliance with international standards on CFT/AML and law enforcement (Schott 2006). The Egmont Group works as an international intelligence forum and mobilizes its member FIUs.

“The support provided by the Egmont Group includes:

- Expanding and systematizing the exchange of financial intelligence information
- Improving expertise and capabilities of personnel of such organizations
- Fostering better communication among financial intelligence units through the application of technology.” (Egmont Group 2004, p.3)

In 1997 the Egmont Secure Web was established. Through this Web, financial intelligence units communicate with each other, on the basis of confidentiality and protection of privacy, exchange information in a secure way. Furthermore, the Web also provides updated information about the new trends and techniques in money laundering and terrorist financing (Aykın & Sözman 2008, p.122).

The Egmont Group is an informal body without a secretariat or a permanent location. The Egmont Group meets in a plenary session once a year and in working group sessions three times a year. Within the Egmont Group, the FIU heads make all the policy decisions, including membership. The group established the Egmont Committee to help coordinate with the Working Groups, and the FIU heads in between the annual plenary sessions (Schott 2006, p. III-20, III-21).

“There are five working groups and an Egmont Committee. The working groups and their functions are listed below:

- The Legal Working Group (LWG) reviews the candidacy of potential members and handles all legal aspects and matters of principle within Egmont, including cooperation between FIUs.
- The Outreach Working Group (OWG) works to create a global network of FIUs by identifying candidates for membership and working with those countries to ensure that they meet international standards.
- The Training Working Group (TWG) identifies training needs and opportunities for FIU personnel and conducts training seminars for Egmont members as well as for non-Egmont jurisdictions.
- The Operational Working Group (OPWG) seeks to bring FIUs together on typologies development and long-term strategic analytical projects.
- The IT Working Group (ITWG) provides advice and technical assistance to new and existing FIUs to develop, enhance, or redesign their IT systems, and examines new

software applications that might facilitate analytical work.”
(Egmont Group 2004, p.3,4)

In conclusion, the Egmont Group works for simplifying the exchange of secure information between its member FIUs, stakeholders, and international organizations. It strengthens the cooperation in the struggle against terrorist financing. It is a crucial attempt to provide solutions to international and domestic problem of the terrorist financing.

3.6 THE WOLFSBERG GROUP OF BANKS

The Wolfsberg Group is an association of 12 global banks, representing primarily international private banking concerns. The group, which was named after the Château Wolfsberg in north-eastern Switzerland where the group was formed, has established four sets of principles for private banking (Schott 2006, p. IV-4).

In January 2002, the Wolfsberg Group published “the Statement on the Suppression of the Financing of Terrorism.” (Wolfsberg Group 2002) It underlines the role of financial organizations in the fight against the financing of terrorism that may assist states and their agencies, to strengthen struggle against terrorist groups from accessing their financial funds. Moreover, the Wolfsberg group is conscious of the fact that, adherence to existing “Know Your Customer” procedures is a key player to struggle against the terrorism. The identification of customers by financial organizations can facilitate the struggling against the financing of terrorism (Wolfsberg Group 2002).

The Wolfsberg Group is committed to applying enhanced and appropriate due diligence in relation to those of their customers engaged in sectors and activities which have been identified by competent authorities as being widely

used for the financing of terrorism, such as underground banking businesses or alternative remittance systems (Wolfsberg Group 2002, p.2). Moreover, the Wolfsberg Group advice to restrict their business with remittance businesses, change offices, exchange houses, casas de cambios and money transfer agents which are associated with crime or financing of terrorism.

Wolfsberg Group recognizes that while the motive for such transactions may be unclear, monitoring and then identifying and reporting unusual or suspicious transactions may assist government agencies by linking seemingly unrelated activity to the financing of terrorism (Wolfsberg Group 2002, p.3). Wolfsberg Group mentions the need of chase on unusual or suspicious transactions. Similar to Egmont Group, there is a common belief that if the authorities may follow the unusual or suspicious transactions, they may decrease the risk of financing of terrorism.

Wolfsberg Group indicates that cooperation and assisting law enforcement and government agencies, is indispensable, furthermore financial organizations are able to make:

- “The provision of official lists of suspected terrorists and terrorist organizations on a globally coordinated basis by the relevant competent authority in each jurisdiction.
- The inclusion of appropriate details and information in official lists to assist financial organizations in efficient and timely searches of their customer bases. This information should ideally include in the case of individuals: date of birth: passport or identity card number; in the case of corporations; place of incorporation or establishment; details of principals; to the extent possible, reason for inclusion on the list; and geographic information, such as the location, date and time of the transaction.

- Providing prompt feedback to financial organizations on reports made following circulation of such official lists.
- The provision of meaningful information in relation to patterns, techniques, and mechanisms used in the financing of terrorism to assist with monitoring procedures.
- The provision of meaningful information about corporate and other types of vehicles used for terrorist financing.
- The development by government and clearing agencies of uniform global formats for funds transfers that require information which may assist efforts to prevent and detect the financing of terrorism.

Ensuring that national legislation :

- Permits financial organizations to maintain information derived from official lists within their databases and to share such information within their groups
- Affords financial organizations protection from civil liability for relying on such lists.
- Permits financial organizations to report unusual or suspicious transactions that may relate to terrorism to the relevant authorities without breaching any duty of customer confidentiality or privacy legislation.
- Permits the prompt exchange of information between governmental agencies of different nation states.”
(Wolfsberg Group 2002, p.3,4)

The Wolfsberg Group stands behind the FATF Special Recommendations on Terrorist Financing as a measure for the struggle against terrorist financing. The Wolfsberg Statement on the Suppression of the Financing of Terrorism proves that the financial organizations interest in the issue and put forward

reasons to be a part of the fight against the financing of terrorism which needs significant cooperation on efforts.

3.7 THE BASEL COMMITTEE ON BANKING SUPERVISION

The Basel Committee on Banking Supervision (BCBS) was established by the group of ten countries central bank governors. Actually, there are 13 member countries. However, it called the Group of Ten: Canada, Germany, Luxemburg, Belgium, France, Italy, Japan, the Netherlands, Sweden, United States, Spain, United Kingdom and Switzerland. Countries are represented by their central banks or by the relevant authority with formal responsibility for supervision of banking where that authority is not the central bank. The committee has no supervisory power or force of law; it tries to determine the broad supervisory standards and statements of best practices on bank supervisory issues. These standards were adopted by each state which will take all necessary steps to implement measures in the national law enforcement system. The main purpose of the committee to develop international standards for banking supervision and enhancing international cooperation on the issue, to create an international forum. Its mandate is to strengthen the regulation, supervision, and practices of banks worldwide with the purpose of enhancing financial stability.

“The core of the work undertaken by the Basel Committee focuses on the following activities:

- Exchanging information on developments in the banking sector and financial markets to help identify current or emerging risks for the global financial system,

- Sharing supervisory issues, approaches, and techniques to promote common understanding and to improve cross-border cooperation,
- Establishing and promoting global standards for the regulation and supervision of banks, as well as guidelines and sound practices,
- Addressing regulatory and supervisory gaps that pose risks to financial stability,
- Monitoring the implementation of BCBS standards in member countries and beyond to encourage their timely, consistent and effective implementation,
- Consulting with central banks and bank supervisory authorities which are not members of the BCBS to benefit from their input into the BCBS policy formulation process and to promote the implementation of BCBS standards, guidelines and sound practices beyond BCBS member countries,
- Coordinating and cooperating with other financial sector standard setters and international bodies, particularly those involved in promoting financial stability.” (Basel Committee on Banking Supervision 2016, I.2)

In addition to these activities, in 2002, the Committee began to focus also on the issue of financing of terrorism and published a document called “Sharing of financial records between jurisdictions in connection with the fight against the financing of terrorism.” (Basel Committee on Banking Supervision 2002)

“The focus of the 14 December 2001 meeting was on banking activities and on the possibilities of preventing the global financial

system from being misused to support terrorist activities. The participants noted that this could not be achieved unless financial services providers have effective “know your customer” (KYC) and customer due diligence (CDD) procedures and that some of the methods that might be used by terrorists to move money, such as the postal giro network and private wire transfer systems, may not be within the jurisdiction of central banks or banking supervisors. This underscores the need to introduce or improve KYC and CDD standards for all categories of organizations that provide financial services.” (Basel Committee on Banking Supervision 2002, p.1)

The statement underlines that BCBS try to prevent the global financial system from being misused. Thus they are working on standards to restrict money transfers to banks by terrorist groups. Hence, they would like to draw attention to improve the know your customer (KYC) and customer due diligence (CDD) principles and standards.

“3. Participants agreed that the size and geographical scope of the international financial system makes it imperative to significantly improve coordination and collaboration between all the parties involved, if measures to identify and prevent terrorist financing are to succeed. Central banks and bank supervisors are typically not in the front line of these efforts. Nevertheless, because terrorism is a threat to financial stability, the participants agreed that central banks and banking supervisors should lend their expertise and resources to those that are more directly involved, including treasuries, judicial authorities and law enforcement authorities such as financial intelligence units. The collaboration needs to operate both at a domestic level between all parties concerned and also, to

the extent possible, at an international level. This means that gateways need to exist for information to be transmitted within and across national borders.” (Basel Committee on Banking Supervision 2002, p.1)

The statement draws attention to improve coordination and collaboration between all parties associated with the prevention of financing of terrorism. Terrorism is a threat to financial stability. Thus central banks and bank supervisory has a responsibility towards other actors such as financial intelligence units, treasuries, judicial and law enforcement authorities. Each party of struggle against terrorist financing process, need proper collaboration among themselves to succeeded on the domestic and international level.

“The BCBS, in its Customer due diligence for banks (CDD) paper in October 2001 issued prudential guidance for CDD which are applicable to AML/CFT. This paper sets out standards and provides guidance for the development of appropriate practices by banks in this area. Adequate due diligence on new and existing customers is a key element. Banks must develop policies and procedures in key areas such as customer acceptance, customer identification, ongoing monitoring of high-risk accounts and risk management. The essential elements for these were presented in this paper, together with recommendations for more rigorous standards of due diligence for higher-risk areas.” (BCBS, IAIS, IOSCO 2003, p.6)

In June 2003, the Committee together with IOSCO and IAIS prepared a report assessing the efforts in banking, insurance and securities sectors for the prevention of the financing of terrorism and underlined the need for the efficient

implementation of customer due diligence procedures in each sector and the importance of standards of AML/CFT to prevent financing of terrorism. Also, the report includes lots of references to FATF 40 recommendations and special recommendations on the financing of terrorism (BCBS, IAIS, OISCO 2003).

In 2004, the IAIS published the “Guidance Paper on Anti-Money Laundering and Combating the Financing of Terrorism” as an updated version of the “Anti-Money Laundering Guidance Notes for Insurance Supervisors and Insurance Entities” in 2002 (Ustün 2008, p.34). In this document, the steps that should be taken by insurance companies with respect to customer due diligence procedures, suspicious transaction reporting, risk management, keeping record and training of the staff are presented (IAIS 2004).

SECTION FOUR

FINANCIAL ACTION TASK FORCE (FATF)

4.1 GENERAL OUTLOOK OF FATF

At the summit of the seven industrialized countries, called the G-7, held in Paris in July 1989, and eight other countries, It was accepted that preventing money laundering is not the responsibility of only one country, but of all. For this reason, it is necessary to determine the principles of multilateral struggle against the risk of laundering at the global level, in this regard, to organize these principles, to develop standards and to establish cooperation between the countries, as well as the countries participating in the summit and the other countries that are interested in this issue (FATF 2008, p.1).

At the summit of the G-7, the focus was particularly on fighting drug trafficking and laundering from the narcotic funds, both nationally and internationally. For this reason, it has been proposed to establish bilateral or multilateral agreements between countries for freezing, seizing and confiscating the funds from narcotic (FATF 2008, p.1).

The G7 Resolution included measures to strengthen international cooperation in the War on Drugs including ratification and implementation of the 1988 ‘Vienna Convention’(UN 1988) on illicit traffic in narcotic drugs and psychotropic substances and the creation of a financial action task force from summit participants and other countries interested in these problems (Hayes 2012, p.16). The mandate of the Task Force was to assess the results of cooperation already undertaken in order to prevent the utilization of the banking system and financial organizations for the purpose of money laundering, and to consider

additional preventive efforts in this field, including the adaptation of the legal and regulatory systems so as to enhance multilateral judicial assistance (G-7 1989).

The FATF, consisting of experts from financial, legal, regulatory and operational sectors, meets regularly. It is a policy production center designed to assist the political will of countries to influence legal reforms. FATF's basic mission is to help ensure that money laundering is effectively prevented and identified by all countries ensuring measures (Ergül 2001, p.15).

The FATF is an organization established to prevent the use of the financial system by the criminals, to take measures against international criminals and to produce policies and standards in this respect. FATF is not set up for an unlimited period of time due to the fact that it is an 'action force.' The working period is based on a renewal mandate every eight years. The renewal of FATF Mandate until 2020 was adopted at the meeting of Ministers and representatives of the Financial Action Task Force in Washington on 20 April 2012. It reaffirmed the close co-operation between the FATF, the International Monetary Fund (IMF), the World Bank and the United Nations (FATF 2012, p.8).

Secretariat of the FATF is in Paris, although the enforcement activity being under the OECD umbrella, it is not an organ of the OECD. It works as an independent organization and reports to the Finance Ministers and other relevant Ministers of member states and also reports to the OECD Council of Ministers (FATF 2008, p.2).

The annual reports of FATF include revisions of recommendations, monitoring compliances, typologies of terrorist financing and the way how AML/CFT can be strengthened. The annual report of 2011-2012 underlines the objectives of the FATF as to set standards and to promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. Moreover, it focuses on collaboration with other international stakeholders; the FATF works also to identify national-level

vulnerabilities with the aim of protecting the international financial system from abuse (FATF 2012, p.42). Furthermore, the FATF carries out the following tasks:

- “a) Identifying and analyzing money laundering, terrorist financing and other threats to the integrity of the financial system, including the methods and trends involved; examining the impact of measures designed to combat misuse of the international financial system; supporting national, regional and global threat and risk assessments;
- b) Developing and refining the international standards for combating money laundering and the financing of terrorism and proliferation (the FATF Recommendations);
- c) Assessing and monitoring its Members, through ‘peer reviews’ (‘mutual evaluations’) and follow-up processes, to determine the degree of technical compliance, implementation and effectiveness of systems to combat money laundering and the financing of terrorism and proliferation; refining the standard assessment methodology and common procedures for conducting mutual evaluations and evaluation follow-up;
- d) Identifying and engaging with high-risk, non co-operative jurisdictions and those with strategic deficiencies in their national regimes, and coordinating action to protect the integrity of the financial system against the threat posed by them;
- e) Promoting full and effective implementation of the FATF Recommendations by all countries through the global network of FATF-style regional bodies (FSRBs) and international organizations; ensuring a clear understanding of the FATF standards and consistent application of mutual evaluation and follow-up processes throughout the FATF global network and strengthening the capacity of the FSRBs to assess and monitor their member countries;

- f) Responding as necessary to significant new threats to the integrity of the financial system consistent with the needs identified by the international community, including the United Nations Security Council, the G-20 and the FATF itself; preparing guidance as needed to facilitate implementation of relevant international obligations in a manner compatible with the FATF standards (e.g., continuing work on money laundering and other misuse of the financial system relating to corruption);
- g) Assisting jurisdictions in implementing financial provisions of the United Nations Security Council resolutions on non-proliferation, assessing the degree of implementation and the effectiveness of these measures in accordance with the FATF mutual evaluation and follow-up process, and preparing guidance as needed to facilitate implementation of relevant international obligations in a manner compatible with the FATF standards;
- h) Engaging and consulting with the private sector and civil society on matters related to the overall work of the FATF, including regular consultation with the private sector and through the consultative forum;
- i) Undertaking any new tasks agreed by its Members in the course of its activities and within the framework of this Mandate; and taking on these new tasks only where it has a particular additional contribution to make while avoiding duplication of existing efforts elsewhere.” (FATF 2012, p.42, 43)

The terrorism threat has been continuing to grow and has become the biggest concern worldwide. The FATF’s role as a standard-setting and assessment body is to encourage state’s efforts to take actions against terrorist financing by identifying and analyzing terrorist financing, developing and refining the international standards for combating the financing of terrorism, identifying and engaging with high-risks on integrity of financial system by terrorist financing,

assisting and supporting jurisdictions in implementing financial provisions of recommendations. Furthermore, the other tasks of FATF are engaging and consulting with the private sector and civil society on matters related to the overall work of the FATF (FATF 2017).

4.2 COMPOSITION AND PARTICIPATION

4.2.1 Members

At the beginning of the FATF foundation, signing the Vienna Convention (UN 1988) was considered sufficient to become a member of the FATF, but today the FATF has set severe criteria for accepting new members. FATF is encouraged to create FATF-like regional organs instead of expanding under a single organizational framework. As a result of the FATF's policy, together members can act as a powerful force instead of a single unit in the struggle against TF/ML as seen from the global point of view, and this acts as a deterrent to terrorists.

According to the 2012-2020 Final Mandate Report (FATF 2012) published by FATF, the conditions the group looks for membership are;

“6. Member jurisdictions commit to:

a) Endorse and implement the FATF Recommendations for combating money laundering and the financing of terrorism and proliferation, using where appropriate guidance and other policy endorsed by the FATF; and

b) Undergo and actively participate in systematic ‘peer reviews’ (‘mutual evaluations’) and follow-up processes using the agreed assessment methodology and procedures; evaluations will be published by the FATF.

7. Member organizations commit to:

- a) Endorse and promote the efficient implementation of the FATF Recommendations among their member jurisdictions, and
- b) Support systematic ‘peer reviews’ (‘mutual evaluations’) and follow-up processes using the agreed assessment methodology and procedures.

8. Member jurisdictions and organizations commit to:

- a) Pursue the development of the FATF standards, guidance and other policy for combating money laundering and the financing of terrorism and proliferation and other threats to the integrity of the international financial system through active participation in the work of the FATF (chairing meetings, drafting reports, etc.); and
- b) Work together to meet the objectives and carry out the tasks of this Mandate.” (FATF 2012, p.3, 4)

The FATF currently comprises 35 member jurisdictions and two regional organizations, representing most major financial centers in all parts of the globe (FATF 2017).

4.2.2 Associate Members

FATF-like regional organizations (FSRB) are the common name given to organizations in different geographical regions of the world that come together to work within a program for the purpose of preventing laundering of criminal proceeds and struggle against terrorist financing. There are 9 FSRBs, which work with FATF and other international organizations. In addition to its thirty-seven

members, the FATF includes nine "associate members" that are FATF-like organizations in other regions (FSRBs) (FATF 2017).

- Asia/Pacific Group on Money Laundering (APG)
- Caribbean Financial Action Task Force (CFATF)
- Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)
- Eurasian Group (EAG)
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)
- Financial Action Task Force of Latin America (GAFILAT)
- Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)
- Middle East and North Africa Financial Action Task Force (MENAFATF)
- Task Force on Money Laundering in Central Africa (GABAC) (FATF 2017, p.56)

The FATF is a major standard-setting institution in the world fighting money laundering and terrorist financing and it covers from New Zealand to Iceland and from Africa to Canada, all the major developed countries of the world. FATF-like regional organizations (FSRB) are organizations that enable the cooperation of countries in close proximity in relation to their geographical position in the world. FATF-like organizations include countries with FATF membership, while the majority of members of these organizations are not FATF members (Ustün 2006).

Associate Members of FATF-style regional bodies (FSRBs) can participate in the work of FATF and governed by a set of principles. These FSRBs promise to implement the FATF Standards in their jurisdictions through the

mutual evaluations and follow-up processes using the agreed assessment methodology and procedures (FATF 2017). Furthermore they participate in the development of the FATF standards, and guidance for struggling against terrorist financing, and endorse all FATF Recommendations (FATF 2017, p.4).

4.2.2.1 Asia/Pacific Group on Money Laundering (APG)

The Asia Pacific Group was formed in February 1997 in Bangkok in order to fight regional crime against criminal incitement in line with the decision taken in the fourth Asia Pacific Launch of Crime Revenues Symposium. The APG meetings were held in August 1999 in Manila under the leadership of the Republic of the Philippines and the Asian Development Bank, and in May 2000 in Australia. At these meetings, issues related to structuring, 40 obligations for the implementation of Recommendations, self-evaluation of member states, mutual assessment, training, technical assistance and typology studies were discussed. The APG, in conjunction with the FATF and the other eight regional bodies, constitute a global network to combat money laundering, the financing of terrorism and the financing of proliferation of weapons of mass destruction (APG 2017). Based on the FATF 40 Recommendations in its work, the Group has also included combating terrorist financing in its activities. The APG also assists its members to establish national coordination mechanisms to better utilize resources to combat money laundering and terrorist financing (Sedefoglu 2009, p.85).

The APG, FATF and the other bodies have reciprocal rights of attendance at each other's meetings as well as reciprocal sharing of documents and participation in working groups. The APG works jointly with these bodies in mutual evaluations, typologies, and other projects. The APG also works closely with the International Monetary Fund, World Bank and Group of International Finance Centre Supervisors on assessing and assisting APG members (APG 2016-I, p.6).

APG has 41 member jurisdictions across the Asia/Pacific. (APG 2016-I, p. 7) APG distribute these memberships into 5 sub-regions: North Asia, South East Asia, South Asia, Pacific, and Canzus for efficient management and representation. (APG 2016-I) APG believes in the benefits of the exchange of information from other international organizations. Thus, the APG has eight observer jurisdictions and 28 observer organizations (including FATF-style regional bodies, or FSRBs) (APG 2016-II, p.5).

4.2.2.2 Caribbean Financial Action Task Force (CFATF)

It is an organization formed by Caribbean countries and territories that have agreed to take counter-measures against the money laundering and terrorist financing. CFATF is the oldest regional institution established as FATF (Tasdelen 2003, p.69). The task force was formed at the beginning of the 1990s as a result of meetings in Aruba and Jamaica. At a meeting in Aruba in June 1990, 19 regional recommendations were developed that address the concept and complement the FATF 40 Recommendations.

There are twenty-seven states in the Caribbean Basin, Central and South America who have agreed to implement common measures to address the problem of money laundering, and terrorist financing.

The members' ministers held a meeting in Kingston in 1992 and agreed on Kingston Declaration (Caribbean Financial Action Task Force 1992). The ministers agreed to sign and ratify the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and further Agreed to Endorse and implement both the 40 FATF Recommendations and 19 Aruba Recommendations.

4.2.2.3 Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism- MONEYVAL is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems (Council of Europe 2014-I). Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities for struggle against terrorist financing and money laundering.

MONEYVAL has developed its activities in a step-by-step fashion, giving priority to achieving concrete results on struggle against terrorist financing and money laundering since its creation by the Committee of Ministers in 1997 as an expert committee subordinated to the European Committee on Crime Problems (CDPC) (Council of Europe Committee of Ministers 2013, p.1). MONEYVAL functioning was regulated by the general provisions of Resolution Res (2005)47 on committees and subordinate bodies, their terms of reference and working methods (Council of Europe Committee of Ministers 2005). At their meeting on the 13th of October 2010, the Committee of Ministers adopted the Resolution CM/Res 12(2010) on the Statute of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). The statute elevates MONEYVAL as from 1st of January 2011 to an independent monitoring mechanism within the Council of Europe answerable directly to the Committee of Ministers. MONEYVAL Statute was further amended in 2013 by the Resolution CM/Res 13(2013) (Council of Europe Committee of Ministers 2013).

