



**EFSAS**

## **EFSAS STUDY PAPER**

No. 1 | January 2024

# **Hawala | From Ancient Remittance Transfer System to Terrorist Financing Method**

## **Hawala | from ancient remittance transfer system to terrorist financing method**

### **Introduction**

The terrorist attack on the Twin Towers in New York, which took place on September 11, 2001, widely shook the public conscience throughout the world, as well as posed an urgent question of public security that had to be handled as fast as possible by the US government and all Western countries, taking priority in public policy. The political consequences of 9/11 touched a vast range of policy fields: from new security measures in aviation worldwide to new US migration policies, and eventually leading to the invasion of Afghanistan and Iraq, changing the course of history forever. Such a catastrophic event led to the awareness from Western countries that an urgent terrorist threat, coming from an organization like Al-Qaeda, then based in Afghanistan, could attack anywhere and any moment. To successfully fight it, Western powers deployed expertise and research - starting from scratch, as Western knowledge on terrorism and countries like Afghanistan at the time was very limited - to better understand how terrorist organizations are born, developed, organised, and financed in order to survive and commit attacks of that dimension. Considering that terrorist organizations need consistent amounts of money to survive and finance their activities - such as subsistence costs, military training, and equipment - careful research revealed the vast web of interconnected methods terrorist organizations exploit to raise and move funds throughout the globe, based on both formal and informal financial systems. This revelation provided the basis for the consequent efforts that governments employed in trying to prevent funds from leaving their countries to reach terrorist groups. However, this is easier said than done, due to the very diversified list of financial and fundraising tools, every time more hidden and sophisticated, employed by these organizations.

First, explaining how much, approximately, terrorist activities cost, this paper will discuss some of the methods terrorist organizations use to fundraise and move considerable amounts of money needed to finance their activities, eventually focusing on the use of the Hawala system. This is an ancient money transfer method that has been discovered to be a preferred path to move funds while keeping secrecy on the sender, receiver, and sum of money involved in the transaction, in such a manner that prevents financial authorities from retrieving information or obstructing the cash flow. Although the Hawala system has old roots and is mostly used by migrants to send remittances to their families in their countries of origin, the discretion allowed by this system has not been ignored by illicit organizations and terrorist groups. This paper will go through proven cases of terrorist groups using this system, considering Al-Qaeda, ISIS, the Taliban, and terrorist organizations in Jammu & Kashmir. These examples will explain how Hawala is a very common and practical tool for terrorist financing. Finally, a reflection will be made on the effects of regulations and restrictions on the Hawala system imposed by governments, which, with the intent of cutting funds to terrorist organizations, also limit the freedom of honest migrants to employ it as a very useful remittance system.

## **Costs of terrorism**

Terrorist activities in the form of attacks may have very different costs depending on their scale: from a very simple, hand-made bomb in public transport, which has an estimated cost of about \$500, to a massive and widely planned attack such as 9/11, which had a cost of \$500.000, making the assault the most expensive terrorist attack ever registered (Temple-Raston, 2014). Out of \$500.000, Al Qaeda deposited \$300.000 in the hijackers' bank accounts, who spent most of it in preparation activities involving travels and flight training, as well as subsistence expenses (Roth et al., 2004). Despite the 9/11 dimensions marking a turning point in history, in general, terrorist attacks are much cheaper: the cheapest bombing vest has a price tag of \$1200, while a car bomb will cost up to \$20.000 (Temple-Raston, 2014). These prices highlight the fact that terrorist attacks are not the main expenses for a terrorist organization; given that, when talking about small-scale attacks, the costs are often covered by the perpetrators, who act autonomously in the name of the organization.

