

AFTER ACTION REPORT

Virtual Side Event: The Financing of Right-wing and Ethnically or Racially Motivated Terrorism

7th of December 2020 | 16:00 – 17:40 CET

Counter Extremism Project (CEP) Germany

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1. Introduction

On the 7th of December 2020, the Counter Extremism Project (CEP) hosted a virtual side event, co-sponsored by Germany, Norway, the United Kingdom and the United States. The event was opened by short statements of each of the co-sponsoring governments highlighting the threat emanating from the financing of right-wing and racially and ethnically motivated terrorism. The main discussion of the event was grouped into two panels.

During the first panel, CEP, the Royal United Services Institute (RUSI) and the Center for Research on Extremism (C-REX) at the University of Oslo discussed the current threat landscape emanating from the financial activities of right-wing and racially or ethnically motivated terrorists. During this panel, CEP presented the relevant research findings of its recent report entitled *“Violent Right-Wing Extremism and Terrorism – Transnational Connectivity, Definitions, Incidents, Structures and Countermeasures”*, which was commissioned by the Federal Foreign Office of Germany.

During the second panel, representatives from the Financial Action Task Force (FATF) and the Counter Terrorism Executive Directorate (CTED) outlined ongoing mitigation measures as well as the potential for joint and multilateral actions to counter this threat. The side event concluded with a presentation by the German Federal Ministry of Finance, summarizing the deliberations and highlighting a range of suggestions for further action.

The event addressed a particularly striking research gap that relates to the financing of violent right-wing and ethnically or racially motivated extremist groups and networks. These are often perceived to be self-funded entities with limited assets. As the discussions during the event demonstrated, recent research points to at least three major income streams: festivals and mixed martial arts events, the sale of merchandise and donations. These income streams seem to produce substantial funds for the right-wing and racially or ethnically motivated extremist and terrorist movements.

Jointly developing effective measures to counter this new terrorism financing threat is a key aspect of the fight against terrorism. When it comes to transnational connectivity of right-wing and ethnically or racially motivated terrorism and its funding mechanisms, the international community should increase its situational awareness and the side event aimed to make a contribution in this regard.

Around 100 participants took part in the virtual event. These consisted of representatives from the various permanent missions to the United Nations in New York, ministries of foreign affairs, regulatory authorities, investigative agencies as well as think tanks specialized in combatting the financing of terrorism.

2. Summary of presentations

2.1. OPENING REMARKS

Bernd Heinze

Head of Division International Cooperation against Terrorism, Drug Trafficking, Organized Crime and Corruption, Federal Foreign Office, Germany

Right-wing extremism and terrorism presents a growing threat to security. In this respect, during the last few years, the transnational connectivity between right-wing extremist and terrorist individuals, groups and networks has increased, including with respect to their financial activities. Currently, research has not yet sufficiently covered these activities, including the various funding streams. Raw data concerning these activities is difficult to obtain and where it is available, it is not yet sufficiently connected to an analysis of the financial structures underlying these activities.

Right wing terrorist attacks do not cost much, since they are mostly self-funded. However, it would be an incomplete understanding to assume that right-wing extremist and terrorist movements do not need significant amount of finances to operate. Therefore, international and cross-authority effort is needed to counter the financial machinations of the right-wing extremist and terrorist movements. The virtual event is a starting point for further coordination of such activities.

Kristin Hemmer Mørkestøl

Head of National Security Section in the Police Department, Ministry of Justice, Norway

The countering the financial activities of right-wing extremist and terrorist groups is high on the agenda of the Norwegian government. The threat of right-wing extremism and terrorism is present in many countries as demonstrated by a string of tragic events in recent years. In summer 2020, a national strategy and ministerial action plans were published focused on countering extremism and terrorism in all its forms, and currently, a national counter-terrorism strategy is being developed.

The threat of right-wing terrorism is present in Norway, as demonstrated by the two terror attacks in Norway a few years ago, both were motivated by right-wing ideology. Both attacks were carried out by self-financed lone actors. However, the risk that financial activities of supporters may occur or involve Norway remains. Therefore, it is important to increase the awareness and understanding of such activities. It is difficult to legally ban right-wing extremist groups and to detect suspicious transactions by right-wing extremist actors. Therefore, increased awareness and information sharing within and between Financial Intelligence Units, reporting entities, police and intelligence agencies is crucial. This should also include contributions from research and academic institutions.