The MONEYVAL underlines the significant role of the struggle against money laundering, the financing of terrorism and other forms of serious proceeds-generating crimes for the purpose of which the Council of Europe has adopted a variety of instruments, in particular the 1990 Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Council of Europe 1990) and the 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (Council of Europe 2005).

Recalling the status of the Council of Europe/MONEYVAL since June 2006 as an associate member of the Financial Action Task Force (FATF) and underlining the importance of MONEYVAL as a leading international partner in the global network of anti-money laundering and combating the financing of terrorism (AML/CFT) assessment bodies (Council of Europe Committee of Ministers 2013, p.1).

In the process of evaluating the countries that are members should criminalize money laundering on the basis of the Vienna Convention of 1988, the FATF Recommendations, the Council of Europe Conventions and the EU Directives (FATF 2012). MONEYVAL expanded its field of activity after September 11, 2001, including the struggle against terrorist financing (Sedefoglu 2009, p.90). The Resolution CM/Res (2013) underlines the deeply convincing need to fight the financing of terrorism (Council of Europe Committee of Ministers 2013, p.1).

MONEYVAL tries to raise awareness of major global policies on terrorist financing and contribute actively to the global struggle against terrorist financing by working closely with other significant international partners, including the FATF, the IMF, the World Bank, the United Nations, the European Union and other FATF-Style Regional Bodies (FSRBs) in the global network of AML/CFT (Council of Europe Committee of Ministers 2013, p.3).

Member States of the Council of Europe that are not members of the FATF and Member States of the Council of Europe that become members of the

FATF and request to continue to be evaluated by MONEYVAL (Council of Europe Committee of Ministers 2013, p.2). Currently it has 28 members: Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Malta, Republic of Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia, Ukraine, and the Former Yugoslav Republic of Macedonia (Council of Europe 2014-II).

4.2.2.4 Eurasian Group (EAG)

Kyrgyz Republic, People's Republic of China, Republic of Belarus, Republic of Kazakhstan, Republic of Tajikistan, Russian Federation, based on the historically developed relations of strategic partnership and cooperation among them. They realized danger related to money laundering and financing of terrorism, confirming their commitment to maintaining the economic safety in the region and preventing national financial systems from being used by criminal elements, recognizing the importance of broad international cooperation in the sphere of anti-money laundering and combating financing of terrorism, expressing interest in creation, on the basis of FATF Recommendations and with regard to the characteristics of the region, of the effective system of combating money laundering and financing of terrorism. According to the decision of the Council of Ministers of Foreign Affairs of the CIS of March, 26, 2004, and consultations held among the above-mentioned countries of the region (Eurasian Group 2004, p.1).

The main tasks of EAG are assisting member states in order to implementing 40 FATF Recommendations and 9 Special Recommendations on CFT, analyzing trends on AML/CFT, and coordinating international cooperation and technical assistance programs with specialized international organizations (Eurasian Group 2011, Article 2).

EAG's headquarters place in Moscow, Russia (Hayes 2012). There are nine EAG member states: Republic of Belarus, Republic of India, People's Republic of China, Republic of Kazakhstan, Kyrgyz Republic, Russian Federation, Republic of Tajikistan, Turkmenistan, and Republic of Uzbekistan (EAG 2010).

4.2.2.5 Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

To fight against laundering proceeds of East and South Africa was established by the ministers and high-ranking representatives of fourteen states in Arusha (Tanzania) on 26-27 August 1999 with the aim of combating crime incidents and its headquarter is in Dar es Salaam, Tanzania (Hayes 2012, p.16). The scope of the Group's work also included the fight against terrorist financing (Sedefoglu 2009, p.88). Founding seven countries are Tanzania, Uganda, Malawi, Seychelles, Mauritius, Mozambique and Namibia.

Members of the group established in the regional character have agreed to comply with FATF's 40 Recommendations. This effort involves working with other international organizations involved in fighting crime incitement, trying to uncover regional typologies, fighting against problems such as institutional development and human resource capacities, and providing technical assistance wherever necessary. EGMONT, FATF, GIABA, IMF, Interpol – Harare, UK, UNODC, USA and mores are the cooperate partners and observers of ESAAMLG (ESAAMLG 2004).

There are 17 member states which are Angola, Botswana, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe (ESAAMLG 2004).

4.2.2.6 Financial Action Task Force of Latin America (GAFILAT)

The purpose of the Financial Action Task Force of Latin America, GAFILAT, (formerly known as Financial Action Task Force of South America (GAFISUD) is to work for developing and implementing a comprehensive global strategy to combat money laundering and terrorist financing as set out in the FATF Recommendations (FATF 2017).

The origin of GAFILAT goes back to ongoing efforts to integrate anti-money laundering efforts in South America and was encouraged by the creation of other anti money-laundering regional groups that were established following the FATF model (FATF 2017). It was created as GAFISUD on the 8th of December 2000 in Cartagena, Colombia by means of a memorandum of understanding by representatives of the governments of nine South American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay. Three full members were also incorporated in the following years: México (2006), Costa Rica and Panamá (2010) (GAFISUD 2010, p.5). GAFILAT's headquarters is at Buenos Aires in Argentina (Hayes 2012, p.16).

Its work on public policies on money laundering and the financing of terrorism, carefully evaluating the implementation of international standards on the subject has not only consolidated it as a specialized organization but also expanded it, including Central and North America (GAFISUD 2010, p.24).

The Inter-American Development Bank, The World Bank, The International Money Fund, Interpol, The Financial Action Task Force (FATF/GAFI) is the in cooperation with GAFILAT (GAFISUD 2010, p.15).

4.2.2.7 Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was established by the Economic Community of West African

States (ECOWAS) Authority of Heads of State and Government in the year 2000 (GIABA 2012-I). Its headquarters is in Dakar in Senegal (Hayes 2012).

GIABA is a specialized institution of ECOWAS, that is responsible for strengthening the capacity of member states towards the prevention and control terrorist financing and money laundering in the region (GIABA 2012-I).

The Central Banks of Signatory States, regional Securities and Exchange Commissions, UEMOA, Banque Ouest Africaine pour le Développement (BOAD), the French Zone Anti-Money Laundering Liaison Committee (Conseil Régional de l'Épargne Publique et des Marchés Financiers), the African Development Bank (ADB), the United Nations /UNCTED, the United Nations Office on Drugs and Crime (UNODC), the World Bank, the International Monetary Fund (IMF), the FATF, Interpol, WCO, the Commonwealth Secretariat, and the European Union are the observers of GIABA (GIABA 2012-I).

GAIBI has 16 member states which are Republic of Benin, Republic of Cape Verde, Republic of the Gambia, Guinea-Bissau, Republic of Liberia, Republic of Niger, São Tomé and Príncipe, Republic of Sierra Leone, Burkina Faso, Republic of Côte d'Ivoire, Republic of Ghana, Federal Republic of Nigeria, Republic of Mali, Republic of Senegal, and Togolese Republic (GIABA 2012-II).

4.2.2.8 Middle East and North Africa Financial Action Task Force (MENAFATF)

Middle East and North Africa Region have recognized the threats associated with terrorist financing and money laundering, and try to handle these problems through co-operation between states within MENA region (MENAFATF 2017-I). The 40 Recommendations and 9 Special Recommendations on CFT/AML, UN Conventions and UN Security Council Resolutions and other worldwide-accepted standards are adopted the Arab states towards terrorist financing and money laundering in the region. The governments of 14 countries decided to establish MENAFATF, Bahrain on the 30th of

November 2004, as a FSRB in order to work jointly to adapt these standards and implement in line with cultural values, constitutional frameworks and legal systems (Hayes 2012).

There are 19 member states: Hashemite Kingdom of Jordan, United Arab Emirates, Republic of Tunisia, People's Democratic Republic of Algeria, Kingdom of Saudi Arabia, Republic of Sudan, Syrian Arab Republic, Republic of Iraq, Sultanate of Oman, State of Palestine, State of Qatar, State of Kuwait, Lebanese Republic, State of Libya, Arab Republic of Egypt, Kingdom of Morocco, The Islamic Republic of Mauritania, and Republic of Yemen (MENAFATF 2017-II).

The International Money Fund, The World Bank, Financial Action Task Force, and United Nations are the some of the observers to support MENAFATF struggle against terrorist financing.

The first meeting of the Operational Experts Forum on Terrorist Financing (OETF) presided by the state of Qatar on 12th of November 2016 was held on the margins of the MENAFATF Plenary meeting which include the exchange of practical experiences among participants and stressed out the key roles of national cooperation among competent authorities for struggle against terrorist financing. It also stressed out the FIU's role for detecting terrorist financing, and establishing developed databases on field of CFT (MENAFATF 2016, p.2).

4.2.2.9 Task Force on Money Laundering in Central Africa (Groupe d'Action Contre le Blanchiment d'Argent en Afrique Centrale) (GABAC)

GABAC is body of the Economic and Monetary Community of Central Africa and established in 2000 with mandate to CFT/AML (GABAC 2015). GABAC became an observer organization of the FATF in February 2012, and since then worked with the FATF to meet the requirement of an FATF-Style Regional Body (FATF 2017).

Central and West Africa continue to experience the terrible impact of terrorism. Boko Haram (BH) in particular, has become one of the deadliest terrorist organizations in this region (Moore 2015). BH and related actors conducted hundreds of terrorist attacks, resulting in over 5000 casualties in 2014 and 6000 casualties in 2015 (Uhrmacher & Sheridan 2016) (Institute for Economics and Peace 2015).

Terrorism not only threatens the lives of civilians in the region, but also contributes to political instability and undermines economic development. These reasons affect the states into cooperation among themselves to fight against terrorist financing and money laundering (FATF, GIABA, GABAC 2016).

In the first half of 2015, BH was responsible for the deaths of 1059 people in northern Nigeria. The violence that originated in Nigeria has spilled into the neighboring countries of Cameroon, Chad, and Niger with a number of deadly terrorist attacks committed against government and civilian targets (United States Department of State 2016).

In October 2015, the FATF recognized the Task Force on Money-Laundering in Central Africa (Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale (GABAC)) as an FATF-Style Regional Body and admitted it as an Associate Member (FATF 2017, p.51).

4.2.3 International Financial Organizations (IFI)

The International Monetary Fund and the World Bank have a significant affect in developing, promoting and implementing measures for CFT/AML (FATF 2012) In particular, the IMF and the World Bank:

“a) Contribute to the development of the FATF standards, guidance and other policy for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

- b) Help to promote the effective implementation of the FATF Recommendations through country assessments conducted in the context of the Financial Sector Assessment. Program using the agreed assessment methodology and promoting publication of detailed assessment reports; and;
- c) Provide technical assistance and capacity building on combating money laundering, terrorist financing and other related threats.” (FATF 2012, p.4, 5)

The International Monetary Fund and the World Bank try to help to promote the effective implementation of FATF Recommendations, to contribute to the development of the FATF standards, guidance and other policy for CFT/AML threats to the integrity of financial system, to provide technical assistance and capacity building on CFT/AML threats (FATF 2012).

4.2.4 Observers

Israel and Saudi Arabia are still observers; the remaining observers include twenty nine observer organizations, including the World Bank, the International Monetary Fund, the United Nations, and the Egmont Group of Financial Intelligence Units (FATF 2017). To become an observer:

- “i) The organization should be inter-governmental and international/regional in nature, and it should not work according to private sector mechanisms.
- ii) The organization should have a stated role relating to AML/CFT.
- iii) The organization should endorse the FATF standards.

iv) Admission of the organization as an observer should enhance the FATF's global reach, geographically and/or sectorally.

v) The organization should be able to make a contribution to the work of the FATF.

vi) If the organization were to become an observer, reciprocity would exist between it and the FATF, including with respect to attendance at meetings and information sharing on AML/CFT issues.” (FATF 2008, p.31)

The organizations having intention to become an FATF observer should write an interest letter to the FATF President and this letter should include information on the organization, its efforts on AML/CFT and its activities. Furthermore, the organization clearly defines the objectives, endorses the FATF Forty Recommendations and Nine Special Recommendations and agrees to support implementation of these standards. FATF President submits the expression of interest to the plenary for assessment. If approved, FATF secretariat finalizes the process (FATF 2008, p.31).

FATF has 30 observer organizations: African Development Bank, Anti-Money Laundering Liaison Committee of the Franc Zone (CLAB), Asian Development Bank, Basel Committee on Banking Supervision (BCBS), Egmont Group of Financial Intelligence Units, European Bank for Reconstruction and Development (EBRD), European Central Bank (ECB), Eurojust, Europol, Group of International Finance Centre Supervisors (GIFCS), Inter-American Development Bank (IDB), International Association of Insurance Supervisors (IAIS), International Monetary Fund (IMF), International Organization of Securities Commissions (IOSCO), Interpol, Interpol/Money Laundering, Organization of American States / Inter-American Committee Against Terrorism (OAS/CICTE), Organization of American States / Inter-American Drug Abuse Control Commission (OAS/CICAD), Organization for Economic Co-operation

and Development (OECD), Organization for Security and Co-operation in Europe (OSCE), United Nations Office on Drugs and Crime (UNODC), United Nations Counter-Terrorism Committee Executive Directorate (UNCTED), The Analytical Support and Sanctions Monitoring Team to the Security Council Committee pursuant to resolutions 1267 (1999) and 1989 (2011) concerning Al-Qaida and associated individuals and entities, The Expert Group to the Security Council Committee established pursuant to resolution 1540 (2004), Panel of Experts to the Security Council Committee established pursuant to resolution 1718 (2006), Panel of Experts established pursuant to Security Council resolution 1929 (2010), The Al-Qaida and Taliban Sanctions Committee (1267 Committee), World Bank, and World Customs Organization (WCO) (FATF 2017, p.57).

The observer organizations regularize, stabilize and quicken the struggle against terrorist financing and extend the implementation of FATF Recommendations. Je-yoon Shin, FATF President 2015-2016, pointed out that ‘The greatest asset of the FATF is the expertise and integrity of its members, associate members and observers.’ (FATF 2017, p.4) It is a pertinent remark, so FATF is leading work globally to show the risks countries face from terrorist financing, and to develop policy responses to all aspects of it (FATF 2017, p.12).

In sum, when the legal profession considers the impact of the FATF's work on the legal framework, it needs to realize that the FATF's reach is global. Furthermore, because there are a number of observer organizations that have endorsed the FATF's recommendations, the FATF's reach is much broader than its 37 members (Terry 2010, p.9).

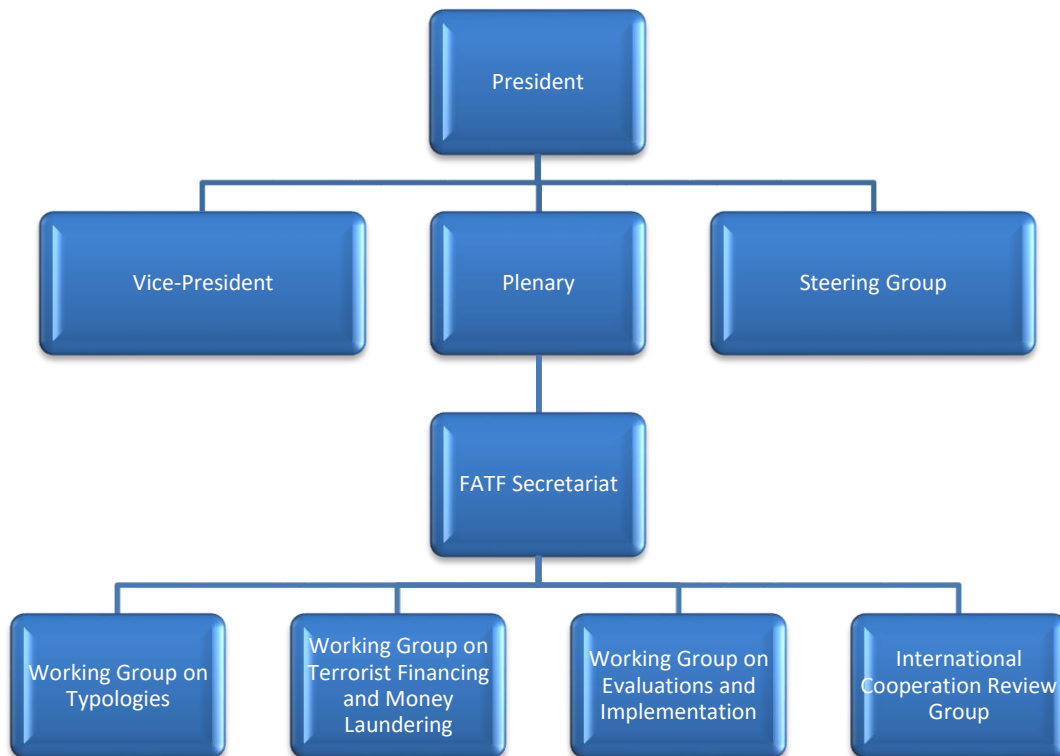
4.3 STRUCTURES OF FATF

4.3.1 The Plenary

The Plenary is the decision-making center of the FATF and all decisions are taken by consensus and it consists of member jurisdictions and organizations. The Plenary of FATF appoints the President, the Vice-President and the Steering Group, determines the manner in which it conducts its affairs and approves the program of work and budget. It decides on any other matter governing the business and affairs of the FATF and the membership, FSRB status and observer status for FTAF (FATF 2012, p.5). The plenary is chaired by a Presidency drawn from the FATF membership, supported by a vice-president, both of which rotate on an annual basis (Hayes 2012, p.18).

The Plenary oversees the work of the four working groups which work on specific tasks that range from the identification of new threats to the evaluation of the implementation of AML/CFT systems at the national level. The working groups have the ability to set up project teams or sub-groups to examine relevant topics in more detail. In 2009-2010, the working groups focused on the issues indicated below (FATF 2010, p.12):

Figure 4.1 The Organization of FATF



“Source: *The organization of FATF*”, (FATF 2010, p.12)

There are at least three meetings each year, normally during February, June, and October. The President may appoint additional meetings. All members, observers and associate members can attend the plenary meetings and sub-group meetings. Each Plenary meeting is chaired by the president. The president may extend invitations to representatives of non-members to plenary meetings, in closed sessions of the Plenary and after consultation with members; the president may invite the representatives from IMF, World Bank observer bodies (FATF 2012, p.6).

4.3.2 The President and Vice-President

The FATF president is appointed by the Plenary from among its member states for one year and the term begins on 1th of July and ends on 30th of June of the following year. The president is the principal spokesperson for the FATF and represents the FATF (FATF 2012, p.6, 7). The plenary is chaired by a Presidency drawn from the FATF membership, supported by a vice president, both of which rotate on an annual basis (Hayes 2012, p.18).

The FATF Vice President is appointed by the Plenary from among its members, works for a term of one year preceding the start of his/her Presidential term (FATF 2012, p.7). The vice president assists the Presidents' responsibilities on FATF mandate (FATF 2012).

4.3.3 The Steering Group

The Steering Group, which is described as 'an advisory body for the President', includes the past, present and future presidencies (Hayes 2012, p.18). The FATF Steering Group is chaired by the President (FATF 2012, p.7). Apart from a commitment to take into account the 'geography and size of the FATF' there are no evident rules governing the election, mandate or structure of the Steering Group (Hayes 2012, p.18). The Steering Group is composed of the Presidency, Vice Presidency and Heads of Delegation appointed by the Plenary. Their role is to advice to the President on issues affecting the FATF (FATF 2010, p.12).

The composition of Steering Group is decided by the Plenary at the proposal of the President with balanced representation in terms of geographic regions on annual basis (FATF 2012, p.7). The FATF Steering Group provides

advices and assists the president who convenes at least three Steering Group meetings every calendar (FATF 2012).

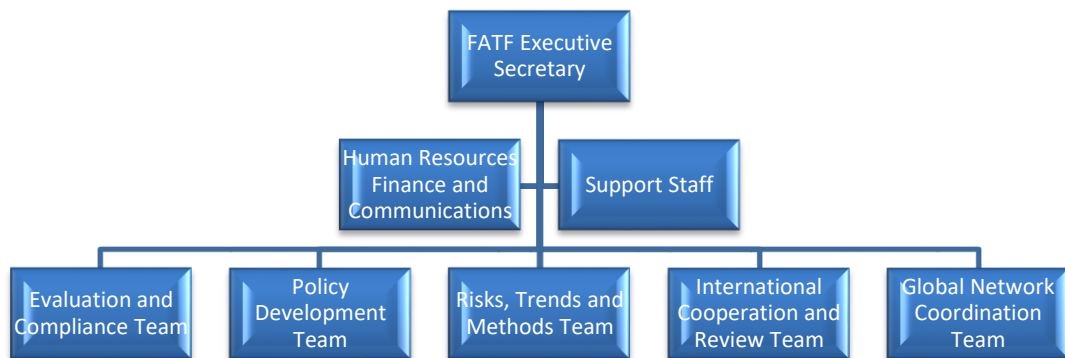
The Steering Group monitors and guides the progress of the FATF's ongoing work, ensure the coordination between working groups. Furthermore, the Steering Group establishes a network to transmit the information to members (FATF 2012, p.7).

4.3.4 The Secretariat

The FATF Secretariat was created in 1992. It is located at the headquarters of the Organization for Economic Co-operation and Development (OECD) in Paris, but remains independent from the OECD (FATF 2014). The FATF Secretariat is composed of an Executive Secretary, who is appointed by the Plenary at the proposal of the President, and the Secretariat staff (FATF 2012, p.7). The main responsibilities of the Secretariat include the following:

- “a) Supporting the activities of the FATF, including its working groups;
- b) Facilitating co-operation between Members, Associate Members and observers;
- c) Ensuring efficient communication to Members and others;
- d) Managing the financial, material and human resources allocated to the FATF;
- e) Maintaining the records, administering internal and external websites and dealing with correspondence of the FATF; and
- f) Carrying out all other functions that are assigned to it by the President or the Plenary.” (FATF 2012, p.8)

Figure 4.2 FATF Executive Secretary Plan



“Source: <http://www.fatf-gafi.org/about/fatfsecretariat/>”, (FATF 2017)

There are five working groups for different area of works and 2 administrative groups under the secretary. The Communications Management Advisor of FATF, Alexandra Wijmenga-Daniel, pointed out that the teams under the executive secretary are the teams that coordinate work of relevant working groups (Mrs. WD Alexandra 2017, pers.comm. 25 April). These teams are: Policy Development Group (PDG), Evaluations and Compliance Group (ECG), Risk, Trends and Methods Group (RTMG), International Cooperation and Review Group (ICRG), Global Network and Coordination Group (GNCG). Furthermore, the Final FATF Mandate (2012, p.8) declared that one of the main secretariat responsible is supporting its working groups.

This study tries to explain the teams and groups responsibilities below on the topic of working groups of FATF.

4.4 WORKING GROUPS IN FATF MEETINGS AND ORGANIZATIONS

4.4.1 Working Group on Money Laundering and Terrorist Financing (WGTM)

The FATF is leading the work globally to understand the risks countries face from terrorist financing, and to develop policy responses to all aspects of it (FATF 2017, p.12). The FATF's role as a standard-setting and assessment body is to support and encourage countries' efforts to combat terrorist financing by understanding the risk, developing robust counter-terrorist financing (CFT) Standards and policy responses, and monitoring implementation (FATF 2017, p.12). WGTM try to develop and refine the international standards for combating money laundering and the financing of terrorism and proliferation (the FATF Recommendations) (FATF 2017).

