



# Financing of terrorism

A study of countermeasures

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English summary of Brå report 2021:6

# Summary

In this report, terrorist financing primarily refers to that which is covered by what is sometimes referred to as the financing law<sup>1</sup>, which came into force in 2002. During the past ten years, a court verdict was reached in just four cases involving the breaking of this law (legally processed offences). This report, however, is mainly concerned with the measures taken by the authorities in order to counter the suspected financing of terrorism.

The report is based on interviews with 70 individuals from authorities, municipalities, firms<sup>2</sup> and civil society. We have also conducted a review of 200 cases that were deemed by the Swedish Security Service or other authorities to have a connection to the financing of violence-promoting extremism. To find out more about what characterises people suspected of terrorist financing, we have processed registered data for a population that is based on people who have been reported by firms on suspicion of terrorist financing.

The material that was processed involves the three violence-promoting extremist milieux that have been identified by, and are currently the focus of attention of, the Swedish Security Service and the Swedish Centre for Preventing Violent Extremism: violence-promoting Islamic extremism, violence-promoting right-wing extremism, and violence-promoting left-wing extremism. The majority of the cases and the interviews concerning financing involve the first two of these milieux, and in particular the violence-promoting Islamic milieu. This is consistent with both the assessment of the threat of terrorism in Sweden and the respective sizes of the three milieux. Accordingly, the report's results and analyses primarily concern investigations of and measures to combat suspected financing of the violence-promoting Islamic milieu.

## Criminally active population

As mentioned earlier, there have only been four processed offences against the financing law, which means that in the majority of cases there is no investigation or establishment of which parts of the actors' income that might have been used for terrorist financing. On the other hand, the study shows that actors in violence-promoting extremist milieux have had different sources of income – both legal and illegal. Although we are not able to

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<sup>1</sup> Act on Criminal Responsibility for the Financing of Particularly Serious Crime in some cases (2002:444).

<sup>2</sup> In this context, so-called *firms* includes companies in the banking and insurance industry and credit and payment services (in accordance with the Act on Prevention of Money Laundering and Terrorism Financing, 2017:630). They are obliged to report suspected transactions to the Financial Intelligence Unit within the Swedish Police (FIU).

determine which parts of the income or illegally gained proceeds may be used for terrorist financing, the sources of income and the sources of finance should overlap each other.

The study has mainly been able to identify sources of finance with a criminal origin. Our processing of the data concerning individuals who have been reported for a suspicious transaction that may be terrorist financing shows that many feature in Brå's register of suspects. They have often been suspected of committing profit-driven crimes, such as tax crimes, narcotics offences and fraud. At the same time, the study has also identified examples of legal sources of finance, including salaries, benefits and loans. However, cases from the Swedish Tax Agency and the Swedish Social Insurance Agency show that many of the investigated individuals have limited legal income.

Various forms of fundraising represent an important source of finance for terrorist organisations. The study shows that fundraising feature in all three milieux, and that these are primarily thought to take place on the initiative of private individuals. Fundraising may, for example, be conducted via social media and in public places. Within the violence-promoting Islamic milieu, it is not uncommon to claim that the money is being collected to, for example, provide healthcare or help children in various conflict zones. This means that a broader group (within, for example, a diaspora) may come to contribute to terrorist financing, and not just those individuals who have been radicalised. The legitimate purposes have, in certain cases, been exploited, and have provided the opportunity to conceal the financing of terrorism in seemingly otherwise legal streams. There is no corresponding broadened base for the collection of money in the other two milieux. There, the collection of money is thought more to involve the financing of specific purposes that affect the organisation more directly.