Christopher Harnisch

Deputy Coordinator for Countering Violent Extremism, U.S. Department of State

The US Government follows a comprehensive and sustained approach dealing with racially or ethnically motivated terrorism (REMT). This approach also includes countering REMT financial activities and cooperation with international partners. It is crucial for this approach that we deepen the understanding of these activities in order to identify appropriate tools to counter them. High profile attacks in recent years indicated a growing transnational connectivity between REMT actors, in particular through online communities. One particular troubling aspect is that some REMT actors have travelled overseas to gain combat experience in regional conflicts. When they return home, they will present a clear threat.

The US State Department uses all available tools, in particular sanctions designations, such as the designation of the Russian Imperial Movement, diplomacy and public diplomacy focused on counter-messaging to delegitimize REMT ideologies and to deny safe spaces for REMT actors online. REMT actors are funded from a variety of licit and illicit sources, including the online sale of merchandise. Further funds are raised through membership fees, concert tickets and donations, including through the use of crowdfunding sites. When payment services are denied, groups migrate to explicit REMT crowdfunding sites. Criminal activities, such as the sale of counterfeit goods, drugs and weapons also contribute to their income streams. Finally, the provision of military style training is an income stream. The movement of funds domestically and internationally is done via the regulated financial system and money service providers. A growing interest in using virtual currencies is observable among these actors.

Public-private cooperation, especially information sharing, is crucial in tackling REMT terrorism financing. Indicators developed to counter the activities of terrorist groups from other ideological phenomena could be adapted to detect and counter REMT financial activities. Germany and the U.S. are currently leading a new FATF project focused on raising public and private sector understanding of this threat.

Kingsley Green

Head of Counter Terrorism and Extremism Network (Europe), Foreign, Commonwealth & Development Office, United Kingdom

The UK has seen a steady increase of the threat emanating from right-wing extremism and terrorism. Currently, nearly one third of all disrupted terrorist plots in the UK have been inspired by right-wing ideologies and until April 2020, 20% of all counterterrorism related arrests in the UK were linked to suspected right-wing terrorism. Therefore, the UK government is taking this threat very seriously and the whole of the counterterrorism community has a role to play in countering this threat. The UK is working to ensure that counterterrorism response is effective against right-wing terrorism. Two policy areas are particularly relevant: prevention, including counter-messaging, and proscription to establish a range of criminal offences. Three proscriptions of right-wing terrorist groups have recently been done: National Action, Sonnenkrieg Division and Feuerkrieg Division. In particular Feuerkrieg Division has members across the United States and Europe.

The threat is clearly a transnational one and the international community has to work together to address it. This work should focus on the transnational networks online and in particular the financial activities of these networks and individuals. In this regard, building a shared understanding of the financial networks, including the similarities and differences to financial networks of Islamist terrorism. This will be the basis of an assessment on which of the current mechanisms are effective to counter this threat and where adjustments need to be made.

2.2. PANEL 1: THREAT LANDSCAPE

Alexander Ritzmann

Senior Advisor, Counter Extremism Project (CEP)

The recent CEP report demonstrates that a new transnational, leaderless violent right-wing extremist movement has emerged that is based on common apocalyptic narratives, values and enemies. The study also looked into the financial activities of this movement. As a case study the financial activities of right-wing extremists in Germany is instructive to demonstrate the overall functionalities.

The financial activities of these actors in Germany include three main income streams. The first income stream concerns events. These are concerts and festivals with up to 6,000 participants from more than a dozen countries (est. revenue € 1.5 to € 2 millions. in 2018) as well as large-scale mixed martial arts (MMA) events, (est. revenue of € 40,000 to € 50.000 each), at times integrated in festivals. A second income stream consists of the sale of merchandise and food supplements (est. + € 100,000). Finally, real estate; Around 140 properties have been identified in Germany as belonging to right-wing extremists and are used by them, including to organize events.

Countering this threat presents both challenges and opportunities. Unfortunately, the actual size and nature of the right-wing extremist or REMT phenomenon remains under-researched and potentially misunderstood. This is due to the absence of common definitions and as a result there are difficulties to develop comparable statistics across jurisdictions. Another challenge concerns “no-flag” operations. Often, violence by right-wing extremist actors is not accompanied by public propaganda. Finally, when right-wing terrorist acts occur, the focus is on the operational costs of the attack itself and not on the financial structures of the supporting environment that enables these attacks. The growing overlap between right-wing extremism or REMT with criminal behavior and networks, such as for example the criminal biker and hooligan milieus is not yet fully understood. Here, a cross-department/agency task force would be helpful to further ascertain the nature and extend of this overlap.