The Policy Development Group (PDG) develops and refines the FATF Recommendations on CFT/AML regime and these topics are determined under the Working Group on Money Laundering and Terrorist Financing (WGTM).

4.4.2 Working Group on Evaluations and Implementation (WGEI)

The strength of the FATF lies in its ability to assess how well a country has implemented the FATF Recommendations, and how effective a country's measures are in reaching their ultimate goal of detecting, preventing and punishing abuse of the financial system (FATF 2014, p.15). The Evaluation and Compliance Group (ECG) tries to assess and monitor members, through 'peer reviews' and follow-up processes to determine the effectiveness of a country's measures to combat money laundering and financing of terrorism and proliferation and their technical compliance with the FATF Recommendations.

ECG tries to assess topics in Working Group on Evaluations and Implementation (WGEI).

4.4.3 Working Group on Typologies (WGTYP)

The Risk, Trends and Methods Group (RTMG) tries to identify, analyze and understand money laundering, terrorist financing and other threats to the integrity of the financial system (FATF 2017). RTMG breeds the discussions over CFT/AML threats in the Working Group on Typologies (WGTYP) (FATF 2013).

The FATF has established a Working Group on Typology to develop typologies on the laundering of criminal proceeds and the financing of terrorism. This working group includes representatives from FATF member countries, certain international organizations, as well as other countries, and examines the laundering of crime proceeds and the financing of terrorism. The typologies developed by the typology study group are published annually as a report (Sedefoglu 2009, p.83).

4.4.4 International Co-operation Review Group (ICRG)

Identifying and engaging with high-risk and non-cooperative jurisdictions and those with strategic deficiencies in their national regimes. International Cooperation and Review Group (ICRG) has been established to closely monitor the countries and regions that are not members of the FATF or FSRBs and to prevent the risk of laundering and terrorist financing (Sedefoglu 2009, p.84).

If the country continues to fail to strengthen its CFT/AML measures, the next step would be referral to the FATF's International Co-operation Review Group that would look at the countries weakness in the context of its work on identifying high-risk and non-cooperative jurisdictions (FATF 2017, p.33).

As one of its key objectives, the FATF identifies countries with such serious shortcomings in their AML/CFT system and engages with them to establish an action plan. It works with them to strengthen their measures to protect the financial system from abuse. Through the work of the International Cooperation Review Group (ICRG), the FATF publicly identifies these countries, which also serves to raise awareness about the risk they represent and help protect the integrity of the global financial system. Once identified, the FATF closely monitors the progress that each country makes to address the weaknesses in their AML/CFT system. Public identification has proved very successful at encouraging countries to take swift action; not least as it increases the costs of doing business with and in those countries and can deter direct foreign investment. The ICRG process started in 2007; since then, the FATF has reviewed over 80 countries, and publicly identified 59 of them. Forty-eight have since taken the necessary steps to strengthen their AML/CFT framework, of which seven between July 2015 and June 2016: Algeria, Angola, Ecuador, Myanmar, Panama, Papua New Guinea and Sudan (FATF 2017, p.37).

4.5 40 RECOMMENDATION OF FATF: A GENERAL OUTLOOK

The FATF's Recommendations are at the core of FATF's work. The first set of Recommendations was issued in 1990 and aimed at providing measures that would help detect, prevent and punish the abuse of the international financial system for money laundering (FATF 2012, p.7). Since then, the FATF has periodically refined and updated the FATF Recommendations to respond to new threats to the international financial system. For example, in 2001, the FATF established Special Recommendations to combat terrorist financing. In 2003, the FATF introduced stronger standards for money laundering predicate offences and stronger customer due diligence requirements. And in 2005 it addressed the threat posed by cash couriers by introducing measures to detect physical cross border transportation of cash and bearer monetary instruments (FATF 2014, p.12).

By 2005, FATF was globally recognized as the standard-setter to combat money laundering and terrorist financing. This was confirmed by United Nations Security Council Resolution 1617(2005), which strongly urges all Member States to implement the comprehensive, international standards embodied in the FATF Forty Recommendations on money laundering and the Nine Special Recommendations on terrorist financing.

Following the conclusion of the third round of mutual evaluations of its members, the FATF has reviewed and updated the FATF Recommendations, in close co-operation with the FATF-Style Regional Bodies (FSRBs) and the observer organizations, including the International Monetary Fund, the World Bank and the United Nations(FATF 2012,p.8).

Figure 4.3 FATF Recommendations I

THE FATF RECOMMENDATIONS		
Number	Old Number ³	
A – AML/CFT POLICIES AND COORDINATION		
1	-	Assessing risks & applying a risk-based approach *
2	R.31	National cooperation and coordination
B – MONEY LAUNDERING AND CONFISCATION		
3	R.1 & R.2	Money laundering offence *
4	R.3	Confiscation and provisional measures *
C – TERRORIST FINANCING AND FINANCING OF PROLIFERATION		
5	SRII	Terrorist financing offence *
6	SRIII	Targeted financial sanctions related to terrorism & terrorist financing *
7		Targeted financial sanctions related to proliferation *
8	SRVIII	Non-profit organisations *
D – PREVENTIVE MEASURES		
9	R.4	Financial institution secrecy laws <i>Customer due diligence and record keeping</i>
10	R.5	Customer due diligence *
11	R.10	Record keeping <i>Additional measures for specific customers and activities</i>
12	R.6	Politically exposed persons *
13	R.7	Correspondent banking *
14	SRVI	Money or value transfer services *
15	R.8	New technologies
16	SRVII	Wire transfers * <i>Reliance, Controls and Financial Groups</i>
17	R.9	Reliance on third parties *
18	R.15 & R.22	Internal controls and foreign branches and subsidiaries *
19	R.21	Higher-risk countries * <i>Reporting of suspicious transactions</i>
20	R.13 & SRIV	Reporting of suspicious transactions *
21	R.14	Tipping-off and confidentiality <i>Designated non-financial Businesses and Professions (DNFBPs)</i>
22	R.12	DNFBPs: Customer due diligence *
23	R.16	DNFBPs: Other measures *

“Source: *The FATF 40 Recommendations*”, (FATF 2012, p.4)

Figure 4.4 FATF Recommendations II

E – TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS AND ARRANGEMENTS		
24	R.33	Transparency and beneficial ownership of legal persons *
25	R.34	Transparency and beneficial ownership of legal arrangements *
F – POWERS AND RESPONSIBILITIES OF COMPETENT AUTHORITIES AND OTHER INSTITUTIONAL MEASURES		
<i>Regulation and Supervision</i>		
26	R.23	Regulation and supervision of financial institutions *
27	R.29	Powers of supervisors
28	R.24	Regulation and supervision of DNFBPs
<i>Operational and Law Enforcement</i>		
29	R.26	Financial intelligence units *
30	R.27	Responsibilities of law enforcement and investigative authorities *
31	R.28	Powers of law enforcement and investigative authorities
32	SRIX	Cash couriers *
<i>General Requirements</i>		
33	R.32	Statistics
34	R.25	Guidance and feedback
<i>Sanctions</i>		
35	R.17	Sanctions
G – INTERNATIONAL COOPERATION		
36	R.35 & SRI	International instruments
37	R.36 & SRV	Mutual legal assistance
38	R.38	Mutual legal assistance: freezing and confiscation *
39	R.39	Extradition
40	R.40	Other forms of international cooperation *

1. The 'old number' column refers to the corresponding 2003 FATF Recommendation.

* Recommendations marked with an asterisk have interpretive notes, which should be read in conjunction with the Recommendation.

“Source: *The FATF 40 Recommendations*”, (FATF 2012, p.5)

The AML/CFT efforts try to strengthen the criminal law with a particular emphasis on the development of legislative and enforcement techniques, such as the confiscation of the proceeds of crime, designed to undermine the financial power of trafficking networks and organized crime groups (Gilmore 2004, p.93). After that, it is to understand that the criminal law is not enough and the system needs a broad range of measures (Gilmore 2004). These needs affect the FATF Recommendations process in order to create effective standards to reach the gatekeeper.

The 1990 FATF report identifies three measures which were unanimously regarded as constituting the overall general framework for its many specific proposals. All of them were intended to cure major difficulties and inefficiencies in international cooperation. The first groups of decisions focus on the full implementation of Vienne Convention (UN 1999), the financial organizations secrecy laws should be conceived and an effective money laundering enforcement program should include multilateral cooperation (Gilmore 2004, p.95).

The second group of decisions includes measures to be taken by financial and non-financial organizations and business and professional owners. Under this group there are 22 recommendations from Recommendation 4 to Recommendation 25. 5-12 recommends that the customer be recognized and the necessary records kept; Recommendation 13-16 contains notifications of suspicious actions and regulations on compliance with recommendations. Recommendations 17-20, laundering proceeds of crime and other measures to prevent terrorist financing, Recommendations 21-22, measures to be taken in respect of countries that do not comply with the recommendations of the FATF. Measures 23-25 are related to regulation and denial (Sedefoglu 2009, p.95).

The third group of recommendations, numbered 26-34, requires institutional and other measures necessary for the prosecution of crime incidents and the prevention of terrorist financing comprising. Recommendations No. 26-32 include the competent authorities, the authority of these authorities and the arrangements for the sources of authority. Recommendations 33-34 relate to the transparency of legal entities and agreements (Sedefoglu 2009, p.95).

The recommendations in the last group are related to the international business union. Recommendations 36-39 relate to mutual legal assistance and the recall of the criminals. The last recommendation number 40 includes the development of the business union (Sedefoglu 2009, p.96).

Gilmore (2004, p.42) defines the FATF as a gatekeeper to the international financial system. Thus, FATF Recommendations try to cover not only criminal side but also cover the other financial instruments in order to protect the international financial system.

4.5.1 The Link between Money Laundering and Terrorist Financing

Baker&Joly (2009) have revealed important links that exist between ML and insecurity. In their study, they expose some of the connections that have been unveiled in the past between illicit money flows and destabilizing activities (Baker&Joly 2009). For instance, well before the 9/11 attacks, Al Qaeda used phoney foundations, bogus corporations and dubious bankers all based in tax havens to wire about 50 million US dollars a year. Also, elements of groups such as Hezbollah have been found to be engaged in illegal trade in cigarettes in the West as well as in illicit diamonds in Western parts of Africa (Kingah& Zwartjes 2015, p.342). Hamas' dubiety and ML extend as far as to Latin America. The Revolutionary Guard Corps of Iran has been accused in the past of illegal trades amounting to about 12 billion US dollars a year. Globalization has been accompanied by an increase in the internationalization of crime (Vander 2003, p. 2). For Baker and Nordin the issue of ML forms part of a broader whole: the challenge of dirty money. They define dirty money as one that is illegally earned, illegally used or illegally transferred, and has three main facets: criminal proceeds from drug trafficking and racketeering; commercial proceeds from transfer pricing and shady business transactions, often hidden in tax havens; and corrupt proceeds from greedy government officials (Baker & Nordin 2004).

Chasing dirty money is a complex matter given that the main private bodies that aspire for change tend to be resistant to the same. Ramasastry (1998) argues that in the past foreign banks have been regarded as agents of dictators given that tyrants from poor countries have used banks in developed countries to launder money.

The link between ML and TF is that money obtained through terrorist means such as hostage taking can be laundered into the formal and legal system and this is usable in turn to further fund terrorist acts (Madzima 2009, p.1). Another link between the two is succinctly made by Jean François Thony who notes in his 'geography of terrorism' that criminal organizations gain from the

propensity and ability of terrorists and guerrillas to wreak damage, while terrorists avail themselves of the financing that the criminal activities gain for them. This has been the case for Colombia, countries afflicted by endless imbroglios in Africa (Eastern Congo) and Afghanistan that have all been marked by the illicit flows of coca, diamonds and opium (Thony 2000, p.4). The most recent manifest linkage between ML and TF has been brought into sharper relief through the financing operations led by ISIS to fund its terrorist activities in Iraq, Syria and beyond. Dealing with ML is an important way to address all these ills including TF without any need for physical engagement (Thony 2000, p.5).

Freeman (2011, p.472) suggests that terrorist financing and money laundering are conceptual opposites even though they are often linked in the same legislation and regulation. Mugira (2010) describes money laundering as the process where cash raised from criminal activities was made to look legitimate for re-integration into the financial system, whereas terrorist financing cared little about the source of the funds. However, he also contended that the use of funds will define its scope. Similar to Mugira (2010), Sinha (2013) suggest that terrorist financing can involve legal and illegal activities. It is not a sub-set of money laundering. Crime and money laundering are two such distinct activities. However, Sinha (2013) notes that there were some common elements in terms of the transfer of funds and the types of transactions. Power (2014) contends that money laundering is confined to legitimizing the proceeds of crime and without crime, there is no money laundering. However, Goede (2012) argues that it is an exercise of futility in combining money laundering and terrorist financing under the same law.

There are seven differences between the crime of money laundering and terrorist financing (Mohamed 2013). First, the objective of money laundering is for profit, while the latter is based on the ideology (Wheeler 2010). Second, although the sources of fund are internally from within the criminal organizations, such sources for terrorist financing are internally from self-funding cells (increasingly centering into criminal activities) (FATF 2008). Third, transactions in money laundering are usually through the formal financial system, whereas the

latter would usually favor cash or informal financial system such as the *hawala* and currency exchange firm (Patrick&Sandhu 2003). The fourth point is the detection of the transaction such as deposits which are uncharacteristic of an individual's wealth or the expected activity which could lead to relational links (Mohamed 2013). On the other hand, Mohamed (2013) suggests that terrorist financing has involved suspicious relationship such as wire transfers between unrelated parties that could lead to transactional links.

The fifth aspect of the distinction is that the amount involved in the transaction for money laundering is normally in large amounts and often structured to avoid the financial system requirements. However, for terrorist financing, such amounts would usually involve small amounts below reporting thresholds. Sixth, the financial transactions in money laundering could involve shares, front companies, bearer shares and offshore secrecy havens. However, according to the US 9/11 Commission (2004) for terrorist financing, there is no workable financial profile of professional terrorist. Last, the money trail for money laundering is found to be circular, and money eventually ends up with the persons who generated it. However, for the latter, such flow is linear, as the money being generated has been used to propagate terrorist groups and activities. In this context, Sinha (2013) contends that the solution for the ineffective and burdensome force marriage of AML/CTF was, in the first place, to recognize the differences between money laundering and terrorist financing.

4.6 SPECIAL RECOMMENDATIONS OF FATF ON TERRORIST FINANCING

4.6.1 Framework of Special Recommendations of FATF on Terrorist Financing

The term 'terrorist finance' came into existence within the context of money laundering due to the September 11, 2001, hijacking events in the United

States (Kalyani 2010, p.17). Before this date terms such as 'financing of terrorism', 'terrorist financing', or 'counter-terrorist financing' were not a part of the anti-money laundering crime control vocabulary. The term, or the concept, did not arise in the Task Force's 1990 or 1996 Forty Anti-Money Laundering Recommendations, and neither was it referred to by the United States in the 2001 Money Laundering Assessment Strategy (Gilmore 2004, p.119). Prior to 2001 terrorist finance was considered a completely different crime, and the Financial Action Task Force debated whether or not to include it within the ambit of the anti-money laundering regime (Beare 2003).

But the September 11, 2001, events renewed and intensified attention on the financial underpinnings of all serious crime, leading, in turn, to an amalgamation of the two processes (Beare&Schneider 2007, p.248). Specifically, the Financial Action Task Force on Anti-Money Laundering first used the term subsequent to the special plenary meeting in Washington in October 2001, while issuing the first eight of the Nine Special Recommendations regarding Terrorist Financing (the ninth Recommendation was issued in 2004) (FATF 2010).

The SR, without defining the term 'terrorist finance'; state a process to be undertaken for the detection and prevention of the financing of terrorism (Kalyani 2010, p.17). Essentially a preventive strategy, the Special Recommendations consist of the following obligations (for which an equal commitment by all states - FATF members, members of the several FATF-like bodies, and observers - is urged by the Task Force):

- I. Ratification and implementation of U.N. instruments;
- II. Criminalizing the financing of terrorism and associated money laundering;
- III. Freezing and confiscating terrorist assets;
- IV. Reporting suspicious transactions related to terrorism;
- V. International co-operation (providing the widest possible range of assistance to other countries' law enforcement and regulatory authorities for terrorist financing investigations);

VI. Alternative remittance (imposing anti-money laundering requirements on alternative remittance systems);

VII. Wire transfers (strengthening customer identification measures in international and domestic wire transfers);

VIII. Non-profit organizations (ensuring that entities, in particular non-profit organizations, cannot be misused to finance terrorism);

IX. Cash couriers (impose measures to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or other disclosure obligation) “(FATF 2010, p.2, 3)

FATF explains concept, suggesting that operationally terrorist finance means the "undertaking or other entity that provides or collects, by any means, directly or indirectly, funds or other assets that may be used, in full or in part, to facilitate the commission of terrorist acts" (FATF 2010, p.10). The Task Force does not offer any further explanation; therefore, the nuance of this process should be clarified.

The methods used by terrorists and drug traffickers to “transfer funds” are similar, but they do not necessarily involve “laundering” in the normal sense of the word (Berry et al., 2003). As Kersten (2002) observed, money laundering and financing of terrorism are completely different concepts. Terrorists may well resort to the same methods used by criminals to conceal the source of the funds they wish to use. However, where financing of terrorism occurs there often is no criminal offence that precedes the attempts to hide the movement of funds from official scrutiny (Kersten 2002, *supra* not.6). The financing of terrorism often does not involve the washing of the proceeds of crime and, as Lilley (2003) noted “in fact the funds may be completely clean and the laundering is to conceal their ultimate use rather than initial origins” (Lilley 2003, p.188).

The events of September 11, 2001, led to a convergence between the two concepts money laundering and terrorist finance, under the leadership of the Financial Action Task Force. At that time recognizing a 'symbiotic relationship' or 'close connection' between the two concepts, FATF focused on the similarities of the methods used in money laundering and terrorist financing (FATF 2005). In particular, it states that the convergence was due to the similar needs of money laundering and terrorist financing to mask financial resources and activities from the scrutiny of state authorities and occasional use of similar techniques (FATF 2008).

More precisely, the conceptual merger was due to the fact that the Task Force saw minimal regulatory difference between the two concepts, and the rudimentary material used for creating the terrorist finance Nine Special Recommendations was the generic anti-money laundering material (Kalyani 2010, p.21). The Task Force clarified:

“the basic sources creating the Nine Special Recommendations were the previous already existing money laundering typologies material (including annual typologies reports and written submissions provided by countries during the yearly typologies exercises), finished typologies reports prepared by national and international authorities, [and] national indicator lists developed to aid financial organizations detecting and reporting money laundering/terrorist finance activities.”(FATF 2005, supra not.46)

Furthermore, it assured financial organizations that the Nine Special Recommendations regarding terrorist finance do not constitute an additional rule or regulation - but are intended to clarify, complement and/or reinforce already existing requirements imposed by the money laundering regime (FATF 2002). Thus, the 'new' Nine Recommendations were derived from an existing policy paradigm (Wolosky&Heifetz 2002).

Subsequent to several years of forceful action to address the consolidated threat, recently, the FATF dramatically and significantly changed its view, conceding that profound differences exist between the two concepts (Kalyani 2010, p.21). It stated:

“Since 2001, experience and study within the FATF and the intelligence community have demonstrated that money laundering and terrorist financing are distinct activities and that the measures which have been successfully applied in the identification and prevention of money laundering are by themselves less effective in the prevention of terrorist financing.”(FATF 2008, p.34)

The FATF Standards have also been revised to strengthen the requirements for higher risk situations, and to allow countries to take a more focused approach in areas where high risks remain or implementation could be enhanced. Countries should first identify, assess and understand the risks of money laundering and terrorist finance that they face, and then adopt appropriate measures to mitigate the risk. The risk-based approach allows countries, within the framework of the FATF requirements, to adopt a more flexible set of measures, in order to target their resources more effectively and apply preventive measures that are commensurate to the nature of risks, in order to focus their efforts in the most effective way (FATF 2012, p.8).

Combating terrorist financing is a very significant challenge for FATF. An effective AML/CFT system, in general, is important for addressing terrorist financing, and most measures previously focused on terrorist financing are now integrated throughout the Recommendations, therefore obviating the need for the Special Recommendations. However, there are some Recommendations that are unique to terrorist financing. These are: Recommendation 5 (the criminalization of terrorist financing); Recommendation 6 (targeted financial sanctions related to terrorism & terrorist financing); and Recommendation 8 (measures to prevent the misuse of non-profit organizations) (FATF 2012, p.8).

FATF progressed nine special recommendations to prevent the international financial system from abuse. The FATF methodology tries to put the differences and similarities of money laundering and terrorist financing and to put the international standards of CFT/AML to prevent financial system as a soft law process. Today, FATF's work focuses on the following areas, set out in detail in a FATF Consolidated Strategy on Combating Terrorist Financing (FATF 2016, p.4, 5):

- Improve and update the understanding of terrorist financing risks, in particular the financing of ISIL/Daesh.
- Ensure that the FATF Standards provide up-to-date and effective tools to identify and disrupt terrorist financing activity.
- Ensure countries are appropriately and effectively applying the tools, including UN Targeted Financial Sanctions, to identify and disrupt terrorist financing activity.
- Identify and take measures in relation to any countries with strategic deficiencies for terrorist financing.
- Promote more effective domestic coordination and international cooperation to combat the financing of terrorism.

Combating terrorist financing has been a priority for the FATF since 2001. However, in 2015, the scope and nature of terrorist threats globally intensified considerably, with terrorist attacks in many cities across the world, and the terrorist threat posed by the so-called Islamic State of Iraq and the Levant (ISIL/Daesh), and by Al-Qaeda and their affiliated terrorist organizations, and by other terrorist organizations also becoming more significant (FATF Terrorist Financing 2017).

FATF is in search of new terrorist financing trends in order to raise the awareness of member countries, FRSBs, observers, financial organizations and moreover non-member countries and international organizations. Thus,

understanding the terrorist financing risk is the first step for FATF Terrorist Financing Strategy.

The FATF Recommendations, interpretive notes and guidance, provide countries with comprehensive tools to detect and disrupt terrorist financing activity (FATF Terrorist Financing 2017). FATF tries to strengthen and updated its methodology for assessing compliance with the FATF Recommendations to reflect the increased focus on terrorist financing activity (FATF Terrorist Financing 2017). The strong CFT/AML regime, if supported with strong measures and progress is a fully preventive financial system for countries. Thus, FATF has continued the mutual evaluation process to identify weakness points of countries and progress a monitor program to address these weaknesses. The basic term for terrorist financing is financial intelligence on terrorist financing and these are usually available in different locations for governments. Promote effective domestic coordination and international cooperation are key instruments to prevent the international financial system to abuse (FATF Terrorist Financing 2017).

4.6.2 FATF Special Recommendations on Terrorist Financing

4.6.2.1 Ratification and Implementation of UN Instruments

Resolution 1373 as a global legislation, and the UNSC as a global legislator that demands member states to implement particular legal provisions to counter terrorist financing (Guillaume 2004). And while the resolution speaks of terrorist financing, it also calls upon states to implement the terms of an existing treaty, the International Convention on the Suppression of Terrorist Financing (UN 2001, p.3).

Each country should take immediate steps to ratify and to implement fully the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism (FATF 2010, p.2).

Countries should also immediately implement the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly United Nations Security Council Resolution 1373(2001).