While terrorist attacks might have a relatively irrelevant impact on a terrorist organization's coffers, to conduct their full range of activities, terrorist organisations need enormous amounts of money to make sure that their finances will sustain the subsistence costs of all their participants, all their activities, including military bodies and training, equipment (i.e. weapons) and, sometimes, the support of other affiliated terrorist organizations in different parts of the world. It is estimated that, in 2014, ISIS' finances reached \$2 billion, ranking as the wealthiest terrorist organization (Chulov, 2014). Two years after the 2019 territorial defeat, the group still owned between 25 million and 50 million dollars in reserves (FATF, 2021). Regarding Al Qaeda, researchers from the CIA estimated that, before 9/11, the group needed \$30 million every year to sustain its activities (Roth et al., 2004). Although it is difficult to retrieve official data about the Taliban's finances, it is estimated that, in 2023, the organization owns a net worth of \$1.6 billion (Choudhary, 2023). Finally, Lashkar-e-Taiba, one of the main organizations operating in Jammu & Kashmir, has an annual expenditure of \$5.2 million (Rath, 2020).

These numbers represent impressive sums when considering that they are owned by unlawful, and almost universally condemned and sanctioned by the international community, terrorist organizations with the aim of subjugating entire populations using violence. It is then worth asking where this money comes from and how it is successfully transferred into the pockets of such organizations. In the next section, different financial and fundraising methods used by terrorist organizations will be presented.

## **Terrorism financing methods**

To finance their equipment, subsistence costs, and their wide range of activities, which often bring enormous expenses, terrorist organizations need unimaginably high amounts of money, which can be retrieved through different channels. These channels can both represent legitimate sources, such as private donations and business profits, or have criminal proveniences, such as traffic of illicit goods and people. Terrorist organizations are always careful in retrieving funds and moving them in ways that better circumvent possible regulations and checks that legitimate administrations put in place to prevent illicit activities. In the next section, first a series of

fundraising methods, both licit and illicit, and later a list of transfer systems will be elaborated upon.

- Drug trafficking

Drug trafficking is among the most profitable businesses for terrorist organizations, bringing the activities of drug dealers and terrorists extremely and increasingly linked to each other: in 2017, its total value was estimated between \$426 billion and \$652 billion, representing around one-fifth and one-third of the global finances of criminal organizations, among which can also be found terrorist groups (UNODC, n.d.). Several terrorist organizations have been proven to be involved in the illegal traffic of narcotics to finance their activities: up to 40% of terrorist attacks in Europe are believed to have been funded by proveniences of drug trafficking (Basra et al., 2016). An example is the 2004 Madrid train attacks, which were financed by the sale of drugs and, after which, the investigators found a net worth of €1.5 million in the form of cash and drugs in the terrorists' apartment (UNODC, n.d.-b). Afghanistan's Taliban also benefit from the drug market, particularly from the opium trade, which sees Afghanistan as the main producer, supplying more than 80% of the global opium demand. While the opium trade is accountable for around 7% of Afghanistan's GDP, between 2018 and 2019, the Taliban earned about \$400 million from drug trafficking (Landay, 2021).

- Kidnapping and Human trafficking

Kidnapping and human trafficking are also very well-known practices of terrorist organizations throughout the world, which use them both as a means of recruitment, intimidation, and subjugation of the population, as well as fundraising (Avdan & Omelicheva, 2021). Despite the difficulty in retrieving a consistent amount of proof of the link between human trafficking and terrorist financing, evidence about its systematic use is not missing. Although the distinction between human trafficking and kidnapping for ransom may be blurred, it is proven that the Islamic State of Iraq and Syria (ISIS) used these methods to finance their activities. Witnesses reported the sale of Yazidi girls and women as slaves, which mostly took place among internal members of the organization, sometimes for just a few dozen dollars. However, when sold to outsiders, the price would range between \$10.000 and \$40.000. It is estimated that ISIS received between \$35 million and \$45 million as a result of ransom payments made by the hostages' families to guarantee the girls' return to their homes (Security Council – Counter-Terrorism Committee, 2019). Al Qaeda also made fortunes kidnapping Europeans and Westerners for ransom: Estimates show that between 2008 and 2014, Bin Laden's organization earned at least \$125 million almost entirely paid by European governments (UNODC, n.d.-a). The ransom asked to free the hostages has been increasing through the years: While, in 2003, Al Qaeda operatives used to ask for around \$200.000 per hostage, in 2014 the price reached up to \$10 million (Callimachi, 2014).