As long as designations of right-wing extremist groups/individuals are not possible, administrative interventions, such as banning events or banning alcohol, proactive police presence at events, and denial of Schengen visa could be useful to disrupt these activities. Germany has a wide range of experience in this regard.

Tom Keatinge

Director, Centre for Financial Crime and Security Studies, RUSI

Currently, there is a gap in understanding of the financial activities of right-wing terrorism. This is caused by an understanding of terrorism financing that is focused on the financing of groups and focused on Islamist terrorism financing. Therefore, existing mechanisms may not be effective if the target does not meet these two criteria. United Nations Security Council resolutions, the United Nations convention on the financing of terrorism as well as FATF standards assume a terrorism-related designation as a starting point. Therefore, currently, a focus on other disruption activities to counter the threat posed by the financing of right-wing terrorism would be useful. Private sector awareness is currently low, and more indicators are needed to enable private sector stakeholders to identify suspicious transactions. Many of the financial income streams of right-wing terrorists are similar to lone actor and attack cell financing from other terrorism phenomena. Greater public-private cooperation is needed. Outsourcing the mitigation of this threat to the private sector and seeing the use of reputational risks as a substitute for better policies should be avoided.

Kayla Izenman

Research Analyst, Centre for Financial Crime and Security Studies, RUSI

There has been historic interest of right-wing extremist groups in alternative payment systems, in particular when mainstream payment services were denied to them. The de-platforming of right-wing extremists from such platforms, such as for example PayPal has increased their interest in the use of cryptocurrencies, including privacy coins. However, while there was use of cryptocurrencies for right-wing extremism, so far, the use of cryptocurrencies to finance right-wing terrorism has not been observed. Tools to analyze such transactions, such as blockchain analysis tools, are available. However, these activities require the attention both of law enforcement as well as the crypto industry. Although progress has been made, law enforcement often continues to lack the tools and knowledge to launch effective investigations in this area.

Dr. Cato Hemmingby

C-REX - Center for Research on Extremism, University of Oslo

The case study of the financial activities of Anders Breivik in preparation of his twin attacks in 2011 is instructive to demonstrate the long timeline that was required to prepare these attacks. Breivik's financial activities fall into three phases. In the first phase between 2002 to 2006, he earned \$580,000 through criminal activities, such as the sale of falsified university certificates, which he laundered using foreign bank accounts to also avoid taxes. He lost some of the profits while investing in the stock market. During the second phase 2006 to 2009, Breivik used his savings and reduced his expenses by moving into the flat of his mother. During this phase, he started to concentrate exclusively on the preparations of his terrorist attacks. During the third phase between 2009 and 2011, he started to begin his operational preparations (purchase of arms, and production of explosive materials). In addition to his savings, he registered ten credit

cards as reserve financing. During this phase he concentrated on cash payments in order to avoid electronic traces. His attack plans were brought forward due to his fear that his agricultural business (registered to obtain fertilizers to manufacture explosive materials) may have to declare bankruptcy and therefore his activities may be detected.

Breivik's criminal financial activities enabled him to conduct his long-term terrorist preparations. He exploited the opportunities to cover his tracks and launder his proceeds through foreign financial institutions and exploitation of the opportunities offered by the use of credit cards (credit fraud). These loopholes and the fact that he used primarily cash to pay for his purchases meant that Breivik had only a low risk of detection of his financial activities. However, the constraints Breivik felt due to the looming bankruptcy declaration of his agricultural business demonstrates the impact even small disruption activities can have.

2.3. PANEL 2: POTENTIAL FOR JOINT ACTIONS

David Lewis

Executive Secretary, Financial Action Task Force (FATF)

Countering the financing of right-wing terrorism is currently a top priority for the FATF and president Pleyer. During recent years the various threat emanating from the financing of terrorism has evolved and intensified. Money laundering is now fueling not only criminal activities but also terrorism. Targeting the financial activities is a vital disruptive tool in countering terrorism.

Since June 2020, under the German presidency, the FATF has started to target the funding models of right-wing terrorism and REMT. The project is in its early stages but will produce valuable indicators and typologies for investigative agencies and private sector stakeholders. The private sector needs to be engaged heavily, especially regarding the detection of suspicious transactions and use of cryptocurrencies. Although lone actors self-finance their terrorist attacks, they can also receive funding from a much broader range of resources, such as events, merchandise and donations. These activities are often conducted across borders.