### **A combination of transaction forms**

The study mainly shows transactions of an everyday nature – that is, various types of transactions to and from a bank account. This often involves a person within a violence-promoting extremist milieu having handled large sums in their bank account. It is not unusual that this involves a combination of deposits and withdrawals, where money can stream in to the person's account before quickly being transferred onwards to other accounts. The fact that this type of transaction is mainly identified by the control systems is likely to be because such transactions leave a digital trail. Transactions may, however, also be conducted via informal payment providers, such as hawala. These are often described as being an essential prerequisite in order to send money to many poor countries. Informal payment providers can also, in certain cases, facilitate payments without the need for any transactions to be made within the financial system. This is something that can be exploited for

criminal purposes, whereby the users can benefit from remaining anonymous. At the same time, cash continues to play a key role in the milieu that have been investigated – not least as a consequence of national and international measures, including those taken to counter terrorist financing. This has resulted in stricter regulation of firms with an obligation to report suspicious transactions, legislation and the closing down of certain companies that provide payment services. According to some of those interviewed, one consequence of these changes has been an increased use of couriers and the use of virtual currencies. However, the overall picture provided in the study is that traditional transfer methods continue to be used to a large extent.

### **Administrative measures play an important role**

Certain administrative measures have an important role to play in the prevention and obstruction of suspected cases of the financing of terrorism. The majority of cases that have been analysed constitute decisions involving administrative measures. Above all, this involves tax investigations that give rise to tax surcharges, and control investigations of benefits that result in the withdrawal of benefits and demands for repayment. One important reason for the large proportion of decisions involving administrative measures is likely to be the large number of multi-agency forms of collaboration that have been created to assist in the fight against organised crime. Some of these collaborative forms are also used to counter violence-promoting extremism and terrorist financing. In addition, decisions involving administrative measures can often be taken more quickly, which increases the chances of being able to stop the suspected financing. Compared to criminal investigations, the evidentiary requirement for the authorities is lower, with a greater burden of proof instead being placed on the individual.

### **Authorities primarily perform their core missions**

Many of the administrative measures aim to ensure that public funds are used correctly, while also having the capacity to contribute – at least indirectly – to the prevention of terrorist financing. However, those individuals from the authorities that take administrative measures who were interviewed emphasise that their primary duty is to perform their core mission – namely, by ensuring that the correct payments are made from the welfare system, that the correct taxes are applied, or that only suitable individuals may operate businesses and organisations that are subject to authorisations. This covers a long list of authorities, including the Swedish Tax Agency and authorities that pay out benefits, supervisory authorities such as the Swedish Schools Inspectorate and the Health and Social Care Inspectorate, and the municipalities. It is, however, considered to be particularly important that the authorities' systems do not contribute to terrorist financing – a highly serious societal threat – and such cases are therefore prioritised ahead of other equivalent cases.

### **Information required at an early stage of the process**

One important precondition to be able to work effectively with the prevention and combatting of terrorism is the sharing of information between the Swedish Security Service and other authorities. There is a consensus among the persons interviewed that, in recent years, the Swedish Security Service has begun to share considerably more information, which in turn has resulted in more measures being taken. At the same time, the interviewees also call for more information at an earlier stage. They emphasise the importance of taking swift action to stop money that is at risk of going to actors within violence-promoting extremist milieux. In those cases where the Swedish Security Service was able to provide information at an early stage, sometimes mainly in the form of clues about where the inconsistency lay (e.g. that a person lives at a location other than their registered address), the case was able to be processed more efficiently, which in some instances could lead to incorrectly paid benefits being withdrawn.

### **Several ways of discovering suspected financing of terrorism**

One part of the work to counter the financing of terrorism involves identifying suspicious transactions, behaviour and activities. Some firms have a legal obligation to report this kind of thing to the Financial Intelligence Unit within the Swedish Police (FIU). In 2020, the FIU received 24,500 reports of suspicious transactions. Of these, the organisational operator had stated suspicion of financing of terrorism as the basis for the report in barely 560 cases. According to several of those interviewed, in order for firms and other relevant actors to be able to discover suspected cases of terrorist financing, they require knowledge of *what* they need to be looking for. Firms call for more feedback – partly on which type of information the FIU wants, and partly on whether the reports that have been submitted have resulted in further investigation. From the Swedish Security Service, firms call for more information about modus operandi and the milieux, among other things.

Another way to identify suspected financing of terrorism is by means of various forms of collaboration. In investigations of the suspected financing of terrorism, intelligence-based collaboration between the crime-fighting authorities is particularly relevant. Intelligence information can also be obtained from investigations of other crimes. In these cases, however, there are many steps during which the information can be lost, so it is important that investigators at the other authorities are aware that the Swedish Security Service has an interest in the information. The Swedish Security Service also has other sources of intelligence, including informants and international security service partners.