- Formal methods

Research on about 300 proven cases of money laundering methods used as terrorism financing showed that among the more formal methods to fund terrorist groups, one finds the use of front companies, not-for-profit organizations, and the collection of donations, often transferred through unlicensed money transmitters/remittance agents (Samantha Maitland Irwin et al., 2011). While front companies aim at laundering big sums of money coming from illegal sources, such as drug- or human trafficking, not-for-profit organizations often have the goal of

convincing people to donate money and raise funds, which will then be transferred into the pockets of affiliated terrorist organizations. Charity institutions are also used to cover terrorism financing transactions: Al Qaeda, for instance, made use of the Wafa Humanitarian Organization, which had legal banking accounts, to raise funds, away from suspicion and move money into its pockets through the formal banking system, taking advantage of the cover-up that the organization name provided and, probably, of corrupt internal bank functionaries (Freeman & Ruehsen, 2013).

Above-described methods are some of the ways through which terrorist groups raise money to fund their operations and activities. However, when money is raised outside their operating territory, the unlawful organizations need to find ways to transfer it by employing quick and safe methods. Among all the others, some examples are the use of cash couriers, false trade invoicing, exchanging high-value commodities, and informal transfer systems (Freeman & Ruehsen, 2013).

- Cash Couriers

Cash couriers can be considered the oldest and most practical method of transporting big sums of money from one place to another, especially when borders are not subject to controls and the risks of being checked are low. It is estimated that, during the 1990s, Al Qaeda moved around \$1 million from Pakistan to Afghanistan using money couriers (Freeman & Ruehsen, 2013). The successful use of cash couriers represents a very efficient way to keep secret the amount of money moved, as it is almost impossible to track if physical controls are not applied. However, when border controls are functioning and governments impose limits on the amount of cash money that can be legally carried while leaving the country, if discovered, cash couriers incur serious legal risks, besides also losing all the money they were supposed to deliver.

- False Trade Invoicing

False Trade Invoicing is among the most efficient money laundering methods, due to the high difficulties in detecting its use. By over-invoicing or under-invoicing, shipping more or fewer goods than declared, or declaring different goods than provided, the value of the transferred money can be easily disguised (Baldock et al., 2022). One very famous example is the over-priced honey shipments from the US to Yemen, which were then found to finance Al Qaeda. Although this method requires a longer time to complete the transaction, and financial control bodies impose heavy sanctions against this practice, when an organization already owns front companies, it is quite simple to commit false trade invoicing, thanks to the low risks of detection (Freeman & Ruehsen, 2013).

- High-Value Commodities

The use of High-Value Commodities also represents a more complex money laundering method. Instead of moving physical money, very valuable goods such as gold or diamonds can be employed to transfer profit. Gold is especially useful during times when currencies are subject to heavy fluctuation in value, due to the easy measuring of its weight and price. Apart from its economic value, gold has a particularly deep cultural value in regions such as the Middle East and South Asia, where both Al Qaeda and the Taliban used to offer it to families as a means to convince men to enrol in their organizations (Freeman & Ruehsen, 2013).