Stressing on international duty to combat terrorism, SR-I calls for the universal adoption of the 1999 United Nations International Convention for the Suppression of the Financing of Terror and implementation of all UN resolutions relating to the prevention and suppression of terrorist act (FATF 2010). By recalling that convention, which was unanimously adopted by the UN General Assembly, SR-I rejects bank secrecy as a valid excuse for refusing to cooperate and pressures nations to take steps to prevent and counteract the financing of terrorists, whether direct or indirect, through groups claiming to have charitable, social or cultural goals or which also engage in illicit activities such as drug trafficking or gun running (UN 2001).

Such steps include not only imposing criminal, civil, or administrative liability on those who fund terrorism but also identifying, freezing, and seizing funds that are allocated for terrorist activities (UN 2001). By calling for the immediate implementation of all UN resolutions dealing with the funding of terrorism, and in particular Security Council Resolution 1373 (2001), which was passed in response to 9/11 and promotes international cooperation through the sharing of intelligence and lending of legal assistance to prosecute offenders, SR-I applies further pressure on nations to seek to combat terrorist financing (Martuscello 2011, p.375).

4.6.2.2 Criminalizing the Financing of Terrorism and Associated Money Laundering

Each country should criminalize the financing of terrorism, terrorist acts and terrorist organizations. Countries should ensure that such offences are designated as money laundering predicate offences (FATF 2010, p.2).

SR-II was developed with the objective of ensuring that countries have the legal capacity to prosecute and apply criminal sanctions on persons that finance terrorism (FATF 2010, p.4). Given the close connection between international terrorism and inter alia Money laundering, another objective of SR II is to emphasize this link by obligating countries to include terrorist financing offences as predicate offences for money laundering. The basis for criminalizing terrorist financing should be the United Nations International Convention for the Suppression of the Financing of Terrorism (1999).

In addition, according to the provisions of the Special Recommendation; it is necessary to make arrangements by countries to ensure that terrorism; terrorist acts and the financing of terrorist organizations are among the leading crimes of money laundering (IMF 2003, p.49).

SR-II (FATF 2010, supra not.31) seeks to provide countries with the legal capacity to prosecute and apply criminal sanctions on persons that finance terrorism, by obligating states both to criminalize the financing of terrorism, terrorist acts and terrorist organizations and to designate terror-related offenses as money laundering predicate offences (FATF 2010). The broad definitions that the FATF supplies in its interpretive guidance for SR-II makes clear that the objective of this recommendation is to provide countries with great flexibility to prosecute any person who is somehow connected to terrorism. Moreover, by calling for any act that furthers terrorism to be a predicate offense for money laundering, the FATF pressures nations to designate terrorist-related activities as severe crime and increases the risk for terrorist financiers, who could also be prosecuted and penalized as money launderers, as well as terrorists. SR-II is important because without terrorist financing being illegal in all countries, those who fund terrorism could utilize safe havens to avoid arrest and prosecution (Bowers 2009, p.392, 393).

4.6.2.3 Freezing and Confiscating Terrorist Assets

Each country should implement measures to freeze without delay, funds or other assets of terrorists, those who finance terrorism and terrorist organizations in accordance with the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts (FATF 2010, p.2).

Each country should also adopt and implement measures, including legislative ones, which would enable the competent authorities to seize and confiscate property that is the proceeds of, or used in, or intended or allocated for use in, the financing of terrorism, terrorist acts or terrorist organizations (FATF 2010, p.2).

SR-III calls not only for the freezing and confiscation of terrorist assets, it targets the proceeds and assets purchased with the proceeds of such activities as well, no matter how far removed. If applied in broad strokes, the incentive for legitimate companies (e.g. ethnic grocers) to allow illicit remittance operations to piggyback on their infrastructure, for example, is substantively decreased. Grocers who might receive a few hundred dollars in 'hush-money' each month now have to contemplate losing their entire business, their home, their cars, their accounts, anything that that money was either spent on or comingled with (Bowers 2009, p.393).

SR-III consists of two obligations. The first requires jurisdictions to implement measures that will freeze or, if appropriate, seize terrorist-related funds or other assets without delay in accordance with relevant United Nations resolutions. The second obligation of SR-III is to have measures in place that permit a jurisdiction to seize or confiscate terrorist funds or other assets on the basis of an order or mechanism issued by a competent authority or a court (FATF 2010, p.7).

In the UNSC Resolutions, it goes one step further and obliged to freeze the assets of the persons and organizations whose names are registered in the lists published by the "1267 Committee" (UN 1999). In UNSC resolutions, it is only

anticipated that the assets of individuals and organizations related to terrorism and terrorism financing will be frozen, and countries are not expected to take an attempt to confiscate or confiscate such property.

The FATF (2010) IX Special Recommendations Report emphasizes that country should have effective laws and procedures to freeze terrorist funds or other assets of persons designated in the context of S/RES/1373(2001). Such freezing should take place without delay and without prior notice to the designated persons involved (FATF 2004, p.49).

It should have effective laws and procedures to examine and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other jurisdictions. Such procedures should ensure the prompt determination, according to applicable national legal principles, whether reasonable grounds or a reasonable basis exists to initiate a freezing action and the subsequent freezing of funds or other assets without delay (FATF 2004, p.49).

In all cases, the frozen property, equipment, instrumentalities, funds or other assets remain the property of the natural or legal persons that held an interest in them at the time of the freezing and may continue to be administered by third parties, or through other arrangements established by such natural or legal persons prior to the initiation of an action under a freezing mechanism, or in accordance with other national provisions. As part of the implementation of a freeze, countries may decide to take control of the property, equipment, instrumentalities, or funds or other assets as a means to protect against flight (FATF 2017 Methodology, p.156).

The term confiscation, which includes forfeiture where applicable, means the permanent deprivation of funds or other assets by order of a competent authority or a court. Confiscation or forfeiture takes place through a judicial or administrative procedure that transfers the ownership of specified funds or other assets to be transferred to the State. In this case, the persons or entities that held an interest in the specified funds or other assets at the time of the confiscation or forfeiture loses all rights, in principle, to the confiscated or forfeited funds or other assets. Confiscation or forfeiture orders are usually linked to a criminal

conviction or a court decision whereby the confiscated or forfeited property is determined to have been derived from or intended for use in a violation of the law (FATF 2013, p.150).

4.6.2.4 Reporting Suspicious Transactions Related to Terrorism

Reporting suspicious transactions related to terrorism. SR-IV calls for financial organizations, or other businesses or entities subject to anti-money laundering obligations to report suspect transactions (Schott 2006, *supra* not.73). Suspicion alone is apparently the standard of proof which sets into motion this reporting requirement (Bowers 2009, p.393).

Financial information which is gathered from suspicious transaction reporting (STR) has a central role in identifying terrorist financing and the movement of terrorist funds through the financial system (FATF 2008, p.29).

Efforts are ongoing to examine the operational experience of counter-terrorism agencies and establish general “alerts” or “indicators” that suggests a particular transaction presents a risk of terrorist finance. The diversity and multifaceted nature of terrorist’s financial activity makes this challenging (FATF 2008, p.29).

If financial organizations, or other businesses or entities subject to anti-money laundering obligations, suspect or have reasonable grounds to suspect that funds are linked or related to, or are to be used for terrorism, terrorist acts or by terrorist organizations, they should be required to report promptly their suspicions to the competent authorities (FATF 2010, p.2).

This special recommendation extends the obligation to report suspicious transactions under the fight against money laundering to include terror financing. For this reason, it is necessary to revise the legislation of countries against laundering in this scope (Aykın & Sözmen 2008, p.81).

Furthermore, effective information exchange between the public and private sector has been identified by the FATF as one of the five high-level

principles for creating a risk-based approach to money laundering and terrorist financing (FATF 2007).

SR-IV makes the detection of terrorist funds more probable by imposing new reporting requirements on the businesses that terrorist organizations are most likely to exploit to conceal the true intentions beyond their numerous financial transactions. SR-IV mandates that states should require financial organizations and other entities that already have AML reporting obligations to report any reasonable suspicions that funds are linked or related to, or are to be used for terrorism to competent authorities (Bowers 2009, p.393). These new reporting requirements complement SR-III because alerting authorities to such suspicious activities will allow them to take appropriate preventive action to freeze suspicious funds and if necessary, punitive action to seize them. Moreover, SR-IV helps to suppress terror by getting the gatekeepers to the financial system involved in fighting terrorism. This is important because gatekeepers control the points of entry that terrorists and money launderers use to put money through transaction after transaction. Collectively, SR-III and SR-IV allows nations to take action when there is a reasonable suspicion that funds are for a terrorist purpose (Martuscello 2011, p.377).

4.6.2.5 International Co-operation

Each country should afford another country, on the basis of a treaty, arrangement or other mechanism for mutual legal assistance or information exchange, the greatest possible measure of assistance in connection with criminal, civil enforcement, and administrative investigations, inquiries and proceedings relating to the financing of terrorism, terrorist acts and terrorist organizations (FATF 2010, p.2).

Countries should also take all possible measures to ensure that they do not provide safe havens for individuals charged with the financing of terrorism, terrorist acts or terrorist organizations, and should have procedures in place to

extradite, where possible, such individuals (FATF 2010, p.2). Countries shall ensure territorial integrity with regard to terrorists, terrorist organizations, and terrorist financiers. That is to say, countries shall not provide, nor acquiesce in being used as, a terrorist safe haven (Bowers 2009, p.393).

The FATF will as a priority, review all issues that may inhibit or create barriers to effective information sharing, whether internationally, domestically between government agencies, and with/within the private sector, including implementation of current tools and authorities to share information (FATF 2016, p.7).

SR-V aims to make it easier to prosecute suspected terrorists and their benefactors by requiring countries to provide each other the greatest possible measure of assistance in connection with criminal, civil enforcement, and administrative investigations, inquiries, and proceedings relating to the financing of terrorism (FATF 2010). By calling for mutual legal assistance and the sharing of information, SR-V ensures that countries will work together and cooperate in order to eradicate the mutual threat of terrorist financing. Moreover, SR-V also prevents terrorists from fleeing to a jurisdiction with more relaxed CTF laws in an attempt to evade prosecution by prohibiting countries from acting as safe havens and requiring them to implement procedures for the extradition of terrorists (FATF 2010). Under SR-V countries must cooperate with each other to combat terrorist financing (Martuscello 2011, p.378).

4.6.2.6 Alternative Remittance

Alternative remittance systems (ARS) are used by terrorist organizations for convenience and access. ARS have the additional attraction of weaker and/or less opaque record-keeping and in many locations may be subject to generally less stringent regulatory oversight. Although FATF standards call for significantly strengthened controls over such service providers, the level of anonymity and the rapidity that such systems offer have served to make them a favored mechanism for terrorists (FATF 2008, p.24).

According to FATF (2001) IX Special Recommendations Report emphasizes that each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial organizations. It should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions (FATF 2010, p.2).

The objective of SR-VI is to increase the transparency of payment flows by ensuring that jurisdictions impose consistent anti money laundering and counter-terrorist financing measures on all forms of money/value transfer systems, particularly those traditionally operating outside the conventional financial sector and not currently subject to the FATF Recommendations (FATF 2010, p.13).

All countries should require either the licensing or registration of all formal and informal money/value transfer services. In addition, both formal and informal money/value transfer services should be subject to the FATF (2016) 40 Recommendations. Lastly, failure to comply should result in appropriate sanction (Bowers 2009, p.393).

After providing the infrastructure for criminalizing, prosecuting, and punishing those who fund terrorism, the FATF addresses four specific things, which terrorist financiers exploit in order to avoid detection while moving funds, in its final four recommendations (Martuscello 2011,p.378). SR-VI goes after the unregulated businesses that terrorist often use to transfer funds around the world by requiring states to implement measures to ensure that those who provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed and registered and subject to all the FATF recommendations that apply to bank and non-bank financial organizations (FATF 2010, p.3). SR-VI also recommends that countries impose penalties on those who carry out such services without a license. The aim of these requirements is to increase the transparency of payment flows by ensuring that jurisdictions impose consistent anti-money laundering and counter-

terrorist financing measures on all forms of money/value transfer systems (FATF 2010, p.13).

4.6.2.7 Wire Transfers

The FATF (2010) IX Special Recommendations Report emphasizes that countries should take measures to require financial organizations, including money remitters, to include accurate and meaningful originator information (name, address and account number) on funds transfers and related messages that are sent, and the information should remain with the transfer or related message through the payment chain (FATF 2010, p.3).

Financial organizations of all stripes are required to supply meaningful originator information (name, address, and account number). Further, they are either to refuse or to scrutinize transfers that contain incomplete originator information (Bowers 2009, p.393).

SR-VII increases both surveillance over and transparency of wire transfers. Representing one of most potentially potent of all the Special Recommendations, SR-VII requires countries to force all electronic money transferors to include accurate and meaningful originator information (name, address and account number) on fund transfers and related messages that are sent, which will remain with the transfer or related message through the payment chain (FATF 2010, p.3). SR-VII also obliges financial organizations, including money remitters, to conduct enhanced scrutiny of and monitor for suspicious activity funds transfers which do not contain complete originator information (Martuscello 2011, p.379). Recognizing the potential terrorist financing threat posed by small wire transfers, the guidance maintains that countries should try to trace all wire transfers and to minimize thresholds taking into account the risk of driving transactions underground (FATF 2010).

4.6.2.8 Non-profit Organizations

The G7 first asserted that NPOs were involved in terrorist financing in 1996, calling for measures to combat those organizations which falsely claim to have charitable, social or cultural goals or which are also engaged in unlawful activities such as illicit arms trafficking, drug dealing, and racketeering (G8 Ministerial Conference on Terrorism, 1996).

Post-9/11, counter-terrorism policies have since accused some NPOs of supporting terrorism in two ways: either as ‘fronts’ for terrorist organizations that raise funds, transfer money and provide logistical support, or as legitimate enterprises that indirectly or directly support the aims of terrorist organizations (Hayes 2012, p.27).

According to the FATF’s 2008 Terrorist Financing Typologies Report:

“Terror networks often use compromised or complicit charities and businesses to support their objectives. For example, some groups have links to charity branches in high-risk areas and/or under-developed parts of the world where the welfare provision available from the state is limited or non-existent.

In this context, groups that use terrorism as a primary means to pursue their objectives can also utilize affiliated charities as a source of financing that may be diverted to fund terrorist attacks and terrorist recruitment by providing a veil of legitimacy over an organization based on terrorism.” (FATF 2008, p.8) (Kohlmann 2006)

This idea has been accepted and embraced by many national governments. For example, as Gordon Brown (then UK Chancellor of the Exchequer) said in a speech at Chatham House in October 2006, ‘We know that many charities and donors have been and are being exploited by terrorists’ (cited Howell 2010, p.22).

The actual extent of the problem is, however, strongly contested. A study commissioned by the European Commission, published in 2008, found ‘limited abuse of foundations’; (Matrix Insight 2008) the UK Charities Commission has reported that “actual instances of abuse have proved very rare”; (UK Charity Commission 2008) and the U.S. Treasury has acknowledged that the vast majority of the 1.8 million U.S. charities face little or no terrorist financing risk (Council on Foundations Press Release 2010).

The FATF’s own “mutual evaluation” reports also often acknowledge that terrorist financing in the NPO sector is an insignificant or non-existent problem for the country concerned, yet somewhat preposterously proceed to propose binding remedies that those states must implement in order to comply with SR-VIII (Hayes 2012, p.27).

The FATF (2010) IX Special Recommendations Report emphasizes that countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organizations are particularly vulnerable, and countries should ensure that they cannot be misused:

- (i) by terrorist organizations posing as legitimate entities;
- (ii) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; and
- (iii) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organizations (FATF 2010, p.3).

For the purposes of SR-VIII, refers to a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works” (FATF 2013, p.158).

It is the important topic for FATF mutual evaluation process to assess non-profit organizations, thus FATF carefully examines the legal regulations relevant to non-profit organizations. At the end of these examinations, countries warn of

weaknesses of system which may turn to be a threat international financial system. In recognition of the particular ease by which criminal elements can masquerade as non-profits, countries are called on to strengthen applicable transparency laws (e.g. auditing requirements, governance, etc.). In addition, countries are called on to prevent the exploitation of legitimate entities by nefarious organizations (Bowers 2009, p.393).

Showing the FATF going after an entity that terrorists commonly exploit in order to raise and move money, SR-VIII requires countries to review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism (FATF 2010).

Since non-profit organizations are particularly vulnerable, the FATF mandates that countries ensure that they cannot be misused to allow terrorist groups to appear as law-abiding entities, exploit legitimate entities as conduits for terrorist financing, or obscure the clandestine diversion of funds intended for legitimate purposes (FATF 2010). The guidance to SR-VIII provides a multi-tier approach for preventing the abuse of these easily manipulated entities, which includes sector outreach, supervision, and monitoring requirements as well as information gathering and international cooperation responsibilities (Martuscello 2011, p.380).

4.6.2.9 Cash Couriers

The FATF (2010) IX Special Recommendations Report emphasizes that countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or other disclosure obligation (FATF 2010, p.3).

Countries also should ensure that their competent authorities have the legal authority to stop or restrain currency or bearer negotiable instruments that are suspected to be related to terrorist financing or money laundering, or that are falsely declared or disclosed (FATF 2010, p.3).

SR- IX was developed with the objective of ensuring that terrorists and other criminals cannot evade financial market controls through the physical cross-border transportation of currency and bearer negotiable instruments. Specifically, it aims to ensure that countries have measures to:

- “(1) detect the physical cross-border transportation of currency and bearer negotiable instruments,
- (2) stop or restrain currency and bearer negotiable instruments that are suspected to be related to terrorist financing or money laundering,
- (3) stop or restrain currency or bearer negotiable instruments that are falsely declared or disclosed,
- (4) apply appropriate sanctions for making a false declaration or disclosure and
- (5) to enable confiscation of currency or bearer negotiable instruments that are related to terrorist financing or money laundering consistent with FATF Recommendation 3 and Special Recommendation III “(FATF 2008, p.29).

Fighting the most basic method of moving funds, SR-IX requires countries to put measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or disclosure requirement (FATF 2010). Moreover, SR-IX obliges nations to have penalties and sanctions in place for those that make false declarations, including the freezing and seizure of their funds. This special recommendation endows nations with investigation and penalization processes that directly aim to detect suspicious activity and to deter attempts by terrorists to move money manually rather than electronically through the formal financial system (Martuscello 2011, p.380).

4.6.3 Assessing Implementation of the FATF Recommendations

The preventive measures involve the establishment of a regulatory regime for financial organizations that are intended to reduce the scope for using the financing system to collect and transfer funds for terrorism purposes. As these measures must be integrated in the local regulatory framework of each country, they have been contained in more informal arrangements, such as the FATF recommendations (Raphaeli 2003).

Allies are important in the physical struggle against terrorist financing (Myers, 2002). If one country strengthens its regulations and other countries remain the same, money launderers or terrorists may move their funds to one of the other countries with comparatively looser regulations. Therefore, concerted international cooperation is indispensable in the fight against money laundering and the financing of terrorism (Kishima 2004).

According to Jurith (2004), governments throughout the globe are realizing that one of the most effective ways of attacking crime is by pursuing illegal money and confiscating it. Many nations and independent law enforcement jurisdictions have made changes in their laws, regulations, and practices in order to suppress terrorism financing more effectively. Sound laws and regulations are important, but it is more important that they are used effectively (FATF 2017, p.30).

The impact of terrorist financing legislation at both the national and the international levels has been felt in particular by private financial organizations (Lopez 2006, p.41). Private organizations have been burdened by disclosure duties, the lifting of bank secrecy privileges, and the freezing of client accounts, all of which require extra resources. Moreover, monitoring the various lists, which are often updated, may be within the capability of large investment banks equipped with the requisite legal personnel and know-how to develop information technology software to check lists against customer information, but such tracking is very difficult for small and medium-sized firms (Bantekas 2003). As a result of

the September 11, 2001, events, the group met again in January 2002 to discuss terrorist financing and updated the principles to make reference to the role of financial organizations in preventing the global flow of such funds. The preamble to the new document, Wolfsberg Statement on the Suppression of the Financing of Terrorism, acknowledges that terrorist funds “do not necessarily derive from criminal activity,” and that terrorist financing can be defeated only by global cooperation between state entities and banks (Bantekas 2003, p.315).

The financing of terrorism is a complex financial network governed by secrecy, deception, and criminal endeavors, but also requires good measure of sophistication and an understanding of the global financial system (Lopez 2006, p.45).

In order to assess the international CFT initiatives, some indicators should be taken into account: legal compliance, the number of states that have signed the UN convention, financial intelligence units (FIUs) created, increased reporting, or international bodies joined, the amount of national and global asset freezes, technical assistance programs run and more importantly the degree to which states have changed domestic policies to be in compliance with the new international standards (Clunan 2006, p.578).

A methodology document based on the recommendations by derived from the experience gained in the mutual evaluations of organizations such as FATF and FSRB; moreover, the information gained from the IMF and World Bank Financial Sector Assessment was prepared (Ustün 2006, p.51).

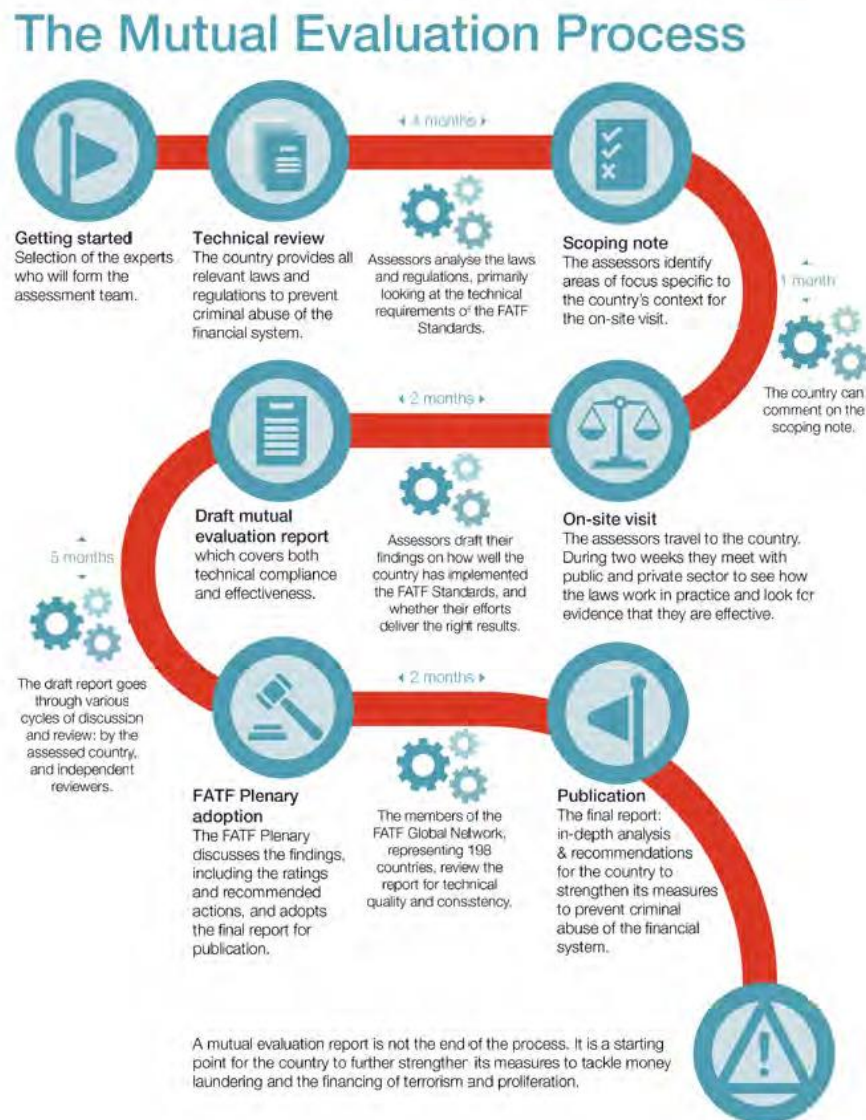
The FATF recommendations include measures that require countries to assess and understand where their financial system is most at risk, so that they focus their resources on areas where risks are the highest (FATF 2014, p.14). The FATF’s recommendations are seen as “extremely persuasive soft law” with affect not only for its member states, but also non-member states (Bantekas 2003, p.319).