## Few preliminary investigations and verdicts

All cases from the Swedish Security Service that involve violations of the financing law concern the violence-promoting Islamic milieu. Among those cases that were tried in court, there were cases where it could be proved that transactions had been transferred to conflict zones, as well as individuals who were known to the authorities as sympathisers of terrorist-classified organisations. The preliminary investigations have included evidence in the form of chats that show that the money would be going to the organisation. There are several possible reasons for the number of preliminary investigations and court verdicts concerning the financing of terrorism so far having been so low. For example, it is often difficult to prove that a transaction constitutes terrorist financing. In the view of several of those interviewed, this means that the crimes become very difficult to investigate, and there is a need for supplementary evidence (chats, telephone surveillance, etc.) in order to prove that a crime has taken place. The fact that large amounts of financial information or other evidence may need to be translated is also described as a major bottleneck in the investigative work.

Even if it can be seen in several of the investigations that money has been transferred to a conflict zone, it is difficult to prove where the money goes and by whom it is handled – that is, proving whether it constitutes terrorist financing. Several of those interviewed, however, also emphasise that these obstacles to bringing a prosecution represent an essential element of ensuring the rule of law. The lowering of the requirements for evidence is therefore not an option. At the same time, a few of the interviewees state that the legislation is relatively untried. If more types of cases led to prosecution, in addition to those that have previously been tried, the application of the law could be clarified.

Several of those interviewed state that the small number of cases that concern the financing law is largely attributable to the resources and prioritisations of the Swedish Security Service. The investigation of financial trails is counterbalanced by the principal objectives of the Swedish Security Service – to prevent threats to individuals and institutions, and to stop lethal violence in Sweden. One reason that the cases are not given priority or resources is that crimes concerning the financing law have a comparatively low penal value – at least in relation to other terrorist crimes.

Furthermore, certain crimes that are suspected to involve terrorist financing can include, for example, serious tax offences, serious accounting offences and serious theft – i.e. crimes with a considerably higher penal value. Investigations of such crimes can therefore represent one way of preventing terrorism-financing that originates from profit-driven crimes. In these instances, there are more participants in the cases than just the Swedish Security Service, which means that more resources are available for



processing the investigations. Crime investigations conducted by the Swedish Police Authority, the Swedish Tax Agency's tax offences unit and the Swedish Economic Crime Authority may therefore, in certain instances, be of significance to the countering of terrorist financing – or at least to the retroactive investigation of its sources. Even if the investigations apply to crimes other than those against the financing law, the cases can be prioritised with reference to the suspicion of terrorism and the agreements between the authorities about prioritising these cases ahead of other equivalent crimes.

### Brå's assessment and proposals

At first glance, it is easy to get the idea that the work to combat terrorist financing is toothless, since it has only resulted in four prosecuted cases in the past ten years. In fact, there is a large number of authorities, municipalities and other actors that make decisions to terminate, recover and prosecute the suspected financing of violence-promoting extremist milieux. Part of this can also constitute the financing of terrorism. Brå's opinion is that the use of public funds as a source of finance is a particularly serious matter. Certain authorities – not least the Swedish Tax Agency and the Swedish Social Insurance Agency – already work as a matter of priority in order to stop such financing. However, such work should be prioritised by more actors.

There is also room for improvement in the work to counter terrorist financing – in particular with regard to the sharing of information, the coordination of crime investigations, and other measures applied to individuals within the same networks. The authorities also need to increase their ability to prevent the use of legal sources of finance. The major challenge here is the considerable level of coordination that is required between the authorities and actors involved.