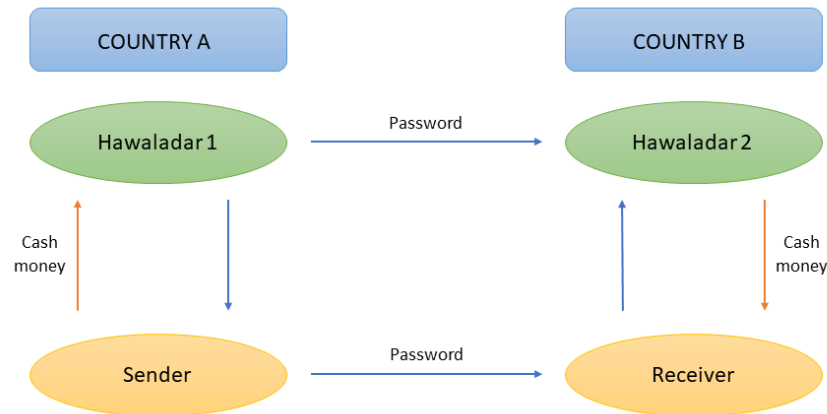
- Informal Transfer Systems

Informal Transfer Systems have been, and continue to be, widely used by organizations such as Al Qaeda, ISIS, the Taliban, and Kashmiri terrorist groups. These allow the transfer of money without involving formal banking methods, which are easily traceable by financial control institutions, but instead through a system widely based on trust, which enables the movement of money from one place to the other while preserving the secrecy around the users' identity. Between 50% and 90% of all transactions happening inside Afghanistan are realized via informal money or value transfer systems (Financial Action Task Force, 2014). Among the informal transfer systems, the Hawala/Hundi is the most common one, used particularly in the Middle East and South Asia, where the formal Banking system presents to be underdeveloped and therefore not commonly used. Although other informal transfer systems exist, this paper will specifically focus on the Hawala system, which has ancient deep cultural and traditional origins in South Asian and Middle Eastern societies.

### **The Hawala System**

Although there is no clear evidence of the first time it was employed, the Hawala System, alternatively known as "*Hundi*" in Hindi, is a money-transfer method which finds its origins in South Asia and the Middle East around the 8th century (Kagan, 2019). Linguistic research believes that the word "*hawala*" probably originates from the Arabic root h-w-l (ح و ل), meaning "*transform*" and from the Hindi हवालाला, meaning "*reference*" (Jost & Singh Sandhu, n.d.). The single word "*hawala*" is then used to refer to a bill of exchange or promissory note as being part of an alternative remittance system which does not need the intervention of the formal banking system.

Hawala as a financial tool is a money-transfer method largely based on trust, through which money can be exchanged from one place to the other without concretely moving or leaving a country. It functions due to the work of Hawaladars, the name of the transaction operators: the sender approaches the Hawaladar, requesting to send money to a recipient located in a different place, either inside or outside the country; the Hawaladar and the sender set a password that the receiver will then use to complete the transaction; the Hawaladar receives the amount of money to be transferred and a service fee (thanks to which the Hawaladar gains money); the Hawaladar reaches out to a colleague in the recipient's location, communicating the name of the receiver and the password for the transaction, this step is usually carried out by phone, sometimes just through a text message; the recipient is also informed of the password from the sender and provides to approach the Hawaladar in his/her location to finally withdraw the money. The Hawaladars' accounts often balance through time and new transactions or with the occasional transfer of funds or value from one Hawaladar to the other, using other transferring methods such as, this time, the formal banking system (Abouzied, 2023).



**Illustration of the operation of the Hawala transfer system**

The Hawala system is often a preferred method for migrants' remittance transfers since it presents a series of benefits compared to other formal ways of transferring money, especially in countries where the banking system is not completely developed while Hawaladars are well spread throughout the world, connecting the migrant communities to their home countries. The advantages incentivising the use of the Hawala system are many. First of all, the speed through which the money reaches the receiver widely overtakes the use of banking system transfers or cash couriers: once the sender approaches the first Hawaladar, the transaction can come to an end in just a few hours, thanks to the easy and fast communication of the password to the receiver and the second Hawaladar, made through a phone call or just a text message. Hawaladars' fees and exchange rates are also more convenient than banks' fees and official exchange rates, which makes it more suitable for migrants to send remittances back to their families located in their home countries through this system. When it is desired to keep discretion regarding the transaction, the Hawala system can once again be preferred instead of formal banking methods, as Hawala transactions are rarely documented and, if so, only on a simple notebook kept by the Hawaladar who made the transaction possible. The Hawala system is a first-choice remittance transfer for migrants, however, these same reasons also explain why this informal money transfer method is very common to finalise all kinds of transfers in countries which result in being financially sanctioned or imposing strict control on financial flows.