In 1991, the FATF introduced the mutual evaluation procedures. France, Sweden, the United Kingdom and Australia were the first countries to undergo a

peer review of their level of implementation of the FATF Recommendations (FATF 2014, p.15).

The mutual assistance program achieved to comply with the FATF standards, especially after integration of terrorist financing in the FATF's mandate; it expedited the collaboration with international organizations associated with terrorist financing. By 2004, the IMF and the World Bank as well as the FATF-Style Regional Bodies (FSRBs) had all agreed to use the same methodology in conducting their assessment of compliance with the FATF Recommendations (FATF 2014, p.16). The peer review also assesses how effective a country's AML/CFT measures, such as financial intelligence, law enforcement and legislation work together to achieving the ultimate objective of protecting the financial system from abuse (FATF 2014, p.16).

Figure 4.5 FATF Mutual Evaluation Process



“Source: *The Mutual Evaluation Process*”, (FATF 2017, p.34)

The FATF has started to make Fourth Round of Mutual Evaluations (2017) for protect the financial systems and broader economy from threats of terrorist financing, money laundering and proliferations (FATF 2017, p.31). The FATF/FSRB mutual evaluation assessments firstly focus on the country’s framework of CFT/AML. Each assessment try to reach the weakness and

strengths points of countries, then through the FATF follow-up process, the countries regulate their weak points which are included in the mutual evaluation report (FATF 2017). The mutual evaluation report emphasizes the weak points and encourages the countries the implementation of FATF 40+9 Recommendations. After that FATF monitors the progress for the countries process over the weak points, if the mutual evaluation identifies serious problems in CFT/AML regime, or if the country is not making meaningful progress in addressing them, the assessing body may publicly identify these shortcomings. If the country continue to fail the strengthen its CFT/AML measures, the next step would be referral to the FATF's International Co-operation Review Group that would look at the countries weakness in the context of its work on identifying high-risk and non-cooperative jurisdictions (FATF 2017, p.33).The FATF republished these public statements, as they contain relevant information that countries and the private sector should be aware of as part of their implementation of the risk-based approach (FATF 2017, p.34).

FATF has regularized the mutual evaluation process. FATF monitors the third round evaluation process failures. Brazil is the latest example that FATF expressed its concern regarding continuous failure to address the serious weaknesses that its third round mutual evaluation report from 2010 June had identified (FATF 2017, p.34). Especially on criminalizing terrorist financing, Brazil had failed since 2004 and for FATF it is the key requirements to fully implementing FATF 40+9 Recommendations (FATF 2017).

FATF warned Brazil to fulfill its commitments by enacting CFT legislation before the June 2016 Plenary, since then Brazil made significant progress and has enacted the law on the criminalization of terrorist financing, while some shortcomings still remain, the FATF Plenary recognized the progress but highlighted that Brazil must continue to address the remaining deficiencies in its AML/CFT framework and report to the FATF on the progress it has made identified (FATF 2017, p.35).

Any country with weak measures to combat money laundering or the financing of terrorism or proliferation poses a risk to the entire global financial

system (FATF 2017, p.36). FATF ascertains the weaknesses of countries in their CFT/AML system and engages with them to establish an action plan in order to strengthen their measures to protect the financial system from abuse. Public identification has proved very successful at encouraging countries to take swift action; not least as it increases the costs of doing business with and in those countries and can deter direct foreign investment (FATF 2017, p.36).

The FATF publicly identifies countries and jurisdictions with serious weaknesses and potential loopholes in their AML/CFT framework. This process of ‘naming and shaming’ is a powerful tool to make important and necessary reforms happen (FATF 2017, p.38). Being labeled as a country with the weaknesses on CFT/AML framework directly affects the international trading partners that will face higher costs and no longer be able to do business at all. Unless the country takes urgent action to strengthen its AML/CFT measures in order to remove itself from FATF’s enhanced scrutiny, it could see a negative impact on its position in the global economy (FATF 2017, p.38). Thus, the public identification puts pressure on the governments to implement the measures. This public identification identifies (FATF 2017, p.38):

- The countries or jurisdictions with the most serious strategic deficiencies. The risk that these countries pose is so significant that the FATF calls on its members and non-members apply counter-measures.
- Countries and jurisdictions with serious strategic deficiencies that should be subject to enhance due diligence measures proportionate to the risks to the financial system that these countries represent. The statement ‘Improving Global AML/CFT Compliance: on-going process’ lists countries that have weaknesses in their measures to combat money laundering and the financing of terrorism and proliferation. These countries have developed an action plan with the FATF to address these weaknesses and have

provided a high-level political commitment to carry out the reforms called for in the action plan.

The FATF identifies strategic deficiencies and called the member or non-member countries to implement counter-measures on CFT/AML regime. Furthermore, the weaknesses of countries represent by ‘Improving Global AML/CFT Compliance: on-going process’ lists. FATF address the weakness points of countries and give a timely manner for progress, if it fails to progress, FATF can decide to increase pressure on country (FATF 2017, p.39).

Table 4.1 Technical Compliance Ratings

Technical compliance ratings		
Compliant	C	There are no shortcomings
Largely compliant	LC	There are only minor shortcomings.
Partially compliant	PC	There are moderate shortcomings.
Non-compliant	NC	There are major shortcomings.
Not applicable	NA	A requirement does not apply, due to the structural, legal or institutional features of a country.

“Source: *Technical Compliance Ratings*”, (FATF 2013, p.13)

For each Recommendation, assessors should reach a conclusion about the extent to which a country complies or not with the standard. There are four possible levels of compliance: compliant, largely compliant, partially compliant, and non-compliant. In exceptional circumstances, a Recommendation may also be rated as not applicable (FATF 2013, p.13).

FATF monitors the progress process of countries which have strategic CFT/AML deficiencies linked with an action plan. The FATF and the FATF-style regional bodies (FSRBs) will continue to work with the jurisdictions and to report

on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. On 24 February 2017 FATF 's Public Statement included the Iran and Democratic People's Republic of Korea (DPRK) and urges them to immediately and meaningfully address their AML/CFT deficiencies. Further, FATF has serious concerns regarding the threat posed by DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and it's financing. There are 9 countries which have strategic deficiencies Afghanistan, Bosnia and Herzegovina, Ethiopia, Iraq, Lao PDR, Syria, Uganda, Vanuatu and Yemen (FATF 2017).

FATF uses soft law to protect the international financial system that means it has a soft power on financial markets. If a country continues to fail to comply with FATF recommendations or to comply adequately, the regions should face the appropriate additional measures from FATF. In this context, no other is available to any country which does not apply the mentioned recommendations when considering the current economic structure and financial markets. This situation means that the country could be isolating itself from the world by non compliance, which no country can afford to do (Sedefoglu 2009, p.108).

4.6.4 Limitations of FATF Special Recommendations and Possibilities of Implementation

In the years prior to 9/11, several states pursued terrorist's finances with less significant efforts at coordination and cooperation (Drezner 2008). Although the SC financial sanctions were issued three times for reasons related to terrorism, these measures were not robustly implemented by states in the pre-9/11 period (Cortright & Lopez 2000, p.115). Similarly, Convention for the Suppression of the Financing of Terrorism attracted limited support and only four states took the opportunity to join it before 9/11. But the US began to show an interest in cooperation and introduced the topic of terrorist financing into the FATF in 2000

(FATF 2010). Also in that year, the Commission on Terrorism report recommended increasing counter-terrorist financing measures and the National Money Laundering Strategy signaled training foreign officials (National Commission on Terrorism 2000).

Only after 9/11 did counter-terrorist financing initiatives become institutionalized, on the back of the anti-money laundering initiatives of the 1980s and 1990s. The rise of the FATF and the anti-money laundering regime is described in a greater depth elsewhere (Gilmore 2004). However, four of its pre-9/11 features are relevant here. FATF is a limited-membership body comprising mostly industrialized countries. FATF had been initiated in 1989 by the G7 and initially included 15 states. For this reason, Drezner (2008, p.142) characterizes the FATF as a 'club', enabling it to that reflect consensus among strong states but involve high adjustment for weak states. Although membership of the FATF grew over time, 29 governments and two regional organizations in mid-2001 (FATF 2001). Pre-9/11 accounts of the emergence of the anti-money laundering regime emphasize the role of powerful states (Helleiner 2000).

Second, the FATF member states exercised hegemony (Romaniuk 2010, p.601). Moreover, despite the limited membership of FATF, it established an active external relations effort and the recommendations urge banks to exercise special caution regarding transactions involving countries that do not conform to the standard. They call upon members to ensure subsidiaries of home financial organizations registered abroad adhere to the recommendations. Subsequently, the G7 invited non-members to implement the recommendations (Gilmore 2004, p.141). In doing so, the FATF extended to itself a global mandate.

Third, the FATF disseminated its standards through a growing network that include member states, the observers, and FATF-Style Regional Bodies (FSRBs), including the International Monetary Fund, the World Bank and the United Nations (FATF 2012, p.8). As each body endorsed the '40 Recommendations', rules authored by the FATF 'club' gained authority (Romaniuk 2010, p.603).

Fourth, the FATF utilized several mechanisms to enforce the recommendations, including a graduated series of self-assessments and peer review evaluations, with the possibility of sanctions for non-compliance against both members and non-members. Name and shame regime works to enforce the implementation. While considered discriminatory and overtly political by some, succeeded in inducing compliance (Levi 2002) (Drezner 2008).

The FATF Nine Special Recommendations have several implications and limitations. This analysis starts with a summary of special recommendations since 9/11. Counter terrorist financing measures which began since 9/11 and still in a progress today in order to prevent international system from abuse and prevent terrorism. The special recommendations have its origin from FATF 40 Recommendations associated generally with AML regime (Loader 2007, p.245).

Enforcement of the Special Recommendations entails extraordinary costs, since they are mandatory and all encompassing (Kalyani 2009, p.68). That is to say, the scope is inclusive (a) of a wide range of offences, and (b) in terms of entities subject to the Recommendations, which extend to and include all economic actors -from financial organizations to non-bank financial organizations to several classes of professionals. The reason for the wide range, the FATF (2008, p.21) Report suggests, is that experience suggests that all of the mechanisms that exist to move money around the globe are to some extent at risk of being used to finance terrorism. However, some suggest the reality is that the financial reporting obligations "serve only a repressive purpose that is to supply law-enforcement authorities with information of the widest possible range"(Stessens 2000, p.98).

The point is that the range of entities subject to reporting regulation is extraordinarily wide. Naylor (2006, supra not.3) observes that anyone with a cash register is subject to reporting that means extraordinary expenditure undertaken by all economic actors.

The cost incurred to enforce the mandatory Nine Recommendation is tremendous. Two KPMG (2007) surveys note the extraordinary cost incurred by financial organizations since 2001. The survey KPMG (2014, p.16) also

underlined that there are 3 top areas that the AML/CFT budget invested: Transaction Monitoring Systems, Know Your Customer Systems and Recruitment. The KPMG (2014) also analyze the survey results that:

“In an environment that has continued to be impacted by the financial crisis senior management need to be asking some pressing questions when it comes to AML/CFT investment. Large sums of money continue to be spent on improving transaction monitoring but is this yielding the expected return? Why is there a continued need to fund large scale KYC remediation exercises? Is this purely the result of regulatory change or is the periodic review process not picking up key gaps in KYC? We believe that senior management will continue to underestimate AML expenditure unless lessons are learnt from past mistakes.” (KPMG 2014, p.16)

There is a huge amount of money spent and time on study on CFT/AML regime for countries related with the surveys, but still there is a question that it is effective or not. Similarly, Beare and Schneider note that the huge compliance costs, quoting an estimate, concerning financial organizations as \$10 billion (Beare & Schneider 2007, supra not.4). Quite simply, the data suggest that compliance costs for enforcing the mandatory regime are immense and increasing.

On January 30, 2014, the Center on Law and Globalization issued its paper "Global Surveillance of Dirty Money: Assessing Assessments of Regions to Control Money-Laundering and Combat the Financing of Terrorism (KPMG 2014). This study concludes that there has been no serious effort to assess the costs versus the benefits of the FATF system, and the entire effectiveness of the FATF work is called into question (Levi et al. 2014, p.52). On February 6, 2014, Gregory J. Millman of the Wall Street Journal stated (Millman 2014):

“Anti-money laundering efforts by the International Monetary Fund and the Financial Action Task Force have built a Potemkin village and a "paper reality" based on a plausible fold theory" rather than data and evidence of what works, co-authors of a new, independent report said in interviews with Risk & Compliance Journal. The report had been compiled with the cooperation of IMF and FATF officials and examined the third round of country assessments for anti-money laundering, conducted in the 2003-2012 period. "We find that the current system is pervasive and highly intrusive but without any evidence as to tangible effect," said Terence C. Halliday, co-director of the Center on Law and Globalization.”

The second point to be noted is that the Special Recommendations terrorist finance reporting regime covers the widest possible spectrum of predicate crimes that is, proceeds from all types of predicate criminal activity, including tax offences (Kalyani 2009, p.70). Special Recommendation IV includes by reference Recommendations 4 to 20, specifically, Recommendations 13, 14, 15 and Recommendation 16. Recommendation 13 enlarges the scope of the predicate crime to include proceeds of all criminal activity, while specifically including funds related to terrorist financing (FATF 2010). Recommendation 13 Interpretative Note specifies that all criminal acts that would constitute a predicate offence for money laundering" and suspicious transactions should be reported by financial organizations regardless of whether they are also thought to involve tax matters (FATF 2011, interpretative not.13).

The Recommendations are virtually unlimited in scope and mandatory in nature. The narrative views them as essential to combat financing of terrorism (U.S. Department of Treasury 2004). And official testimony by members of the intelligence community suggests that the obligations enforcing the Recommendations effectively build financial institution ability to perform the entrusted gatekeepers tasks (U.S Department of the Treasury 2005). Perhaps, the

perspective deserves the consideration because a purely economic or negative economic impact argument cannot outweigh the expected benefits of deterring, detecting, and disrupting terrorist financing. In addition,, another fact cannot be overlooked that they are imposed on an international or at least supranational level, which ensures a minimum leveling of the playing field.

At the core of the reporting regime created by the Recommendations are the Suspicious Activity Reporting obligations, which, according to the FATF, play a central role in identifying terrorist financing and the movement of terrorist funds through the financial system (FATF 2008, p.29). The claim naturally gives rise to the question, which transactions qualify as suspicious? Unfortunately, FATF, without providing any indicators of terrorists finance, has left it to financial organizations to determine the basis of suspicion, but encourages them to rely on due diligence and anti-money laundering policies and procedures to designate transactions as suspicious (FATF 2002, p.2). Moreover, definition or meaning of a suspicious (and therefore, a reportable) transaction is not provided by any national, international, or supranational authority or instrument (Ping 2005, p.252). Plus, terms such as suspects or has reasonable grounds to suspect also lack clarity and definition (i.e., in SR. IV). The view has been taken that it would be better to leave the matter open than come up with a list, because the criteria of suspicious transactions vary from country to country (Ping 2005).

In suspicious transaction reporting, a client or a client's transaction exhibits certain characteristics that trigger a response, which in principle is deemed 'suspicious' by an institution and is therefore reportable (Naylor 2002, p.272). This subjective and proactive form of reporting is built on several assumptions that Professor Beare (2003) summarizes:

“The complete system of reporting is based on assumptions and all suspicious reporting rest on two essential principles: the "Know Your Customer" policies, and the belief in an ability to profile "suspicious" transactions. There is the assumption that front-line tellers, or business persons, untrained in wider law-enforcement

techniques, will be able to identify these "suspicious" transactions. Further, there is the assumption that they will be motivated to do so carefully in a matter that does not ignore "suspicious" cases or over identifies cases that are unlikely to prove to be worthy of police investigations. This of course is built on a third assumption that the suspicious transactions can be "profiled" and that it is possible to teach employees what characteristics ought to alert the employee to a potential criminal operation that can then be passed immediately to law enforcement”

The absences of guidance, together with assumptions that substitute for guidance, are perhaps the most profound limitation of the mandatory reporting regime, because they result in making the Suspicious Transaction Reports a subjective and proactive exercise. Naylor (2002) observes that:

"Despite efforts by law enforcement to draw up a list of objective characteristics of suspicious transactions, the bank's decision is really based on subjective hunches. It is no longer passive or even reactive, but proactive... Nor is it clear where the financial organizations responsibilities stop. To really know of client's business, it is necessary to know the client's clients, and perhaps it will be more." (Naylor 2002, p.272)

Some observe that these proactive and subjective measures have resulted in a privatization of law enforcement wherein financial organizations are cajoled into carrying out police like functions (Stessens 2000, p.179). Still others say that by the virtue of the reporting system, banks start behaving like the FBI and CIA (Economist 2005). Though innumerable issues arise with regard to civil liberties and privacy (that are beyond the scope of this research) a financial institution role while making suspicious activity reports changes from benchmark or blind reporting to proactive and/or reactive reporting in most cases. In others the reporting system becomes a default mechanism. Noting the widespread reporting

and the diluted value of such reports, authorities complain that such defensive filing results in our database becoming populated with reports that should not have been filed, diluting the value of information (U.S. Department of Treasury 2005). And, the Statement J. Fox (U.S. Department of Treasury 2005) explain that they have seen a significant increase in suspicious activity reports filed defensively that is, filed not to document truly suspicious activity but to prevent some perceived regulatory or reputation risk posed to the institution. And aware that the same phenomenon is occurring here in Europe (U.S. Department of Treasury 2005).

Given all these issues, it is reasonable to question what the Special Recommendations accomplish since it is infeasible to adapt the regulatory structure built to interdict proceeds of crime to terrorist financing (Kalyani 2009, p.75). Boiled down to their essence, technically, the Special Recommendations are incapable of differentiating terrorist finance transactions from other legal or illegal activities. Lastly, the aforementioned admission by the FATF is clearly a tremendous concession. But since the by themselves less effective regulations are widely enforced by most jurisdictions, their application has two enormously significant ramifications.

The first ramification is that enforcement of the Special Recommendations results in profiling (Kalyani 2009, p.76). Recall that there is an absence of regulatory guidance for what constitutes 'suspicious' individuals or transactions, and additionally, there is an absence of indices and profiles for transactions constituting terrorist financing. The absence of regulatory guidance, the FATF suggests, is due to the challenge in developing generic indicators of terrorist financing activity (FATF 2008, p.29). Furthermore, all attempts to provide guidance or to create a terrorist finance profile have proved futile. The New York Clearinghouse, a private consortium of the largest money-center banks, attempted to create a terrorist finance profile in partnership with government investigators; however, after two years it was concluded that the attempt was unsuccessful (Roth, Greenburg & Wille 2004, p.56). Other attempts (such as by the United Nations) have also proved unsuccessful at creating a terrorist finance profile. The

absence of such core guidance is problematic, creating, on one hand, a regulatory black hole; whereas, on the other hand, the absence results in a subjective substitute. The preeminent U.N. counterterrorism experts encourage the 192 U.N. member states to allow experienced bankers to rely on their knowledge and their instinct for what appears odd and, therefore, subject to reporting as a terrorist finance transaction (United Nations Security Council 2008, para.58).

As a result, in practice, due to the subjective nature, amounts to the unfortunate exercise of religious, regional, or racial profiling, which is not only unfair, but also an ineffective method to address issues of terrorist finance (Kalyani 2009, p.76). As the 9/11 Commission notes, the absence of a profile creates a risk that financial organizations could rely primarily on religious, geographic, or ethnic profiling in an attempt to find some criteria helpful for identifying terrorist financing (Beare & Schneider 2007, p.56).

The second equally dire consequence is that the reporting regime is reduced to an over-reliance on national- or supranational-issued lists that proscribe individuals or entities as terrorists (Byrne2004). What that means is that the sole surviving option for complying with the Special Recommendations regime is for reporting entities to match names in their databases against names proscribed on several lists a process, which as a U.N. Consolidated List study shows, is fraught with severe limitation (Kalyani 2009,supra not.8).

In any case, the Nine Special Recommendations fall severely short of their stated goal of deterring terrorism, detecting terrorism and disrupting terrorism, ,because technically it is infeasible to differentiate terrorist finance transactions from other transactions using, this preventive, strategy (FATF 2008, supra not.58). Some even critically suggest that, what the preventive strategy really means when one talks about "following the money trail"! to "starve the terrorist of financing," is that is that "we will freeze the accounts of people whom we suspect are involved in terrorist financing, if we are lucky enough to know their names (Cuellar 2003,supra not.51).

There are many reasons for the limited effectiveness of the CTF program of the FATF, but the most significant one is a design that too closely resembles

the taskforce's AML program and does not adequately address the unique nuances of terrorist financing (Martuscello 2011, p.365). What are the reasons of these weaknesses for FATF special recommendations to struggle against terrorist financing?

Specific criticisms have included that: SR-I incorporates UN instruments, which contain broad definitions and thus can be gamed to the point of being rendered ineffectual; (Bowers 2009) SR-II endows law enforcement agencies with expanding responsibilities without commensurate increases in enforcement budgets; SR-III and SR-IV suffer from qualitative enforcement issues respectively because frozen assets —are too often allowed to thaw and assets are all too often returned when a prosecution fails to occur and because different entities often have diverse reporting requirements depending on a state's definition of a financial institution SR-V has not prevented the existence of safe-havens, such as Somalia or the tribal areas of Pakistan;(Bowers 2009,p.364,365) SR-VI and SR-VII suffer from a simple lack of follow-through so that many money remitters remain unregulated and many wire transfers continue to occur without complete originator information;(Bowers 2009) SR-VIII may never be complied with in the Middle East and in parts of Asia;(Bowers 2009, p.396) and SR-IX has remained ineffective because currency declaration thresholds are relatively high and terrorists can circumvent these by converting cash to more compact, and less overt, forms of value (e.g. jewelry)(Bowers 2009).

Regardless of the validity of these criticisms, the 2010 Global Money Laundering and Terrorist Threat Assessment (GTA) (FATF 2010-II) by the FATF reveals that the CTF program has done little if anything to prevent terrorists from funding their operations. This report is key player that include the criticism over CFT program of FATF and describe the cases and try to solve the problems with a transparency in decision making process. Identifying recent trends and methods in money laundering and terrorist financing, the GTA has reported that those who finance terrorism continue to exploit at least one of five features of the international financial system: cash and bearer-negotiable instruments; transfer of value; assets and stores of value; gatekeepers; and jurisdictional/environmental

aspects (FATF 2010-II, p.11). Considering that the 40+9 Recommendations have addressed all of these features in one way or another, this revelation illustrates that the effectiveness of the FATF in addressing the funding of terrorism has been inadequate (Martuscello 2011, p.382).