The results show that many people who are suspected of financing terrorism are involved in multiple crimes. They also commit crimes of varying degrees of severity that fall under different classifications of crime. This means that they can be the subject of investigations by several different authorities at the same time. There are good reasons for why authorities do not share all their information or coordinate their work – they each have their respective areas of responsibility, and they shall make independent assessments as part of their own investigations. This, however, makes it difficult to express an opinion as to which measures, by which authorities, will be the most effective and give the best results in the prevention of terrorist financing. One way to create the conditions that make it possible to choose the right track from the beginning is to test different investigation paths in project form, and then evaluate the results. In this way, the authorities also obtain concrete results concerning the size of the differences in resource-efficiency between testing

the financing law or, for example, launching investigations into accounting offences, fraud, or the laundering of money via a business. The work is currently sometimes perceived as being implemented on a random basis, in the sense that those authorities that see the opportunity to act will attempt to do so.

It would also be desirable to evaluate, at a more strategic level, the respective risks and opportunities involved in the use of criminal investigations or administrative measures. When administrative measures are used, the authorities should always monitor the cases to ensure they do not grow, so that individuals with vague personal connections to a suspect are at greater risk of being investigated than others who do not have such personal connections. We see no indication that this is a problem at present, but as more and more parties become involved and reach agreement that this is a priority issue, there will always be certain risks that need to be taken into consideration. A similar discussion needs to take place if the authorities should abstain from criminal investigations, opting instead to use administrative measures, where the burden of proof is lower. At the same time, the financing of terrorism is a facilitator of extremely serious crime, and it is important that the Swedish Security Service continues to receive help in its attempts to stop this financing.

Employees at authorities that adopt administrative measures normally make decisions that affect individuals, who are not part of networks with intimidation capital. When new authorities and actors become involved in the work against terrorist financing, it is therefore important that the employers conduct risk assessments concerning the employees' security. Certain authorities and organisations (for example, those that issue payments) lack any experience of dealing with violence-promoting extremists and their networks. The very act of working with cases of this nature may be a cause of concern and anxiety, which must be managed by the employer.

It is the assessment of Brå that, if Sweden (particularly in consideration of international obligations and commitments) wishes to produce more court verdicts in accordance with the financing law, the current penal value represents an obstacle. It is not perceived as corresponding to the work involved. Other crime classifications are given priority – not least other terrorist crimes and those crimes that have generated the financing. If the sources of finance are legal, there are no alternative crime classifications that can be used. What crimes against the financing law and several of those crimes that lie behind the financing (not least among which are serious tax offences and serious fraud) have in common is that investigations into these crimes are time-consuming. They also require the involvement of specialists, such as financial investigators. Such a use of resources is easier to justify if the penal value is, in practice, greater than a few months in prison. On the

basis of the results and conclusions of the report, Brå makes five further proposals.

### **The Swedish Security Service should ask more questions**

The Swedish Security Service already discloses information to collaborating authorities. The study shows that the more information the authorities receive, and the quicker they receive it, the more forceful the measures they can implement. It is particularly important for authorities that are able to stop payments to be contacted swiftly, before any more money can be disbursed. This work needs to be developed, as well as including more authorities and actors – not least at the local level. It is also important to prevent municipal tax funds being used for the financing of violence-promoting extremism.

From firms, there are calls for more information about modus operandi and the milieu, and perhaps even for lists of sanctions. Brå's assessment is, however, that a more feasible approach is for the Swedish Security Service to make greater use of its request right (see Chapter 4, Section 6 of the Act on Prevention of Money Laundering and Terrorism Financing, 2017:630). The request right means that the Swedish Security Service has the right to request all information it needs from firms, as well as from certain actors that have conducted money collection, within the framework of the work to prevent and counter terrorist financing (cf. Forsman 2020). From an alternative perspective, it also means that the firms receive an indication of what constitutes information that is of interest to the Swedish Security Service. It can also be of assistance in risk-analysis work and the identification of a modus operandi. The banks' collaboration with the police via SAMLIT could also play a role in improving the accuracy of the suspicious transaction reports regarding terrorist financing.

The financing of terrorism is thought to be perceived as a sensitive subject that can cause unease among certain collaborating actors – not least as it is perceived as affecting national security. One potential positive side-effect of the Swedish Security Service's increased disclosure of information is that the subject of terrorist financing will become regarded as somewhat less dramatic. The most sensitive information will never be shared, but the information disclosed to the collaborating actors will be necessary to enable them to act in accordance with their own regulations. This also creates the conditions for dialogue, whereby collaborating actors understand that they may have obtained information that will also be of benefit to the Swedish Security Service.