However, this method presents some disadvantages, too, not only for the users but especially for the financial institutions of a country. The Hawala system is based on trust only and no formal documentation of the transaction is issued. Despite it not being convenient for the Hawaladars to fraud their clients, as that will inevitably hinder their activities due to bad word-of-mouth reviews, the risk of fraud or loss of funds makes it imperative for clients to ponder very carefully the decision of making use of this method. Clients might also be affected by the volatility of the currency during the hawala transfer, eventually receiving less money than the agreed sum. Thanks to its private character, far away from the eyes of financial institutions and controls, the Hawala system is often also used to finance illicit activities. Through the years, the Hawala system has been used in numerous financial scandals and money laundering cases, as well as the financing of criminal groups and terrorist organizations such as Al Qaeda and the Taliban. For this last reason, which also allows Hawala to be referred to as "*underground banking*", many countries tried to regulate the system, especially by forcing Hawala operators to register and by imposing them to keep track of the transactions they facilitate and the senders' and receivers' details.

Due to the vast reasons that bring individuals to employ the Hawala System, this is often distinguished between “*white Hawala*” and “*black Hawala*”: on the one hand, “*white Hawala*” refers to all those legitimate and legal uses of this informal transfer system, under this definition also fall the migrants’ remittances; on the other hand, “*black Hawala*” represents the illegitimate uses of Hawala, which can also be used to finance illegal activities (Singh & Sandhya, 2008). The discretion of the Hawala system has often and continues to be exploited by terrorist organizations to move funds into their coffers or outside their countries of operation when they need to finance an attack. Among the terrorist groups that have been proven to use this method, are Al Qaeda, ISIS, the Taliban, and terrorist organizations operating in Jammu & Kashmir. In the section below, proven cases of the link between the Hawala system and these organizations will be presented to further clarify how this transfer method can benefit terrorist activities.

- Al Qaeda

Founded in 1988 by Osama bin Laden, who was born in Saudi Arabia to an aristocratic family and emerged from the Mujahideen movement that fought against the Soviet invasion of Afghanistan, Al Qaeda is considered among the longest-operating Jihadist terrorist organizations ever existed. When the anti-Soviet resistance was over, the organization turned to a more global mission, forging relations with Islamist groups all over the world, especially in Africa, South-East Asia, and the Middle East. The group is responsible for various attacks, most against US institutional buildings, such as the 1998 bombing of the US Embassy in Nairobi and Dar es Salaam, with a death toll of 224. The attacks of 9 September 2011 against the United States constituted an unprecedented event, which caused the death of a total of 2973 people. 9/11 marked the start of the War on Terror, led by the United States together with a coalition of Western countries, which began with the US invasion of Afghanistan. As the clear target of a manhunt, Bin Laden was forced to a 10-year abscond, until he was eventually killed in May 2011 in Abbottabad, Pakistan, in a US military special operation. Although Bin Laden was killed, Al Qaeda did not cease to exist, on the contrary, even though smaller and weaker, the organization is still active, with the same initial aim of creating an Islamic Caliphate (Stanford University, 2019).

Al Qaeda, one of the most well-organized and spread terrorist organizations during the ‘90s and ‘00s, was estimated to require around \$30 million every year to sustain all its costs. This money was raised through a wide range of financial activities: from charities and private donations to drug dealing and money laundering with front companies, as well as possible financing from the Saudi government (Lichtblau, 2009). However, especially when money came from illicit activities or had to be transferred from Western countries that were at the time strongly fighting the organization, Al Qaeda had to find safe ways to move vast amounts of money into their coffers or where needed around the world. The Hawala system perfectly and unobtrusively fulfilled this need. After it relocated to Afghanistan, where the banking system was underdeveloped and not reliable, thanks to Hawaladars being spread all around the world, both in big metropolises and in small villages, previous to 9/11, Al Qaeda transferred much of its money with barely any obstacle (Roth et al., 2004). Investigations discovered that Al Qaeda’s Hawala network was mostly made of twelve trusted Hawaladars, most of them based in Pakistan, Dubai, and the Middle East, who probably knew about the source of the money they were transferring and the use that would have eventually been made with it (Freeman & Ruehsen, 2013).



