

Terrorists' use of cryptocurrency remains a sideshow to other fundraising

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Alarmist commentaries about the use of cryptocurrencies by terrorist groups and individuals have obscured a more nuanced reality. *Benoît Gomis* assesses the available evidence and analyses likely future developments

Key Points

- Terrorists have not used cryptocurrencies to any significant extent, in large part because fiat currencies and conventional payment systems continue to provide reliable options.
- Cryptocurrencies offer two main advantages to terrorist organisations: receiving money in fundraising initiatives and transferring money without registration or documentation.
- The overall technological quality of cryptocurrencies will continue to improve, with Bitcoin set to lead the way and smaller cryptocurrencies likely to remain a limited sideshow for terrorist organisations.

Terrorism tends to create disproportionate fear and overreactions, which can be amplified when combined with technology. Media headlines about terrorists' use of cryptocurrencies often follow that pattern (see box), and Facebook's announcement on 18 June 2019 that it would launch its own cryptocurrency even prompted US President Donald Trump to tweet on 11 July, "I am not a fan of Bitcoin and other cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air. Unregulated crypto assets can facilitate unlawful behavior, including drug trade and other illegal activity [...] Similarly, Facebook Libra's 'virtual currency' will have little standing or dependability."

Although there is some anecdotal evidence of terrorist groups having used or expressed interest in using cryptocurrencies, a sober analysis of the current evidence, potential trends, and opportunities and challenges for policymakers and law enforcement is needed to maintain perspective and to avoid any counterproductive reflexive reactions.

Bitcoin's dominance

Bitcoin, the world's first and by far the most dominant cryptocurrency, was described in its developer Satoshi Nakamoto's original white paper in 2008 as a "purely peer-to-peer version of electronic cash [that enables] online payments to be sent directly from one party to another without going through a financial institution". It uses the world's first public blockchain network, a public ledger that records all confirmed transactions on the network.

This is a permissionless blockchain because it does not require an organisation to screen and approve its users, in contrast – for example – to Facebook’s Libra and its permissioned blockchain. In sum, Bitcoin is a global public currency and digital payment system independent of any single entity.

Cryptocurrencies such as Bitcoin have several societal benefits, according to Mario Gibney, Customer Support Team Lead at blockchain technology company Blockstream, who spoke to *Jane’s* on 28 August 2019. These include “banking the unbanked”. Gibney said, “A lot of the world right now doesn’t have access to proper digital banking services and as long as they have an internet connection and a smart phone or a computer they can actually start doing their own banking without needing to provide any documentation.”



*A visual representation of Bitcoin is displayed on 25 June 2019 in Paris, France. As Bitcoin surpassed the USD11,000 mark, Facebook’s arrival in the cryptocurrency market with Libra boosted global interest in the various cryptocurrencies in circulation.
(Chesnot/Getty Images)*

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He also noted that Bitcoin was “a way to protect citizens’ rights, privacy rights, and financial rights in abusive regimes [...] For people in countries like Venezuela or Zimbabwe where governments abuse monetary policy, it gives them an opt-out of existing financial systems”. These advantages to broader society are crucial when weighing potential regulatory models to address the use of Bitcoin and other cryptocurrencies by terrorists and other criminals.

In January 2017, Indonesia's Anti-Money Laundering/Counter-Terrorist Finance (AML/CTF) agency accused an Islamic State member of sending Bitcoins to other members across Indonesia. Several groups – including Hamas, the Islamic State, and the Mujahideen Shura Council – have solicited and obtained donations in Bitcoins to support their activities.

However, independent researchers, law enforcement, and international organisations such as Europol and the European Parliament concur that terrorists' reliance on Bitcoin and other cryptocurrencies remains minimal. Jessica Davis, a former Canadian government analyst of intelligence and security issues and the president and principal consultant at security and intelligence consulting firm Insight Threat Intelligence, told *Jane's* on 30 August 2019, "This is not a wide-scale situation: from my own research this has primarily been funding at a pretty operational level, so for particular campaigns, for particular types of weapons, but not necessarily for terrorist organisations at large."

A European Parliament report published on 14 May 2018 noted that there were "still only a small number of publicly documented and confirmed cases of TF [terrorist financing] involving VCs [virtual currencies]". According to Europol's 2018 Internet Organised Crime Threat Assessment, "None of the attacks carried out on European soil appear to have been funded via cryptocurrencies. The use of cryptocurrencies by terrorist groups has only involved low-level transactions."

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