Significant gaps in the understanding of these activities remain. The connection of these actors with criminal groups and organized crime constitutes a risk that must be further examined. This also includes support by the procurement of weapons. By following the money investigators can help prosecutors to build cases and obtain convictions. Banks, payment service providers and major crowdfunding websites have become more aware of the risks and have taken action. However, this also leads to a migration of the relevant financial activities into alternative, unregulated systems, including cryptocurrencies. As a reaction, in 2019 the FATF has taken steps to regulate the crypto industry. In 2021, the FATF will release its report on the financing of right-wing extremism and terrorism, presenting a global picture with inputs from all relevant stakeholders.

David Wells

Head of Research & Analysis, Counter Terrorism Executive Directorate (CTED)

CTED is increasingly working on the threat emanating from right-wing extremism/terrorism or REMT and has published two Trends Alerts on the subject in 2020. In October 2020, the Counter Terrorism Committee (CTC) of the United Nations Security Council held an open briefing on this subject.

Currently, there are three key findings of the ongoing work of CTED and the CTC in this regard. Firstly, significant gaps remain in the understanding of how this form of terrorism is financed. However, awareness of the need for more information is growing among UN Member States, including the transnational nature of this threat. CTED is supporting the ongoing FATF project and continues to work with its partners in CTED's Global Research Network (GRN) to fill this gap.

Secondly, a wide variety of groups and networks can be subsumed under the wide umbrella of right-wing extremism/terrorism or REMT. This is a challenge for the agreement on consistent terminology and respective designations. These groups use a variety of funding methods, including donations, crowdfunding, sale of merchandise and proceeds from events. However, the operational terrorism threat is emerging from self-funded lone actors, which presents a particular set of challenges for efforts to combat the financing of this particular variant of terrorism.

Thirdly, multilateral responses should be based on the analysis of the threat by UN Member States and they should include this threat in their national counter-terrorism strategies, into the work of the Financial Intelligence Units, and in specific public-private partnerships. Private sector stakeholders need more specific guidance on how to monitor such financial activities. The relative lack of national designations hinders the disruption of these financial activities as they complicate mutual legal assistance requests, third party requests, asset freezing and information sharing. Therefore, now is the time to act, in particular since the ongoing COVID-19 pandemic may decrease resources available for counter-terrorism and increase the attractiveness of alternative virtual currencies. The exchange of best practices will be crucial to achieve progress in this regard.

2.4. WAY FORWARD

Barbara Friedrich

Head of Division International AML/CFT, Federal Ministry of Finance, Germany

The phenomenon of right-wing terrorism is not a question of national security anymore. It has international dimensions. Financing of right-wing terrorism has become more sophisticated and professional over the last years. Merchandising, music and sports events as well as membership fees and donations are important sources to right-wing terrorism financing. Apart from traditional forms of financing we also see new typologies such as the use of virtual currencies, social media, crowdfunding etc.

Therefore, it is important to intensify the fight against right-wing terrorism and its financing both on the national and international level. Here, international cooperation will be crucial. In this regard we need to establish secure channels to exchange information and tools for administrative and legal assistance. Furthermore, the use of sanctioning tools, including asset freezing should be explored, in particular within the context of the United Nations. In order to enhance the capacities of law enforcement, further training and technical assistance is needed.

One important disruptive measure will be to raise awareness of this threat among the public. Right-wing violence is often not perceived as terrorism by the public. This may be the reason why the financing of right-wing extremism is not seen as part of the financing of terrorism. Furthermore, raising awareness of AML/CFT experts to the issue of right-wing terrorism will be important. This will support the identification of common structural characteristics as well as patterns of right-wing terrorism and its financing, including the misuse of new technologies in this regard. It will be important to analyze and understand the impact of the COVID-19 pandemic on the extreme right-wing terrorist scene; and it will be crucial to understand new forms of this threat.

The following two goals should be the priority of future joint actions. Firstly, gaining of a systematic understanding of right-wing terrorism and its financing. This should include addressing existing dark fields in understanding, combatting the different forms of transnational linkages and to identify the common “modi operandi”. Secondly, this work should aim at providing good practices and guidance to competent authorities and obliged entities. This should enable effective investigations and prosecutions by the competent authorities as well as the effective detection and deterrence of such activities by the obliged entities.

3. Next steps

The CEP project team will integrate the discussion during this virtual event into its further work on the subject. CEP plans to continue research into the financial activities of right-wing extremist individuals, groups and networks throughout 2021 and to develop additional, detailed recommendations for administrative, regulatory and legal action, based on the confidential recommendations already forwarded to the Federal Foreign Office as part of the initial project on the transnational connectivity of violent right-wing extremism and terrorism.