The threat of terrorist financing remains great. In spite of SR-IX, terrorist groups still heavily resort to physically moving cash because as more AML/CTF controls are placed on the financial sector, criminals look at alternative means to move their illicit cash (FATF 2010-II, p.16). They continue to exploit cash-intensive businesses to direct funds to terrorist organizations/activities when the relationship between sales reported and actual sales is difficult to verify (FATF 2010-II, p.21). Terrorist groups also still take the advantage of transfer of value systems through banks, money transfer/alternative-remittance businesses, the international trade system, complex legal entities, and retail payment systems, including the ATM network. (FATF 2010-II, p.24). To avoid cash-reporting requirements, they have progressively taken to using money mules, which are third parties recruited to receive and then send wire transfers from deposit accounts to individuals overseas, minus a certain commission payment (perhaps 5-10%)(FATF 2010-II, p.26). They have also increasingly utilized false or stolen identities to avoid being identified through application of CDD (customer due diligence) requirements or to gain access to accounts (FATF 2010-II, p.25) or to register businesses which can later be used to obscure the true beneficial owners of funds (FATF 2010-II, p.22).

Recognizing that free-trade zones often have more relaxed AML/CTF programs than other jurisdictions, terrorist organizations have come to find these helpful when transferring funds through non-existent and fraudulent trading activities (Martuscello 2011, p.383).The increasing role of non-banks in offering prepaid cards, electronic purses, mobile payments, internet payment services and digital precious metals, especially when they are offshore providers of such, has further made it easy for terrorists to move funds despite the attempt by SR-VII to increase the transparency and monitoring of electronic payments (FATF 2010-II, p.34).

Although the incidents of money launderers using stores of value and exploiting gatekeepers far outweigh (FATF 2010-II, p.37) those of terrorists, the GTA still recognizes such features as vulnerable to being used for terrorist financing because stores of assets can enable terrorists to discretely hold funds and third-parties, such as professionals, insiders, and politically exposed persons, can allow terrorists to access the formal financial system discretely (Martuscello 2011, p.383).

Lastly, the GTA reveals that terrorist organizations continue to abuse environmental/jurisdictional elements in order to carry out their operations, move funds, and evade police detection or prosecution. Since CTF standards are variable across borders, terrorists continue to take advantage of those jurisdictions with weaker regulatory and enforcement systems, such as tax havens, offshore banking centers, conflict zones, high-corruption areas, and safe havens (FATF 2010-II, p.51,52). By doing so, terrorist groups have been able to evade the increased transparency, customer due diligence, and suspicious activity requirements that more regulated jurisdictions have and that make them most vulnerable to being caught.

Based on the findings of the GTA, it seems apparent that terrorist organizations can still fund their operations with relative ease and that although the 9 Special Recommendation represent a commendable effort, their effect has been quite limited, illustrated by the fact that most countries have been reluctant to accept the Special Recommendations in full questioning whether transparency and accountability are desirable (Nelson 2007, p.734).

The inability of the FATF to compel full implementation of recommendations across all jurisdictions is in great measure to blame for this lack of effectiveness because terrorists seek out and conduct their illegal operations in countries with weak regimes (Bachus 2004, p.847). Nonetheless, given the soft strategy of this CTF program, such jurisdictional variances can only be expected. Surely, mutual evaluations and a shame list cannot force countries to adopt best practices. Therefore, some areas will be easier targets for terrorist financing abuse than others that are more regulated, secure, and transparent.

However, it is equally, and perhaps more, appropriate to blame the limited effectiveness of the 9 Special Recommendations on a failure by the FATF to maintain enough of a distinction between money laundering and terrorist financing. By following an approach to CTF that very much resembled its approach to AML, the FATF failed to take fully into account that terrorists and criminal launderers do actually behave differently in important ways (Martuscello 2011, p.384).

SECTION FIVE

EVALUATION

Terrorism has continued to be a global problem until now. Studies on causes and consequences of terrorism have been carried out for many years. Many ideas have emerged to end terrorism, which have tried to determine its cause and consequences. The legal system continuously tries to curb down terrorist acts.

Many academic studies on terrorism have shown that terrorism needs funds to survive and conduct its operations. In order to meet the need for funds, terrorist groups tend to have close ties with other criminal organizations. This study demonstrates that substantial amount of funds are required to feed terrorist groups in the financial system. States and international organizations try to combat terrorist financing in order to prevent terrorism and to deter would be terrorist financiers.

Efforts to prevent terrorism after the 9/11 attack have been accelerated with events of 9/11. Terrorism however, has been a major problem for the world even before. By encouragement of the US, the response to terrorism and terrorist financing has grown globally, and cause-effect analysis has been published in academic studies with different perspectives. In this case, especially after the 9/11 attacks, US has applied pressure on international organizations and other states. According to Nicholas Ridley and Dean C. Alexander (2012, p.40), before 9/11 attacks some international organizations also had studies on terrorism and terrorist financing. The US just only accelerated this process due to 9/11. Ruwantissa Abeyretne (2011, p.58) stated in *Suppression of the financing of terrorism* that pre-9/11 studies aim to establish international cooperation among states in devising and adopting effective measures for the prevention of the financing of terrorism.

United Nations has been playing a major role in counter-terrorist financing since the 1960s. After the massacres at Lod Airport in Israel and at the Olympic Games in Munich; the Resolution 3034 was decided by the General Assembly (Sederberg 1989). It established an ad-hoc Committee on terrorism for submitting recommendations on international terrorism (Koh 2006). Since 1960s the UN has studied the international terrorism, so 9/11 is not the starting point of studies and reports on terrorism.

After 1963, decisions were made by the United Nations Secretary-General on terrorist financing. The first decision associated with terrorist financing is "Covenants on Crimes and Certain Other Actions on Airplanes" (Kiser 2005, p. 123). The actions specified in similar UN conventions and protocols have been accepted as the premise of terrorist financing.

The financing of terrorism was not considered as a major issue in the fight against terrorism until the mid-1990s. In 1996, United Nations General Assembly prepared a resolution and mentioned both legitimate and illegitimate financial resources of terrorist organizations. It mentioned that the involvement of terrorist groups in organized crime and the abuse of charitable organizations. For the first time, it mentioned terrorist financing and needs for measures to prevent terrorist fund's international movements.

In this term, the introduction of international conventions were heavily influenced by the Al-Qaeda terrorist attacks on the US embassies in Nairobi and Dar es Salaam on August 13, 1998, which resulted in the death of 234 people (Mair 2003). Indeed, Clunan (2006, p.574) took the view that prior to the terrorist bombings of the US embassies in Tanzania and Kenya, the issue of terrorist financing was handled almost entirely as a problem of state sponsors of terrorism, or money laundering and criminal finance by non-state actors.

In response to these terrorist attacks on the US embassies, President Bill Clinton instigated 'Operation Infinite Reach'²(Kittrich 2009), which authorized a

² The United States has executed military strikes against terrorist facilities in Afghanistan and Sudan. President Clinton says the attacks were ordered because "We have compelling information they were planning additional terrorist acts".

series of cruise missile attacks in the Sudan and Afghanistan in August 1998 (McIntyre 1998). Supplementary, the UN Security Council passed Resolutions 1189 that strongly condemned the terrorist attacks (United Nations Security Council 1998).

In 1998, the Resolution 53/108 of the General Assembly formed an ad-hoc committee to prepare a draft convention for the suppression of terrorist financing. The need for a convention to be prepared by the UN to deal specifically with terrorism, in particular on the possibility of terrorist financing, on the inability and ineffectiveness of fighting terrorism financing, has been achieved and the International Convention on the Prevention of Terrorist Financing has been prepared by the UN.

The contract was drawn up in support of the initiative initiated by France in the G-8 countries (Clifton 2000). In May 1998, the Foreign Ministers of the G-8 countries considered combating terrorism funding as a priority issue (G-8 1998, paragraph 28).

In the last quarter of 1998, France initiated the negotiations of the Convention and proposed a text to the UN. The text of convention was evaluated by an ad hoc committee and adopted by the General Assembly on 9th of December 1999.

In 1999, the Resolution 1267 of Security Council demanded that Taliban should give up providing a safe haven for terrorists and turn over Osama Bin Laden (Utük 2009, p.35). In accordance with UNSC Resolution 1267 dated on 15th of October 1999 on combating terrorist financing, measures such as freezing of Taliban and Al-Qaeda assets, travel ban and arms embargo are required. According to this Resolution, the Al-Qaeda and Taliban Sanctions Committee was established. The committee has a duty on monitoring the measures taken by member states against the Taliban and Osama bin Laden (United Nations Security Council 1999).

Since the 1960s, United Nations has studied terrorism and terrorist financing. It tries to establish the legal ground necessary for the development of cooperation between states in the context of the detection and prevention of terrorism and terrorist financing. Clive Walker quoted in “Financial War on Terrorism” that explanation of increasing attention on terrorism and terrorist financing in world political system (ed. Ryder 2015). He believed that this attention has 2 reasons since the attacks on September 11, 2001:

“First, international terrorism outruns local neighborhoods both for recruits and targets and so garners its resources through dispersed and sophisticated channels. The second reason is that the impact of jihadi terrorism on 9/11 and thereafter has energized international condemnation and the universal demand for action, in contrast to earlier times when international endorsement of counter-terrorism measures was often lukewarm and hobbled by political support for national liberationist and anti-imperialist movements.” (ed. Ryder 2015, p.38)

It is important that prior to the terrorist attacks in September 2001, only four states had acceded to the International Convention for the Suppression of the Financing of Terrorism (O’Neill 2004, p.34). However, at the time of writing the International Convention has been implemented by 188 nation states (UN 1999). International organizations have still continued until today to urge states to implement terrorist financing standards, despite US priorities has changed in time.

According to Mathew Levitt(2003, p.59) that the synchronized suicide attacks of September 11, 2001, highlighted the critical role financial and logistical support networks play in the operations of international terrorist organizations. The challenge in tackling these networks, however, is that they are well-entrenched, sophisticated, and often shrouded in a veil of legitimacy (Levitt 2003, p.59).

U.S. Treasury Undersecretary for Enforcement Jimmy Gurule explained in U.S. Congress, the War on Terrorism at 31May 2002 (Barnett 2002). He tried to explain why international organizations are crucial in struggle against terrorist financing. Jimmy Gurule said that:

“The fight against terrorist financing is a complex problem that will involve years of careful diplomacy and innovative thinking. The reasons why the fight is international in nature are obvious.

- First, terrorism is a global problem.
- Second, money is a fluid commodity that can be wired around the world in seconds.
- Third, because of the strict federal bank reporting requirements and aggressive forfeiture laws, terrorist funds are not likely to be held in U.S. banks. ” (Barnett 2002 P.9)

Gurule noted that development of an international strategy to deplete terrorist funding poses enormous challenges not only because foreign governments have different legal regimes, but also because some countries have not enacted anti-terrorist financing, money laundering, or asset forfeiture laws (Barnett 2002). He explained the reason why struggle against terrorist financing have to work both domestically and internationally. He also proved that international organizations are crucial actors in struggle against terrorist financing and he called this fight as a marathon and not a sprint (Barnett 2002).

It is a question that state have to get support from international organizations in struggle against terrorism, Jimmy Gurule also supported this idea and noted that terrorism is a global threat and money is fluid commodity, if we talked about a struggle against terrorist financing, it is not possible without a

common mind, sustainability, continuity and collaboration (Gurule 2009). However, all these needs direct world political system to the international organizations, such as FATF.

US efforts directed UN, FATF and European Union attention on terrorist financing, because US try to establish a common mind and collaboration in struggle against terrorism. In response to the 9/11 terrorist attacks, FATF adopted Nine Special Recommendations on terrorist financing, including a provision on terrorist asset freezing (Gurule 2009, p.22).

9/11 attacks activated a global war on terrorism and prompted a new burst of rule-making and interaction on terrorist financing. FATF which is the global standard setting body for anti-money laundering and combating the financing of terrorism is the first vehicle to enact this policy change at global level to struggle against terrorist financing. Prior to 9/11, FATF has had forty recommendations against money laundering, but the policy change affected the mandate of FATF with the elaboration of nine special recommendations against terrorist financing. As a case of CFT regime emergence and consolidation, CFT regime provides unique recommendations to reach all members and non-members of FATF with mutual evaluation processes.

FATF Special Recommendations are recognized as the international standard for combating terrorist financing, as it is involved with many international organizations, such as the UN, Egmont Group, the IMF, the World Bank and more. The FATF's formation of institutional partnerships with FSRBs, the IFIs, UN, and other international organizations has provided the FATF with significant functional advantages in advancing the implementation of a global CFT system.

FATF's CFT regime is approved by members, FSRBs, observers and financial organizations. These partnerships cover a significant part of the world and international financial system. FATF also takes advantage of its huge partnerships networks to subject the non-compliant countries which have strategic deficiencies in the CFT regime. The mutual evaluation process aims to fully

implement the recommendations that identified the deficiencies to prevent international financial system from abusing. The mutual evaluation reports are made public, the presentation and discussion of a country's fulfillment of the FATF recommendations could be considered persuasive enough to increase compliance. The public shame method is used for countries that do not want to comply with the FATF recommendations, despite being warned earlier about identified deficiencies. The aim is to single out countries that cause the misuse of the international financial system by not applying the international terrorist financing standards.

Jimmy Gurule clearly noted why we need international organizations in struggle against terrorist financing (Barnett 2002). He noted that terrorism is a global problem and fighting needs global solutions, so we need international organizations to prepare global resolutions, conventions and more. He stated that money is a fluid commodity that can be wired around the world in seconds, hence states have to be in collaboration in the struggle against terrorist financing. Lastly, he called this struggle as a marathon and not a sprint. He located critical points of this fight, because states are like human bodies. It may reflect suddenly and directly, however this reflection may not be continued for a long time. So, struggle against terrorist financing is a long process which needs common mind, continuity, sustainability, and collaboration (Gurule 2009). Thus, international organizations are major players to reach common mind, continuity, sustainability, and collaboration in struggling against terrorism and terrorist financing.

In 2003, the Resolution 1456 of Security Council calls upon member states to take steps to prevent and suppress the support the terrorism and adopt the Resolutions 1373 and 1455. Besides, the resolution persists that member states shall become a part of all international conventions and protocols on terrorism, especially to the 1999 International Convention for the Suppression of the Financing of Terrorism. It draws attention to cooperate for struggle against terrorism and imposed sanctions on Al-Qaeda. It proposes to take measures to

prevent Taliban and Al-Qaeda's access to the financial resources (United Nations Security Council 2003).

UN refers to the Resolutions 1373 and 1455 which were decided in 1999 and pointed out the cooperation for the struggle against terrorism. Although neo-institutional liberalism and neo-realism thoughts agree that international cooperation is possible, they differ as to the ease and likelihood of its occurrence. According to Grieco (1993), in neorealist's view international cooperation is harder to achieve, harder to maintain, and more dependent on state power than do the neo-institutional liberalism. The system faced with common problems which state could not solve, such as terrorist financing.

United Nations try to increase cooperation in the struggle against terrorist financing and refers to another international body, FATF and urges member states to implement FATF's Forty Recommendations on Money Laundering and 9 Special Recommendations on Terrorist Financing (Utük 2009). When we look at the core features of neo-institutional liberalism, first of all, the analysis of peace and cooperation emerges (Arı 2013). Neo-institutional liberalism thought that cooperation between liberal democratic states is possible. There are, however, some factors that will favor mutual co-operation of the states (Arı 2013). At the forefront of the reasons leading to the cooperation of the states are international organizations, international law, rational behavior of states.

In 2005, the Resolution 1617 of Security Council stresses out again, Neo-institutional liberalism's key assumptions on international relations that cooperation and international organizations power over member states to implement recommendations of financing of terrorism and money laundering. In 2006, the Resolutions 1730 and 1735 of the Security Council emphasize the importance of cooperation and exchange of information between member states. Thus, for United Nations, we can find more resolutions to stress out the terrorist financing before, and after the 9/11 attacks, UN tries to establish the legal ground necessary for the development of cooperation between states in the context of the

terrorist financing. The UN urged member states to implement FATF's Recommendations on Money Laundering and Terrorist Financing.

UN's efforts have increased the awareness of international community on the struggle against the financing of terrorism. The member states have begun to take measures in the struggle against the financing of terrorism. In conclusion, the UN has been a critical component of struggle against the financing of terrorism, otherwise, mentions on international cooperation and a leader to other international efforts on the financing of terrorism (Utük 2009).

In April 2001, the World Bank and the IMF's Executive Directors pointed out that terrorist financing was a significant threat to the development of countries and the financial stability of their economy, and they began to work within this scope. The boards determined that the fight against money laundering and terrorist financing as an area of operational work, and in November 2002 they put into practice a 12-months pilot program which uses a comprehensive assessment methodology internationally. Within the scope of the pilot program, The IMF and the World Bank have been doing country assessments and have decided to continue their work in this area after March 2004, when they received the pilot program results. It also stated that during these studies, cooperation with regional organizations like FSRB and FATF should be continued (IMF n.d.).

IMF and World Bank have used country assessment method to control the level of implementation of terrorist financing recommendations. Moreover, they try to increase the cooperation with regional organizations like FSRB and FATF. It means that IMF and World Bank try to use the advantage of international organizations to reach more states and use the power of organizations to implement standards against terrorist financing.

In 2002, the World Bank and the IMF worked together with the FATF, FATF-Style Regional Bodies (FSRB), the Egmont Group, the Basel Committee on Banking Supervision, International Association of Securities Commissioners (IOSCO) and International Association of Insurance Supervisors (IAIS) on single

comprehensive anti-money laundering and countering terrorist financing assessment methodology. This method was revised in 2004, and 200 criteria were determined to assess countries' efforts to prevent money laundering and terrorist financing (Schott 2006, p. X-6).

In 2011, the Executive Board of IMF discussed the evolution of the IMF's AML/CFT programs and established guidance as for the way of improving in this topic. In 2012, the guidance on the AML/CFT in surveillance and financial stability assessments (FSA) was issued. It mentions that the money laundering (ML), terrorist financing (FT) threaten stability, the balance of payments stability, the effective operation of the international monetary system. In 2014, The Board of IMF reviewed the AML/CFT strategy. Firstly, it approved the revised FATF AML/CFT standard and assessment methodology. It also approved the continuity of AML/CFT issues (IMF 2016, p.2).

IMF and World Bank reports mention that the money laundering (ML), and terrorist financing (FT) threaten stability, the balance of payments stability, the effective operation of the international monetary system. This statement is the essential reason why other states cannot insist on not to implement standards of terrorist financing anymore because the state may turn as a threat for the international monetary system and none of the states can totally isolate itself from international monetary system.

Terrorism and terrorist financing are global threats for the world political system. These issues could not be directed by only a state's interests because, in today's economy, the international financial system directly affects all of them. Thus, international organizations, such as IMF and World Bank have had an essential regulatory position on the struggle against terrorism and terrorist financing. Each country must enforce these measures, and ensure that the operational, law enforcement and legal components of an AML/CFT system work together effectively to protect financial system in the world (FATF 2017).

EU adopted a framework decision on combating terrorism (Brent 2008, p.114). In December 2001, the European Council adopted the Common Position on combating terrorism, which was the legal instrument that implemented UN Security Council Resolution 1373(Council of European Union 2001). Furthermore, Council Resolution 2580/2001 required members of the EU to freeze the funds, financial assets and resources of people and for groups included in the UN list (Council of European Union 2001). Additionally, Council Resolution 881/2002 included a 'black list' of names that were identical to the list determined by the UN Sanctions Committee (Council of European Union 2002).

In 2005 the Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime and on the Financing of Terrorism was signed in Warsaw among 29 member states (out of 47) of the Council of Europe, but only 7 of them ratified it (Council of Europe 2005). The Council of Europe Convention defines financing of terrorism in Article 1; it has been amended to the International Convention on the Prevention of the Financing of Terrorism of the United Nations. It has been stated that the provisions of the Convention "International Convention on the Prevention of Terrorist Financing" should be taken into account in this context (Council of Europe 2005, p.2).

The convention states that countries should benefit from the FATF Special Recommendations when regulating the struggle against the financing of terrorism (Council of Europe 2005).

The European Council is another international institution in struggle against terrorist financing. Their studies started in 2005 and prepared a convention on terrorist financing in Warsaw, but only seven member states of them had ratified it until 2006. This shows us that we cannot ignore the state's behavior. In the long term, most of states that were faced with terrorism in their territories.

The European Union draws attention to combat money laundering and the financing of terrorism to prevent the market from being misused. EU rules in this area largely based on international standards adopted by the Financial Action

Task Force's (FATF), Special Recommendations and the Commission Communication on the Prevention of and Fight against Terrorist Financing of October 2004 (Commission of European Communities 2004). They are tailored to the EU's needs and complemented by national rules.

The European Union points out to prevent the market being misused. It is an acceptable reason for all the members of European Union in struggle against terrorist financing. Neo-institutional liberalism claims that, contrary to realism and by traditional liberal views, organizations can help states work together (Keohane 1984, p.9).

The European Union's strategy underlines the cooperation with international actors with full implementation of the International Convention for the Suppression of the Financing of Terrorism, UN Security Council Resolution 1373 and other relevant international conventions and Security Council Resolutions. Moreover, cooperation with FATF and FATF-style Regional Bodies should be developed (Council of European Union 2004).

In 2005, the European Commission underlined the importance of cooperation and exchange of information between competent authorities in horizontal structures. The cooperation is between Finance, Justice, Interior and Foreign Ministries, financial intelligence unit, law enforcement authorities, intelligence agency and public prosecutor offices in policy formation and operational issues (Commission of the European Communities 2005, p.3). Lipson (1984) argues that international cooperation is more likely in areas of economic issues than in those concerning military security. Since neorealists tend to study security issues and neo-institutional liberalism tends to study political economy, their differing estimates of the ease of cooperation may be related to the issues they enquire.

Prior to the 9/11 attacks, the EU had largely concentrated its white-collar crime efforts on money laundering and not terrorist financing. This is illustrated in the scope of first two EU Money Laundering Directives. In 2004, the European

Commission determined that it was necessary to introduce a Third Money Laundering Directive (Alexander 2006, p.373). Proposals contained number of predicate offences and provide more guidance to improve customer identification procedures. Thus, it was not until the EU introduced Third Money Laundering Directive that terrorist financing was criminalized.

Egmont Group works as an international intelligence forum and mobilizes its member FIUs. It works for simplifying the exchange of secure information between its member FIUs, stakeholders, and international organizations. It strengthens the cooperation in the struggle against terrorist financing. It is a crucial attempt to provide solutions to the international and domestic problem of terrorist financing.

In January 2002, the Wolfsberg Group published “the Statement on the Suppression of the Financing of Terrorism.” (Wolfsberg Group 2002) It underlines the role of financial organizations in the fight against the financing of terrorism, which may assist states and their agencies, to strengthen struggle against terrorist groups from accessing their financial funds.

The Wolfsberg Group stands behind the FATF Special Recommendations on Terrorist Financing as a measure for the struggle against terrorist financing. The Wolfsberg Statement on the Suppression of the Financing of Terrorism proves that the financial institution's interests in the issue and put forward reasons to be a part of the fight against the financing of terrorism which needs significant cooperation on efforts.

International organizations, Wolfsberg and Egmont Group stress out the cooperation among member states and other international organizations in struggle against terrorist financing. Neo-institutional liberalism underlines that international relations is anarchic, and cooperation is possible between states.