### **SPOC – identifying an appropriate recipient**

As the report shows, the work to reduce the financial latitude of

violence-promoting extremist milieu is conducted by a large number of authorities and other organisations. Even when it involves their regular tools and methods, in this type of case they may need to contact the Swedish Security Service for guidance and to confirm certain information. The Swedish Security Service, too, may have a need to make such contact.

The results show that it is easier to make such contact when involved in operational collaboration with the Swedish Security Service. Therefore, having a dedicated single point of contact (SPOC) in each respective organisation can constitute a way to increase efficiency and to provide more organisations with a route of access to the Swedish Security Service. The authorities most closely concerned and front-line municipalities should be able to designate such functions. This kind of function would be able to answer questions concerning which tools each organisation has at its disposal, and which type of information they require in order to take action.

### **Facilitate legitimate fundraisings and serious international transactions**

As indicated by the results, one particular challenge is that the financing of terrorism may be concealed within the same streams as legal fundraisings for conflict zones. This means that even legitimate transactions made to high-risk countries are subjected to special scrutiny. Legal fundraising organisations are advised against allowing their volunteers to transport cash to conflict zones. They need to have a clear plan for how the money, via (foreign) banks and partner organisations, will reach those who are in need of assistance.

Several of those interviewed express concern that law-abiding individuals are forced out of the financial system and into unofficial channels, as a result of overly generalised measures aimed at countering terrorist financing. By excluding those people with good intentions, there is a risk of creating a distrust of legal payment systems and of the regimen against money laundering and terrorist financing.

It would be desirable to create legal and serious transaction solutions for those people who have good intentions for their transactions made to conflict zones – not only in order to increase the distance between serious payment streams and terrorist financing, but also to ensure the retention of as many actors as possible within the formal – and monitored – systems. Those actors that are best equipped to resolve these problems are banking and payment service companies with well-developed systems for the monitoring of transactions.

### **Fully exploit the supervisory system**

The resources for supervision are limited, and supervisory bodies are dependent on receiving tip-offs from others in order to be able to scrutinise the right actors. They also need to have a breadth in their supervision;

otherwise, they risk focusing their supervision on large, serious actors, thereby overlooking less serious and unregistered actors. The latter may partly be unknown to the supervisory body, and partly require the allocation of too many resources in order to be investigated. A good strategy for supervision should, however, embrace the 'worst' elements in order to raise the lower threshold, while also ensuring the continuation of work against one of the more established actors in order to provide the stimulation for development.

The work to combat money laundering and terrorist financing focuses on supervisory bodies that are particularly relevant for the countering of money laundering. Our results show that other types of supervisory bodies (such as the Swedish Schools Inspectorate, the Health and Social Care Inspectorate, and municipalities) may be very important in the countering of terrorist financing. It is therefore important that the Swedish Security Service also has awareness of, and is able to exploit, the tools of these actors, where necessary.

### **Examine the financial investigative function**

A not insignificant part of the financing of violence-promoting extremist milieux comes from fraud, tax offences and offences against the welfare system. These are investigated by different authorities. One particular difficulty is when one and the same actor commits all three types of crime. In the intelligence stage there is a certain amount of collaboration between the authorities, but once the case is sent for investigation, it ends up in specific pathways. The problem is that different pathways have different levels of resources and, in practice, differing levels of access to competent financial investigators – something that is in short supply within the system as a whole. In addition, there is a risk that each actor will be investigated simultaneously in different places, and that the investigation pathway that makes the most progress will perhaps not have the crime classification that has the best chances of being successfully prosecuted in the courts – instead merely being the result of the team having worked most effectively in order to make progress. As one of those interviewed emphasises, it would in many ways have been more efficient to initially investigate these crimes together, and then – once the evidential picture had become clear – to make a strategic selection of the crime classification it would be most appropriate to proceed with. In order to resolve these rather large and fundamental problems, there is a need to examine the conditions for the creation of a financial investigative function that draws inspiration from the organisation of the regional intelligence centres, but that will also work with complex investigations.