The virtual side event demonstrated that, although research on the financial activities of right-wing extremist and terrorist movements has begun to be carried out by several think tanks, including CEP, the issue has not yet been comprehensively covered. This relates in particular to the identification and analysis of appropriate targets for administrative, regulatory or legislative countermeasures. Furthermore, awareness among the relevant stakeholders within UN Member States as well as the financial industry remains fairly low. Here, the development of respective financing typologies will be a crucial next step.

The discussion also highlighted that multilateral action, in particular by the FATF, has started but remains in its initial stages. Supplementing these efforts with parallel projects within other multilateral organizations and fora, such as EUROPOL or the European Banking Authority, would be helpful to complement these ongoing efforts and to increase their impact.

CEP thanks the Federal Foreign Office for its support throughout the past months and for the trust placed in CEP by the Foreign Office in hosting this event. CEP is looking forward to continuing this cooperation and stands ready to support the work of the Federal Foreign Office, in particular OR05.

ANNEX

Agenda of Side Event

Opening remarks

- **Bernd Heinze**, *Head of Division International Cooperation against Terrorism, Drug Trafficking, Organized Crime and Corruption, Federal Foreign Office, Germany*
- **Kristin Hemmer Mørkestøl**, *Head of the National Security Section in the Police Department, Ministry of Justice, Norway*
- **Christopher Harnisch**, *Deputy Coordinator for Countering Violent Extremism, U.S. Department of State*
- **Kingsley Green**, *Head of Counter Terrorism and Extremism Network (Europe), Foreign, Commonwealth & Development Office, United Kingdom*

Panel 1: Threat landscape

- **Alexander Ritzmann**, *Senior Advisor, Counter Extremism Project (CEP)*
- **Tom Keatinge**, *Director, Centre for Financial Crime and Security Studies, Royal United Services Institute (RUSI)*
- **Kayla Izenman**, *Research Analyst, Centre for Financial Crime and Security Studies, Royal United Services Institute (RUSI)*
- **Dr. Cato Hemmingby**, *C-REX - Center for Research on Extremism, University of Oslo*
- **Q&A with participants**

Panel 2: Potential for joint actions

- **David Lewis**, *Executive Secretary, Financial Action Task Force (FATF)*
- **David Wells**, *Head of Research and Analysis, Counter Terrorism Executive Directorate (CTED)*
- **Q&A with participants**

Way forward

- **Barbara Friedrich**, *Head of Division International AML/CFT, Federal Ministry of Finance, Germany*

List of Invitees

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Joshua Fisher-Birch

Prof. Dr. Jean-Yves Camus

Morgan Finnsjö

Tommi Kotonen, PhD

Graham David Macklin, PhD

Dr. Shaun McDaid

Invited External Stakeholders:

A) Member States/Policy Stakeholders

- Permanent Missions to the United Nations New York
- Foreign Ministries and relevant authorities of co-sponsoring countries

B) International Organizations

- United Nations Office of Counter Terrorism (UNOCT)

C) Stakeholders from think tanks, civil society organizations and academia

International:

- Association of Certified Anti Money Laundering Specialists (ACAMS)

European Union:

- Radicalisation Awareness Network (RAN)

Finland:

- University of Jyväskylä

France:

- Centre d'Analyse de Terrorisme (CAT)
- Observatoire des Radicalités Politiques (ORAP)

Germany:

- BIGS - Brandenburg Institute for Society and Security
- DGAP - German Council on Foreign Relations (Deutsche Gesellschaft für Auswärtige Politik)
- Johannes Gutenberg-Universität Mainz
- Konrad Adenauer Foundation
- SWP - German Institute for International and Security Affairs (Stiftung Wissenschaft und Politik)
- Technical University Berlin, Centre for Technology and Society
- Berlin Risk

Slovak Republic:

- GLOBSEC

Sweden:

- Expo Foundation
- Swedish Defence University

United Kingdom:

- Division of Criminology, Politics and Sociology at the University of Huddersfield
- International Centre for the Study of Radicalisation (ICSR)
- Institute for Strategic Dialogue (ISD)

United States:

- George Washington University, Program on Extremism
- START - National Consortium for the Study of Terrorism and Responses to Terrorism

- The Soufan Center/Group
- American Enterprise Institute
- The Washington Institute for Near East Policy
- The Foundation for Defence of Democracies (FDD)
- RAND Corporation
- Brookings Institution