In 2002, Basel Committee on Banking Supervision began to focus also on the issue of financing of terrorism and published a document called “Sharing of

financial records between jurisdictions in connection with the fight against the financing of terrorism.” (Basel Committee on Banking Supervision 2002)

BCBS tries to prevent the global financial system from being misused. Thus, they are working on standards to restrict money transfers to banks by terrorist groups. It is the BCBS’s reason in struggle against terrorist financing that prevents the global financial system from being misused. It stresses out the cooperation to prevent the global financial system from being misused in struggle against terrorist financing.

Non-state organizations and multinational companies which are also actors that affect the world political system depend on states’ interests. However, these new actors cannot establish new arguments and interests without states. Keohane & Nye (1977) criticized the realist school of thought that; states are not the only players in world political system. They are necessarily unitary actors as they are composed of competing bureaucracies, force itself may now be an ineffective instrument of policy.

This study mentioned that terrorism is originated in an anarchic environment, these anarchic problems direct states in a collaboration process. Keohane and Nye (2001) points out international organizations are established for the need to collaborate on complex issues and struggle against terrorist financing is one of them. Neo-institutional liberalism emphasizes that international organizations can overcome these anarchic problems with setting rules and procedures, such as terrorism.

Neo-institutional liberalism points out international laws and standards. FATF and its recommendations on terrorist financing are the best examples that each international organization refer these standards to their member states. Moreover, study covered that all these FATF 9 special recommendations raised the awareness of other states on terrorist financing issue. Other international organization's reports refer to the FATF 9 Special Recommendations. These references raised the efficiency of FATF’s efforts on terrorist financing, reached

and urged more states to implement these standards. More international organizations in struggle against terrorist financing mean more states which implement the international standards on terrorist financing. It is a big chance to reduce the size of an area for terrorist financing in the global world.

United Nations, Financial Action Task Force (FATF), World Bank, International Monetary Fund (IMF), Egmont Group of Financial Intelligence Units, European Union (EU), Basel Committee on Banking Supervision, and Wolfsberg Group of Banks, all of them have unique reasons in struggle against terrorist financing. Despite the existence of all of these efforts, it may be possible to examine the adequacy of actions to struggle terrorist financing. In the face of all these efforts, states are ruled by politicians and they need quick and successful feedback to their voters. Thus, state's war on financing of terrorism seems as a sprint. However, Jimmy Gurule (2009) noted that struggle against terrorist financing is not a sprint, it is a long marathon.

This study analyzes two terrorist groups as a case, Al-Qaeda and Islamic State of Iraq and Levant (ISIL) and to look financial war and strategies on these terrorist groups since 2001. First case is Al-Qaeda because it is a more important reason in financial war against terrorism associated event of 9/11. Second case is ISIL, however it became known for extreme violence and terror tactics as one of the major actors in the Syrian civil war in 2013 and with its rapid expansion into Syria and then Iraq in 2014.

In Report of Congress on Terrorist Financing: The US and International Response mentioned that:

“The United Nations Security Council (UNSCR), pursuant to UNSCR Resolution 1390 (January 16, 2002) and related preceding resolutions, maintains a consolidated freeze list of some 300 individuals and entities linked to al Qaeda, Osama bin Laden, and the Taliban. The European Union and a number of individual states maintain their own terrorism lists

and blocking orders. As a result of these various activities, approximately \$85 million of terrorist bank funds reportedly has been frozen outside the United States in the post-September 11 period. Of the total \$121 million blocked worldwide, more than 75% reportedly has been linked to the Taliban and al Qaeda and the rest to other terrorist entities. The bulk of the activity has occurred in a few countries. Although almost 170 nations have blocking orders in force, only 4 countries, including the United States, account for about two-thirds of the blocked \$121 million, according to U.S. financial data.” (Report of Congress 2002, p.5)

How effective campaign to limit terrorist finance has been a matter of controversy. Thus, U.S. officials regard the effort as a vital adjunct to the overall fight against terrorism. They asserted that asset seizures to date have constricted the funds of Al-Qaeda and other terrorist groups. A Treasury Department fact sheet of September 2002 noted: “Our war on terror is working both here in the United States and overseas. “(US Treasury Department 2002, p.5) Al-Qaeda and other terrorist organizations are suffering financially as a result of sanctions. However, others have expressed skepticism about the campaign. As a recent report by a U.N. Security Council monitoring group observes that:

“Al Qaeda continues to have access to considerable financial and other resources. As noted above, reports indicate that less than 20 percent of the reported \$121 million totals in blocked terrorist assets have been frozen since mid-January 2002, which suggests that the campaign is yielding sharply diminishing returns. Government officials have indicated that it has proved extremely difficult to identify these additional funds and resources,” (UN Monitoring Group 2005, p. 3)

There is clear evidence linking Al-Qaeda with the counter-terrorist financing measures that were initially introduced by President Bill Clinton following the terrorist attacks in Kenya and Tanzania in August 1998 (Ehrenfeld 2011). These measures were soon matched by the United Nations who introduced the International Convention for the Suppression of Terrorist Financing in 1999 (UN 1999). However, it was not until 9/11 that the international community was sparked into unprecedented efforts to tackle the financing of terrorism, with particular focus on personal wealth of Osama bin Laden. The Institute for Economics and Peace concluded that Al-Qaeda was:

“..funded by bin Ladin’s personal wealth and fundraising as well as through the opium trade. Recently, ransoms for hostages a New York Times report, Al-Qa’ida has raised \$125m from ransoms since 2008, with \$66m from 2013 alone. The source of the majority of ransom payments is reportedly European governments and companies.”(Institute for Economics and Peace 2014, p.54)

It has been very difficult for the financial war on terrorism to have any meaningful impact on the finances of Al-Qaeda and its funding operations. For example, it has been suggested that its methods of raising and moving money have bedeviled the world’s intelligence agencies for good reason (National Commission on Terrorist Attacks Upon the United States 2004). The ineffectiveness of the financial war on terrorism is also highlighted by the argument that it is impossible to accurately identify how much funding Al-Qaeda have received and from what sources or donors. For example, Clive Walker stated that while the worldwide outlay of Al-Qaeda has been estimated to cost up to £30m per annum, individual operations may entail modest costs derived from lawful sources (Walker 2011, p.388). This is a view supported by the Financial Action Task Force, who is citing the national high level officials, and sporadically

contributing to related terrorist organizations (FATF 2008). The British Treasury suggested that Osama bin Laden paid over \$100m to the Taliban during the five years he was in Afghanistan. Tracking, intercepting and strangling the flow of funds is a vital element in the widening global effort against terrorism (UK HM Treasury 2002, p.11).

Other reason that occurred limitation in war on financing of terrorism to Al-Qaeda is vast array of sources of finance that Al-Qaeda have utilized to fund their operations. This view is also supported by FATF:

“During the invasion of Afghanistan in 2001, it was widely reported that ... members of al-Qaeda smuggled their money out of the country via Pakistan using couriers that handled bars of gold. In Karachi, couriers and hawala dealers transferred the money to the Gulf Region, where once again it was converted to gold bullion. It has been estimated that during one three-week period in late November to early December 2001, al-Qaeda transferred £10m in cash and gold out of Afghanistan. An al-Qaeda manual found by British forces in Afghanistan in December 2001 included ... [not only information] on how to build explosives and clean weapons, but on how to smuggle gold on small boats or conceal it on the body.” (FATF 2008, p.24)

The association between hawala brokers and gold was identified by the FATF, who noted that hawala brokers used gold to balance their books and that terrorists may store their assets in gold because its value is easy to determine and remains relatively consistent over time. There is always a market for gold given its cultural significance in many areas of the world, such as Southeast Asia, South and Central Asia, the Arabian Peninsula, and North Africa (FATF 2008). This is a view supported by the US Government Accountability Office who stated that terrorists can also convert their assets into internationally traded commodities that

serve as forms of currency, such as gold, but are not subject to standard financial reporting requirements (US Government Accountability Office 2003, p.14). Thus, alternative or non-remittance underground banking systems as part of the struggle against terrorist financing. The relationship between Al-Qaeda and the hawala system existed before the terrorist attacks in September 2001 when Al-Qaeda was forced to abandon the Afghanistan banking system because it was antiquated and undependable (UN Monitoring Group 2005, p.25). Therefore, it has been suggested that hawala became important to Al-Qaeda after the embassy bombings in Kenya and Nairobi in 1998 when:

“Bin Ladin turned to an established hawala network operating in Pakistan, in Dubai, and throughout the Middle East to transfer funds efficiently. Hawalas were attractive to al Qaeda because they, unlike formal financial institutions, were not subject to potential government oversight and did not keep detailed records in standard form. Although hawaladars do keep ledgers, their records are often written in idiosyncratic shorthand and maintained only briefly. Al Qaeda used about a dozen trusted hawaladars, who almost certainly knew of the source and purpose of the money. Al-Qaeda also used both unwitting hawaladars and hawaladars who probably strongly suspected that they were dealing with al Qaeda but were nevertheless willing to deal with anyone. ” (UN Monitoring Group 2005, p.25)

Illegal drug trade is one of the major funds to support its operations. This connection was identified by the UN and indicated that while it is difficult to establish how widely terrorist groups are involved in the illicit drug trade, or the breadth and nature of cooperation between these two criminal groups, the magnitude of the numbers involved make the relationship worrisome (UNODC n.d). Moreover, UN added that in some cases drugs have even been currency used

in the commission of terrorist attacks, as was the case in the Madrid bombings (UNODC n.d). It has been suggested that since 2003 certain Al-Qaeda cells were maintained by revenues from drug trafficking (Ehrenfeld 2011). The FATF, citing the United Nations Al-Qaeda & Taliban Sanctions Monitoring Team, took the view that:

“out of the total 2011–2012 budget of the Taliban of \$400m – one third was raised from the poppy trade. To raise money, the Taliban runs a sophisticated protection racket for poppy farmers and drug traffickers, collecting taxes from the farmers and pay-offs from the traffickers for transporting the drugs through insurgent-controlled areas. ” (FATF 2014, p.43)

Ransselaer Lee (2002) noted that despite the efforts of law enforcement agencies, there was an increasing amount of evidence that Al-Qaeda was able to adopt its funding mechanisms to avoid detection that that these terrorists had transferred a portion of its exposed assets into untraceable precious commodities (Lee 2002, p.19).

An investigation by US News and World Reported noted that over the past 25 years, the desert kingdom has been the single greatest force in spreading Islamic fundamentalism, while its huge, unregulated charities funneled hundreds of millions of dollars to jihad groups and Al-Qaeda cells around the world (Kaplan 2003).

It has proved extremely difficult if not impossible to limit Al-Qaeda’s access to funds because many of their cells are self-financing. Indeed, Donohue stated that Al-Qaeda comprises loosely affiliated groups that are more closely resemble a movement than an organized entity. Most of its operations are self-financed: the group carrying out the attack raises its own funds through a variety

of legal and illegal sources (Donohue 2008, p.153). This is a view supported by the Central Intelligence Agency who stated:

“Usama Bin Ladin’s financial assets are difficult to track because he uses a wide variety of mechanisms to move and raise money[;] ... he capitalizes on a large, difficult-to-identify network with few long-lasting nodes for penetration. It is difficult to determine with any degree of accuracy what percentage of each node contributes to his overall financial position. Gaps in our understanding contribute to the difficulty we have in pursuing the Bin Ladin financial target. We presently do not have the reporting to determine how much of Bin Ladin’s personal wealth he has used or continues to use in financing his organization; we are unable to estimate with confidence the value of his assets and net worth; and we do not know the level of financial support he draws from his family and other donors sympathetic to his cause.” (UN Monitoring Group 2005, p.56)

Therefore, it can be concluded that the impact of the financial war on terrorism on Al-Qaeda has resulted in a missed set of results. It has been reported that the arrests and deaths of several important facilitators have decreased the amount of money Al-Qaeda has raised and have made it more expensive and difficult to raise and move that money (UN Monitoring Group 2005, p.21). However, the ineffectiveness of the financial war on terrorism on Al-Qaeda is illustrated by the evidence that related groups, they have inspired attacked over 25 countries and killed thousands of people (UN Monitoring Group 2005, p.56).

The financing of this activity is equally international with funds very often being raised in one country, used for training in a second, for procurement in a third and for terrorist acts in a fourth (UK HM Treasury 2007, p.9). Therefore, it is clear that CFT regime is so young for struggle against Al-Qaeda; we must admit that this war is first and most important test of the CFT regime. Al-Qaeda case

showed that CFT regime should be improved by states and international organizations. International organizations should establish a ground in struggle against terrorist financing which should involve more states, in order to provide integration where terrorist groups cannot find gaps.

Second case is ISIL which has emerged as one of the wealthiest terrorist organizations. The Islamic State of Iraq and the Levant (ISIL) has emerged as the largest Sunni terrorist organization active in the Middle East. The group was originally Al-Qa'ida in Iraq. However following the death of the head of AQI, Abu Musab al-Zarqawi, and disagreements over tactics, a group split from AQI and formed the Islamic State in Iraq (ISI). ISIL became to adopt extreme violence and terror tactics as one of the major actors in the Syrian civil war in 2013 and with its rapid deployment into Syria and then Iraq in 2014. In February 2014 Al-Qa'ida formally broke ties with ISIL, with leader Ayman al-Zawahiri stating ISIL disobeyed directions from Al-Qa'ida to kill fewer innocent people (Institute for Economics and Peace 2014, p.51). It is described as the largest threats to the effectiveness of the financial war on terrorism. ISIL's funding opportunities was recognized in UN Security Council Resolution 2170 that:

“..identified ISIL-related funding streams, including revenues generated from control of oil fields and related infrastructure, kidnapping for ransom, trade with UN-designated entities, donations from individuals and entities, and possible sanctions evasion through aircraft or other transport to transfer gold or other valuable items and economic resources for sale on international markets.” (FATF 2014)

ISIL has three main funding streams, thus it is hard to limit funding of it. First one is selling what they have captured, which include oil sales to local consumers, the Syrian regime and black marketers as well as exporting crude oil to Turkey. (Lander 2014) There is a sophisticated smuggling empire with illegal

exports going to Turkey, Jordan and Iran (Hawramy 2014). The Institute for Economics and Peace reported that ISIL controls a dozen oil fields and refineries in Iraq and Syria, generating revenues between \$1m to \$3m per day (Institute for Economics and Peace 2014, p.51).

The second funding source for ISIL is through foreign investors and private benefactors from several countries, such as Kuwait, Jordan, Saudi Arabia and Syria (Laub 2014). However, it has been suggested that amount of funding provided by private sponsors has diminished by the international organizations pressure to the states, but it is only tiny percentage of total income that flows into ISIL (BBC News 2014).

Third funding source is kidnapping and extortion (Institute for Economics and Peace 2014, p.51). Tens of millions of dollars paid by some European governments and wealthy relatives of the kidnap victims (Windrem 2014). It has also reported that ISIL has \$36m from kidnapping foreign aid workers and journalists (Jonsson 2014, p.11). Therefore, it can be argued that in 2014 Islamic State is the best equipped and funded terrorist group with more financial wealth than Al-Qaeda ever had (Carey 2014).

The most important question must be considered that which measures able to limit the relationship between ISIL and its funding opportunities. US President Barack Obama called the world to join efforts to starve it of financial resources and halt the flow of foreign recruits to its ranks (Lander 2014). This has involved adopting various aspects of the financial war on terrorism have as imposing economic and financial sanctions. However, it is important to be conscious of the fact that ISIL, unlike other terrorist groups around the world, has been able to obtain a large proportion of its funding from within Iraq and Syria. Therefore, the likely impact of sanctions on ISIL members and financiers in both of these countries is likely to be negligible at best. Furthermore, the position has been made even more complicated because ISIL has largely gained a financial foothold in Iraq and Syria by effectively taking over the local economy. It's taken control

of resources like oil installations and refineries, as well as food granaries, and the group is also extorting and taxing individuals operating businesses in the region (Johnston & Bahney 2014).

It has been suggested that for to limit ISIL's funding resources that required cutting the access to local Syrian and Iraqi income sources (Boghardt 2014). A number of unique and diverse case studies have been provided by countries which describe how ISIL obtains funding and economic support as well as describing mechanisms to utilize these funds. All these case studies has collected by international organizations, such as the United Nations, FATF, EU, IMF and more, then try to reach trimly analyses on terrorist organizations, such as ISIL. FATF Report on Financing of Terrorist Organization Islamic State in Iraq and the Levant(ISIL) defined need of struggle against terrorist financing to ISIL that :

“The need for vast funds to meet organizational and governance requirements represents a vulnerability to ISIL's infrastructure. In order to maintain its financial management and expenditures in areas where it operates, ISIL must be able to seize additional territory in order to exploit resources. It is unclear if ISIL's revenue collection through the illicit proceeds it earns from occupation of territory, including extortion and theft, will be sustainable over time. Cutting off these vast revenue streams is both a challenge and opportunity for the global community to defeat this terrorist organization. ” (FATF 2015, p.5)

Cutting off this vast revenue is primary purpose of international organizations. There are number of legislative options to the international community to tackle the threat posed by ISIL. It has been subjected to sanctions under UN Security Council Resolution 1267 and 2161(UN Security Council 2014-II). Furthermore, UN Security Council Resolution 2178 stated that:

“Member States shall, consistent with international human rights law, international refugee law, and international humanitarian law, prevent and suppress the recruiting, organizing, transporting or equipping of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training, and the financing of their travel and of their activities.”(UN Security Council 2014-I)

In addition to these UN Security Council Resolutions the FATF took the view that several of its recommendations could be an effective mechanism to limiting the funding opportunities for ISIL. For example, the FATF stated that countries should:

“..criminalize terrorist financing on the basis of the Terrorist Financing Convention, and should criminalize not only the financing of terrorist acts but also the financing of terrorist organizations and individual terrorists even in the absence of a link to a specific terrorist act or acts. Countries should ensure that such offences are designated as money laundering predicate offences.” (FATF 2014, p.13)

FATF Recommendation 6 provides that countries should implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions associated with prevention and suppression of terrorism and terrorist financing (FATF 2013). Moreover, the FATF stated that countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organizations are particularly vulnerable, and countries should ensure that they cannot be misused (FATF

2013). Importantly, the FATF took the view that countries should implement appropriate preventive measures to prevent ISIL from accessing the international financial system, including related to customer due diligence, correspondent banking, and wire transfers (FATF 2014). The FATF also provided that countries should ensure that individuals providing money or value transfer services are licensed, monitored, and sanctioned for lack of compliance (FATF 2014). It added that:

“Countries should implement cash declaration/disclosure systems for both incoming and outgoing transportation of currency and bearer negotiable instruments ... designated competent authorities should have the authority to request and obtain further information from the carrier with regard to the origin of the currency or [bearer negotiable instruments and their intended use.”(FATF 2014)

Finally, the FATF stated that:

“Each country should ensure that it has adequate means to and does in fact provide prompt and useful international cooperation, including inter-agency cooperation, mutual legal assistance and extradition, to other countries seeking to detect terrorist financing activity and to investigate or prosecute individuals or entities connected to such activity.”(FATF 2014)

Juan C. Zarate noted that ‘you can’t lob in Treasury paratroopers or push some magic button in New York and stop all their financing when you’ve got a group [ISIL] like this’ (Condon 2014). Therefore, it can be concluded that the financial war on terrorism model that was used to attack the finances of Al-Qaeda

and Osama bin Laden would not work against ISIL because it is a new reality. The metastasized, Qaeda-inspired terrorist movements have learned to raise millions of dollars locally, while the conflicts in Syria and Iraq have resurrected the terrorist funding networks of old. Terrorist funding is now both local and global (Zarate&Sanderson 2014). However, FATF thought that there is an improvement in the technical compliance with many of the FATF recommendations resulting in stronger legal and regulatory frameworks. Despite these improvements, many jurisdictions continue to struggle with meeting the technical requirements associated with criminalizing terrorist financing, with abuse of the NPO sector, implementing targeted financial sanctions to freeze terrorist assets without delay and creating legal and operational frameworks to stop, restrain and enable confiscation of cash related to terrorist financing (FATF 2015). Taking into consideration that the 2013 FATF Methodology addresses the effectiveness of AML/CFT systems, jurisdictions should ensure that these TF-related recommendations, which have an important role in the disruption of ISIL funding, are being fully implemented.

FATF Report on Financing of the Terrorist Organization Islamic State in Iraq and the Levant (ISIL) (2015) declared member states cases after implementation of FATF Recommendations. The report indicated that there have been efforts to suppress the sale of ISIL oil and oil products on regional markets, such as enhanced counter smuggling efforts of the Turkish authorities in the past two years, as well as recent steps taken by the Kurdistan Regional Government (KRG) and Iraqi Government authorities to seize suspected ISIL-related shipments of oil and oil products. One of the case study in Turkey declared that:

“Turkey provided statistics on counter oil smuggling, demonstrating that the amount of seizures of smuggled petroleum has shown a steady increase since 2012, when the government introduced enhanced measures with an Action Plan upon finding an increase in attempted oil smuggling along the

Syrian border. Following capture of oil fields by ISIL by summer 2014, the seizures of smuggled oil increased sharply, reaching 20 million liters at the seven Turkish provinces bordering Iraq and Syria. The amount of seizures of smuggled petroleum products and oil by Turkish authorities was raised to 79,238,759 liters in 2014 from over 73,000,000 liters in 2013 and the number of intercepted smuggling incidents since 2012 has increased from around 4,000 to 10,000. ” (FATF 2015, p.34)

In FATF Report on Financing of the Terrorist Organization Islamic State in Iraq and the Levant (ISIL) (2015), there are lots of cases of member countries in financial war against ISIL. However, there is doubt that economic sanctions and CFT efforts on ISIL has been sufficient or not. Statistics showed that the effectiveness of the financial war on terrorism on Islamic State will be limited because the terrorists have established a war economy which has spawned a for-profit militant model that breathes life into insurgencies around the world (Zarate&Sanderson 2014). Therefore, ISIL has the resources (as well as the territory) to establish itself as the hub of a global terrorist movement in the heart of the Middle East. There are no Treasury paratroopers to send in to seize the cash, or bank regulations to issue to stop ISIS from spending it (Zarate&Sanderson 2014).

The aim of this analysis has been to highlight the likely impact of the international organizations in struggle against terrorist financing associated with two carefully selected Islamic terrorist organizations Al-Qaeda and ISIL. Global Terrorism Index 2015 declared that ISIL is the deadliest terrorist group and was in conflicts which killed over 20,000 people in 2014 (Institute for Economics and Peace 2015, p.39). Al-Qaeda also has been major indicator to improve CFT regime in the world since 2001.

It is well-known that international organizations in struggle against terrorist financing, such as United Nations, FATF and more put some measures

for member states in this war on terrorism. These measures were extended following the events of 9/11. It can be concluded that a large number of the Al-Qaeda financiers have either been arrested or killed as part of the wider war on terrorism. It has even been suggested by some commentators that the measures introduced by the CFT regime has limited the ability of Al-Qaeda to support its operations in several countries. Global Terrorism Index 2014 Report mentioned that:

“Prior to the death of bin Ladin the group were responsible for a number of high profile attacks within western countries such as September 11, the London and Madrid bombings, as well as a string of smaller attacks. However, recently it hasn't committed large scale acts of terror. This may be because of the much reduced organizational capacity. Other attacks such as suicide bombings, armed attacks, IEDs, kidnapping and hijackings have also been employed by the organization. The number of terrorist attacks attributed to Al-Qa'ida dropped significantly in 2013 to 166 from 405 in 2012, while the organization was still responsible for the death of 559 people and injury of 1, 245 others. ” (Institute for Economics and Peace 2014, p.54)

Global Terrorism Index 2016 Report mentioned that Al-Qa'ida had a 17 percent reduction in the number of people it killed in 2015, responsible for 1,1620 deaths in the year (Institute for Economics and Peace 2016, p.49).

Therefore it can be argued that the struggle against terrorist financing has been able to prevent Al-Qaeda from launching large-scale terrorist attacks in certain countries. However, what is clear from this monograph is that Al-Qaeda still poses a significant threat to the national security of many nation states and the safety of its citizens. This point was clearly illustrated by the conclusion of the Global Terrorism Index 2014 which noted that the majority of claimed deaths

from terrorist attacks, 66 percent in 2013, are claimed by only four terrorist organizations; ISIL, Boko Haram, the Taliban and Al-Qa'ida and its affiliates (Institute for Economics and Peace 2014).

The second terrorist group is ISIL, who like Al-Qaeda has been able to get access to wide range of sources. In many ways, ISIL has become a self-sufficient terrorist organization that has thrived on the political uncertainty and insecurity in both Iraq and Syria. It has developed in a sophisticated modern terrorist organization, a point graphically illustrated by the following quote from the Global Terrorism Index 2014 Report:

“The military and intelligence wings remain significant as ISIL attempt to gain and maintain control over land. Military operations include training camps as well as military incursions and terrorist activity. Terrorist activity takes the form of bombings targeting private citizens, police and businesses. In 2013 there were 350 terrorist attacks by ISIL which killed 1,400 people and injured 3,600. ISIL conducted over 50 suicide bombings which killed an average of nine and injured 17 people.”(Institute for Economics and Peace 2014,p.52)

Global Terrorism Index 2016 Report mentioned that:

“ISIL was the deadliest terrorist group in 2015 with one percent increase in deaths from the previous year, responsible for the deaths of 6,141 people. Despite a reduction in attacks in Iraq, there was a 50% increase in attacks in Syria. In 2015 ISIL also expanded the number of countries in which they conduct an attack to 11, up from six in the previous year. If ISIL affiliated groups were to be included, the number of

countries where attacks occurred would jump to 28. ” (Institute for Economics and Peace 2016, p.50)

ISIL has been continuing lost massive amount on territory (Szoldra 2017). It means that ISIL will be in trouble funding of their needs, because Global Terrorism Index 2016 emphasized that ISIL’s economic activities were believed to generate roughly US\$2 billion in revenue in 2015 and half of ISIL’s revenue comes from oil. If territory loses will continue, it would directly affect ISIL. Moreover, taxation is second major revenue for ISIL and it depends on size of area. According to new analysis:

“The jihadi group has not only lost more than 60 percent of the territory it held straddling the Iraqi-Syrian border, but it has lost 80 percent of its revenue, according to London-based defense consultancy IHS Markit. It says that the group controlled 90,800 square kilometers (35,000 square miles) of land as of January 2015, but two-and-a-half years later, the group now only holds 36,200 square kilometers (14,000 square miles), still about twice the size of New Jersey. Similarly, its revenue stream shrunk from a monthly average of \$81 million in the second quarter of 2015, to \$16 million in the second quarter of 2017” (Moore 2017)

On war on ISIL financing, CFT measures just have limited affect, however military conventions do not lead only to loss of territories for ISIL and prevent ISIL to benefit significant sources of revenue, such as oil.

Therefore, two terrorist groups Al-Qaeda and ISIL are best examples to understand effectiveness of CFT measures. Despite similarities of terrorist organizations, the techniques of financial war showed differences. Moreover, these two terrorist organizations show us

that CFT regime should be improved in struggle against terrorist financing associated with needs in war on terrorism.

CONCLUSION

Terrorism is the starting point for this study, and this study tries to define terrorism with reference to academic articles, reports, journal articles, and books. An essential part of this study explains characteristics, history, components, methods and purposes of terrorism. These are the key issues to understand all aspects of terrorism.

Studies conducted in the framework of issues related to terrorism in Turkey have been limited to terrorist groups at national level in the field. Those efforts are currently insufficient to explain the supranational nature of terrorism. These inadequate explanations and definitions in addition to the examples directly affect the international struggle against terrorism. For these reasons, this study is realized in the framework of terrorism from international academician's articles and reports of international organizations on terrorism and terrorist financing. Thus, it tries to achieve supranational explanations and clarifications about terrorism.

One state's definition of terrorism can be in full contradiction with the other states' definition. For example, one's states' terrorist can be a freedom fighter from another state's standpoint. This situation causes great damage to international relations, and it hampers common understanding and definition of terrorism at the international level. This study stresses out that states could only be rational, when international organizations establish a definition, common standards or similar procedures. States' behavior has been gathered around common interests on ground rules. The problem of different definitions of terrorism can only be solved through international decision-making processes in which all states are represented under common rules, methods, procedures and terms of reference.

Academic studies made within the context of the international fight against terrorism have only been shaped by the role and the equitability of the United Nations (UN) and not sufficiently focused on the work of other international

organizations which fight against terrorism, such as FATF, EU, IMF and more. Thus, this study took the reference from primarily multidimensional sources, such as reports, resolutions, agreements, articles, and studies of international organizations.

Terrorism has been and still confronts all nations with the means of a structure filled with complexities flowing over and beyond the borders that cannot be solved by a single state. This substantial threat, which transcends borders, makes cooperation between states compulsory. Within the scope of those cooperation efforts, this study analyzed war on terrorism with its financial side from international organizations' reports, resolutions, articles and studies.

International organizations try to establish a common ground, joint rules, and similar procedures for complex problems faced by the world political systems. Terrorism is one of the essential threats in today's world, which occurred by anarchy created in the above-mentioned systems. International law, procedures, and rules presented by international organizations establish cooperation between states to solve problems of those systems. This study has defined funding of terrorism, CFT regime and war on financial war on terrorism with neo-institutional liberalism tools.

This study defined terrorist financing as a significant threat, which transcends borders and needs cooperation between states. It focused on the primary reports, articles and studies of international organizations in struggle against terrorist financing. Moreover, study examined international academic articles, to understand international organizations' efforts on terrorist financing in the framework of neo-institutional liberalism. Eventually, study proved that international organizations' efforts have limited effect on fighting with terrorism and terrorist financing threat. However, it has noted in this study that terrorism is a global threat and need global solutions. International organizations have essential role to achieve common mind, sustainability, continuity and collaboration.

FATF and other international organizations have huge partnerships with networks to reach non-compliant countries which have strategic deficiency in

CFT regimes. These huge partnerships have to turn an advantage in struggle against terrorism and terrorist financing. Both Al-Qaeda and ISIL cases showed that a very limited number of international organizations follow trends on terrorist financing, such as FATF and United Nations. However, we need more information in order to identify problems to achieve reasonable, sustainable and realistic solutions in the fight against terrorist financing.

The primary examination of sources on reports, articles and studies of international organizations which struggle against terrorist financing, find out a significant amount of FATF and FATF's special recommendations..

9/11 attacks activated, a global war on terrorism and prompted a new burst of rule-making and interaction on terrorist financing. FATF, the United Nations and the European Union enacted this policy change at a global level in order to struggle against terrorist financing. Then, IMF, the World Bank, Council of Europe, Egmont Group of Financial Intelligence Units, the Wolfsberg Group of Banks and Basel Committee on Banking Supervision enacted CFT regime. Study indicates that all international organizations have unique reasons in struggle against terrorist financing and these unique reasons diversify and enrich struggle. Moreover, terrorist financing is global threat and this threat needs collaboration, persistence and global solutions. However, study has mentioned that international organizations efforts have been limited effects in struggle against terrorist financing, so they have to take more responsibility on this threat.

Both terrorist organizations of Al-Qaeda and ISIL are best examples to understand the effectiveness of CFT measures. Despite similarities of terrorist organizations, the techniques of financing war on terrorism showed differences. Moreover, these two terrorist organizations have showed us that CFT regime should be improved in struggle against terrorist financing associated with needs in struggle against terrorist financing.

The struggle against terrorist financing as previously defined in this study, is dependent on a number of mechanisms including the criminalization of terrorist financing, freezing or forfeiting the assets of terrorists, the use of financial

intelligence and the enforcement of sanctions. This study has also assessed CFT measures being able to limit the funding activities of terrorist financing. International organizations should take more responsibility and follow the behavior of terrorist organizations. Otherwise, CFT measures will have little or limited effect on these terrorist organizations. Both cases have proved that struggle against terrorist financing is the key issue in fighting against terrorism. However, CFT measures have limited effects in this fight. International organizations and states should establish prompt decision-making processes to find proper solutions so as to prevent humanity from the danger of this global threat.

Both cases have proved that we need a soft law in CFT regime to enhance the implementation of measures. International organizations also have capacity to enlarge CFT regime. There are limited international organizations which are in the struggle against terrorist financing and FATF is one of them. As a case of CFT regime emergence and consolidation, CFT regime has unique recommendations to affect all the members and non-members of FATF with mutual evaluation processes.

FATF Special Recommendations are recognized as the international standards for combating terrorist financing, as many international organizations, such as UN, Egmont Group, IMF, the World Bank and more are involved in it. The FATF's formation of institutional partnerships with FSRBs, the IFIs, UN, and other international organizations has provided the FATF with significant functional advantages in advancing the implementation of a global CFT system.

FATF's CFT regime is approved by members, FSRBs, observers and financial organizations. These partnerships cover a significant part of the world and international financial system. FATF also takes advantage of its huge partnerships networks to subject the non-compliant countries which have strategic deficiencies in CFT regime. The mutual evaluation process aims to fully implement the recommendations that identified the deficiencies to prevent international financial system from abusing and more. The mutual evaluation

reports are made public, the presentation and discussion of a country's fulfillment of the FATF recommendations could be considered persuasive enough to increase compliance. The public shame method has been used for countries that do not want to comply with the FATF recommendations, despite being warned earlier about identified deficiencies. The aim is to single out the countries that cause the misuse of the international financial system by not applying the international terrorist financing standards.

Publication of the evaluations, countries have even more incentive to go further in compliance, because the evaluations are often used by banks and other entities in assessing the risk of doing business with entities in a particular country. Thus, a single country cannot take a stand in the international financial system. Also, name and shame system is more soft, persuasive and effective way to subject a country which resist compliance against FATF Recommendations, because no country can isolate itself from the whole world, or international financial system.

International organizations in struggle against terrorist financing has had limited effect to prevent countries from terrorism threat. However, CFT regime is too new to achieve certain results, so CFT measures have to be developed by states and international organizations in order to have the countries protected from this global threat. International organizations should diversify and enrich their studies on terrorist financing, and they should establish more platforms to discuss and cooperate on issues that affect the world political systems, such as terrorist financing. Moreover, ISIL case has showed that terrorist organizations have an agenda and they can rapidly develop and change trends of terrorist financing. Therefore, international organizations should reduce bureaucracy and ensure rapid decision-making process in order to catch the trends.

FATF Recommendations are soft law and non-binding, thus some people think FATF does not apply the CFT regime adequately because it uses soft touch. However, I believe that soft law and informality provide flexibility. This flexibility allows for a faster decision-making process for changing types and

methods of crime and be up to date. Terrorist financing issue needs the latest solutions, so the policy makers should have enough flexibility in decision-making processes, such as FATF.

The 9 Special Recommendations on terrorist financing, which are meant to complement and be implemented along with the 40 Recommendations on money laundering, appear to have been limited because the FATF has not maintained sufficient separation between the two criminal practices. It is clear that FATF's CFT regime comes from the 40 recommendations, the 9/11 prompted a new burst of rule making and interaction on terrorist financing and FATF designed special recommendations to fight against terrorist financing. Thus, FATF's CFT strategy is associated with its AML strategy. Despite the similarities between money laundering and terrorist financing, it is important to recognize that the two activities remain distinct. Indeed, despite the need of both money launderers and terrorists to maintain discretion and their use of similar methods to do so, funding a terrorist organization does not necessarily involve laundering dirty revenue and instead often relies on collecting non-criminal funds through charities, legitimate businesses, or other seemingly clean sources.

The CFT program of the FATF closely follows its AML program by imposing due diligence, monitoring and reporting requirements on banks and other gatekeepers to the financial system. These measures make it harder for terrorists to move large amounts of funds through financial system. However, this study has showed us that the terrorists transfer small amounts through other methods. Terrorist acts also needs small amount of funds that terrorist can easily get, so some part of the CFT program also are ineffective against terrorist financing for similar reasons. These measures may deter and detect criminals who illicitly get funds and transport it to another place; they may do nothing to prevent terrorists from transferring a small amount of funds that does not have to be declared but still enough to carry out a terrorist act. Accordingly, the FATF must address these specific weaknesses if its CFT efforts are to be more effective at preventing the funding of terrorism.

FATF declared its priority on terrorist financing in their up-to-date reports, so they are aware that their 40 Recommendations strategy is effective on anti-money laundering, unlike the special recommendations which are limited in financial war on terrorism. These limitations and weaknesses may affect efficiency of special recommendations.

This study tried to analyze the FATF anti-terrorist financing strategy, particularly the special recommendations. It distinctly established the limitations and weaknesses, moreover, this study put forward the strong points of FATF terrorist financing, these strong and weak points proved that FATF is major player in the struggle against terrorist financing, moreover it is the international policy maker on CFT. However, I believe that FATF's intensive studies on terrorist financing may change the FATF's CFT strategy. Limitations and weaknesses of special recommendations may affect this possible change and I expect a clear separation between FATF's special recommendations and FATF's forty recommendations. In this way, FATF may focus to develop CFT standards which involve diversified and enlarge solutions to prevent members and non-members countries from terrorism.

This study has showed that FATF has an authority on international standards to prevent terrorist financing. In this way, FATF may continue to arrange partnerships in order to reach more states which has adequate implementation of terrorist financing standards.. In the near future, the AML and CFT standards will be a clear separation by FATF. This separation will directly affect all other organizations which refer to the FATF Recommendations. This will be a chance again to prevent this threat to the financial system.

This study has reached that international organizations have an essential role in the struggle against terrorist financing. It is clear that they have raised awareness on threat; moreover they all have found different reasons in struggle against terrorist financing. This variety feeds the back ground of terrorist financing studies to raise awareness.

International organizations efforts encourage more academicians to study on terrorist financing issue, thus in near future we will have more resources on terrorist financing. These studies feed the variety of resources for the terrorist financing threat. Moreover, these studies on terrorist financing raise the awareness of other states which are non-compliant at implementation of international standards. In the near future, I believe that this awareness will turn out to be a great soft power for international organizations in struggle against terrorist financing.

In conclusion, this study describes how the international organizations specifically FATF are adaptive, facilitating transnational effectiveness in the fight to counter terrorist financing and to ensure compliance with globally recognized standards. It is important to note that FATF cannot hope to eliminate completely the threat of terrorist financing. The incentive to carry out the crime cannot be fully eliminated from terrorist financing because such crime is very frequently driven by ideology and not profit. Meanwhile, there are lots of deficiencies on CFT strategy of FATF; they do not demand a change in its leadership level in the international community to establish standards against terrorist financing. The FATF must be praised for its attempts against terrorist financing. And other international organizations joined and followed CFT measures to become prevalent. Moreover, they should monitor terrorist financing trends which are used by terrorist organizations so as to be a part of the solution to this global threat.

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ANNEXES

WEBSITES FOR KEY ORGANIZATIONS, LEGAL INSTRUMENTS AND INITIATIVES

Basel Committee on Banking Supervision—Bank for International Settlements

- <http://www.bis.org/> (BIS Home Page)
- <http://www.bis.org/bcbs/> (Basel Committee on Banking Supervision)
- <http://www.bis.org/publ/bcbs30.pdf> (Core Principles for Effective Banking Supervision)
- <http://www.bis.org/publ/bcbs61.pdf> (Core Principles Methodology)
- <http://www.bis.org/publ/bcbs85.htm#pgtop> (Customer Due Diligence for Banks)
- <http://www.bis.org/publ/bcbsc137.pdf> (Prevention of Criminal Use of the Banking System for the Purpose of Money Laundering December 1988)

Council of Europe

- <http://www.coe.int/portalT.asp> (Main page)
- <http://conventions.coe.int/Treaty/en/Treaties/Html/141.htm>
(Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime—The Strasbourg Convention, 8.XI.1990)

Egmont Group for Financial Intelligence Units (FIUs)

- <http://www.egmontgroup.org/> (Main page)
- http://www.egmontgroup.org/list_of_fius_062304.pdf (Countries with operational Financial Intelligence Units)

- http://www.egmontgroup.org/statement_of_purpose.pdf (Statement of Purpose of the Egmont Group of Financial Intelligence Units, Guernsey, 2004)
- http://www.egmontgroup.org/info_paper_final_092003.pdf (Information Paper on Financial Intelligence Units and the Egmont Group)
- http://www.egmontgroup.org/procedure_for_being_recognised.pdf (Procedure for being recognized as member country)
- <http://www.fincen.gov/fiuinaction.pdf> (List of AML cases)

European Union

- <http://europa.eu.int/> (Main page)
- <http://www.imolin.org/eudireng.htm> (Council Directive on Prevention of use of Financial System for the Purpose of Money Laundering (91/308/EC))
- <http://www.imolin.org/EUdir01e.htm> (Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 amending Council Directive 91/308/EC on prevention of the use of the financial system for the purpose of money laundering.)

Financial Action Task Force on Money Laundering (FATF)

- <http://www.fatf-gafi.org> (Welcome page)
- http://www.fatf-gafi.org/MLaundering_en.htm (Money Laundering)
- http://www.fatf-gafi.org/pdf/40Recs-2003_en.pdf (*The Forty Recommendations 2003*)
- http://www.fatf-gafi.org/pdf/SRecTF_en.pdf (*The Special Recommendations 2001*)
- http://www1.oecd.org/fatf/TerFinance_en.htm (Terrorist Financing)
- http://www1.oecd.org/fatf/pdf/GuidFITF01_en.pdf (Guidance for financial organizations in Detecting Terrorist Financing)

- http://www1.oecd.org/fatf/Initiatives_en.htm (Other International Anti-Money Laundering and Combating Terrorist Financing Initiatives)
- http://www.fatf-gafi.org/pdf/SR8-NPO_en.pdf (Combating the Abuse of Non-Profit Organizations: International Best Practices (11 October 2002))
- http://www1.oecd.org/fatf/NCCT_en.htm (Non-Cooperative Countries and Territories)

FATF-Style Regional Bodies

Asia/Pacific Group on Money Laundering

- <http://www.apgml.org> (Main site)
- http://www.apgml.org/content/member_jurisdiction.jsp (Member Jurisdictions)
- http://www.apgml.org/content/observer_jurisdiction.jsp (Observer Jurisdictions)
- <http://www.apgml.org/content/organisations.jsp> (Observer Organizations)

Caribbean Financial Action Task Force

- <http://www.cfatf.org> (Main site)
- http://www1.oecd.org/fatf/Ctry-orgpages/org-cfatf_en.htm (Co-operating and Supporting Nations and Observers)
- <http://www.cfatf.org/about/about.asp?PageNumber=1> (Membership)
- <http://www.cfatf.org/eng/recommendations/cfatf/> (Caribbean Financial Action Task Force—CFATF 19 Recommendations, 1990)
- <https://cfatf-gafic.org/index.php/documents/cfatf-resources/24-kingston-declaration-on-money-laundering?format=html> (Kingston Declaration on Money Laundering—November 5–6, 1992)

MONEYVAL (Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV Committee))

- http://www.coe.int/T/E/Legal_affairs/Legal_cooperation/Combating_economic_crime/Money_laundering/ (Main site)
- http://www1.oecd.org/fatf/Ctry-orgpages/org-pcrev_en.htm (Members and Observers)

Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

- <http://www.esaamlg.org> (Main site)
- http://www1.oecd.org/fatf/Ctry-orgpages/org-esaamlg_en.htm (Members and Observers)

Financial Action Task Force of Latin America, GAFILAT (Formerly known Financial Action Task Force of South America, GAFISUD)

- <http://www.gafilat.org/> (Main site)
- <http://www.gafilat.org/content/observadores/> (See members and observers)

International Association of Insurance Supervisors

- <http://www.iaisweb.org/> (Main page)
- <http://www.iaisweb.org/framesets/pas.html> (Overview of IAIS principles, standards and guidance papers)
- http://www.iaisweb.org/132_176_ENU_HTML.asp (Member countries and jurisdictions)

International Monetary Fund

- <http://www.imf.org/> (Main page)
- <http://www.imf.org/external/np/mae/aml/2002/eng/092502.htm>
(Intensified Work on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) (September 2002))
- <http://www.imf.org/external/np/mae/am/2002/eng/092523.htm>
(Comprehensive Methodology on AML/CFT)

United Nations

- <http://www.un.org>
- <http://www.un.org/Overview/unmember.html> (List of Member States)
- <http://www.incb.org/e/conv/1988/> (United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) (*Vienna Convention*))
- <http://www.undcp.org/adhoc/palermo/convmain.html> (United Nations Convention against Transnational Organized Crime (2000) (*The Palermo Convention*))
- <http://www.un.org/law/cod/finterr.htm> (United Nations International Convention for the Suppression of the Financing of Terrorism (1999))
- http://www.untreaty.un.org/ENGLISH/Status/Chapter_xviii/treaty11.asp (Status–Convention of the Suppression of the Financing of Terrorism)
- <http://www.un.org/aboutun/charter/index.html> (UN Charter)
- <http://untreaty.un.org/English/Terrorism.asp> (United Nations Treaty Collection Conventions on Terrorism)
- <http://www.imolin.org/ml99eng.htm> (United Nations Model Legislation on Laundering, Confiscation and International Cooperation in Relation to the Proceeds of Crime (1999))
- <http://www.un.org/terrorism/> (UN Action against Terrorism)
- <http://www.un.org/sc/ctc> (Counter-Terrorism Committee)
- http://www.unodc.org/unodc/treaty_adherence.html (List of member countries)
- <http://www.imolin.org/imolin/en/pocf03.html> (United Nations Model Money Laundering, Proceeds of Crime and Terrorist Financing Bill 2003)
- <http://www.imolin.org/imolin/en/tfbill03.html> (United Nations Model Terrorist Financing Bill 2003)

United Nations–International Money Laundering Information Network

- <http://www.imolin.org/> (Main page)
- <http://www.imolin.org/imolin/gpml.html>(United Nations Global Program Against Money Laundering)
- <http://www.imolin.org/conventi.htm> (Standards, Conventions and Legal Instruments)
- <http://www.imolin.org/model.htm> (Model Laws/Regulation)
- <http://www.imolin.org/map.htm> (National legislation relating to money laundering)
- <http://www.imolin.org/reference.htm> (Reference)
- <http://www.imolin.org/current.htm> (Current Events in the Anti-Money Laundering Arena)
- <http://www.imolin.org/calendar.htm> (Calendar of Events)

United Nations–Security Council Resolutions

- <http://www.un.org/documents/scres.htm>

Wolfsberg Group of Banks

- <http://www.wolfsberg-principles.com/index.html> (The Wolfsberg Group of Banks)
- http://www.wolfsberg-principles.com/wolfsberg_statement.html (The Suppression of the Financing of Terrorism)
- <http://www.wolfsberg-principles.com/corresp-banking.html> (The Wolfsberg Anti-Money Laundering Principles for Correspondent Banking)

The World Bank Group

- <http://www.worldbank.org/>

- <http://www.amlcft.org> (Financial Market Integrity website on anti-money laundering and terrorist financing)