Following the attacks of September 11, major investigations conducted by the US government discovered the wide Hawala network involved in the Al Qaeda financing, bringing about the arrest of many Hawaladars with proven links to Al Qaeda and the shutdown of Hawala companies based in the US that were suspected to maintain business relations with Bin Laden. The most famous cases are those of the firms Al Taqwa and al-Barakaat. In 2001, a US government press release informed how the remittance firms Al Taqwa and al-Barakaat had been discovered to manage funds for and under Al Qaeda, as well as providing for the shipment of weapons and services such as internet connections and telephone communications. Eventually, in 2002, the al-Barakaat firm, whose founder was thought to have a close relationship with Al Qaeda's leader Osama Bin Laden, was forced to close and cease its activities (Razavy, 2005). Altogether, the two companies are likely to have been the facilitators for the transfer of a total amount that is close to tens of millions of dollars to Al Qaeda operatives. The assets of 62 people, in 10 different countries, were suspended due to their links with Hawaladars working for either Al Taqwa or al-Barakaat, which operated in over 40 countries (Dewan & Sarocco, 2001).

Most of the Hawaladars that facilitated Al Qaeda's money movements were based in Pakistan, the Middle East, and, during the 9/11 preparations, even in the US. Although Qatar denies the presence of any Hawaladar within the country, there is proof that different businessmen based in Qatar donated thousands of dollars to Al Qaeda (Mowatt-Larssen, 2016). Some Hawala transactions meant for Al Qaeda's operatives in Syria were registered to come from individuals as powerful as some being Qatar National Bank board members (Suderman, 2022). Whilst the Qatari government never formally admitted the country's involvement in unlawful activities linked to Al Qaeda financing, it is believed that the country maintained geopolitical and financial interests in keeping a precarious and unstable situation in the region.

Before 2001, especially since it moved to Afghanistan in 1996 and after the East Africa bombings in 1998, Hawala, already a well-established system in Al Qaeda's operative regions, represented a very attractive method for Bin Laden's organization. Despite many Hawaladars, who facilitated money transfers to the terrorist organization being arrested or forced to cease their activities, due to its secrecy, many transactions went unnoticed as they were not subject to financial authorities and checks, and neither did Hawaladars take formal records of the transaction details. However, Hawaladars did make use of the formal banking system to balance their accounts. This detail led to the detection that a bank with almost 2000 branches in Pakistan served for a long time different Hawaladars who were then discovered to play a crucial role in facilitating money transfers for Al Qaeda (Freeman & Ruehsen, 2013).

- ISIS

Officially born in 2013, as an evolution of AQI (Al Qaeda in Iraq) organization, the Islamic State, also known as ISIS, ISIL, or Daesh, is a Salafi-Jihadist organization mainly active in Syria and Iraq. The withdrawal of American troops from Iraq in 2011 and the outbreak of the Syrian Civil War represented a great opportunity for AQI to expand and finally change its name to ISIS. During the following years, the organization occupied a vast territory, conquering land in Syria and Iraq, and proclaiming the birth of a Caliphate that extended from Aleppo in Syria to Diyala in Iraq (Wilson Center, 2019).



**In red, territory controlled by ISIS in 2014**

**Source: Wikimedia contributors; understandingwar.org**

The Islamic State gained notoriety for its efficiency and barbarous methods during battles on the ground, as well as the public beheadings of Western prisoners, often livestreamed on online platforms. At its most successful moment, in 2014, ISIS' troop strength was estimated to be around 80 thousand to 100 thousand fighters (Robillard, n.d.). The organization's troops were not only Syrian and Iraqi fighters, on the contrary, the security services of the United States and of European Countries counted as many as 3000 so-called foreign fighters, who travelled from Western countries to join the militia, convinced of the organization's final goal (Mowatt-Larssen, 2016). However, after numerous airstrikes started in 2014 and led by an alliance headed by the United States, the group lost most of its territories, finally giving up its final piece of land in 2019. Despite its complete lack of land control, to this day ISIS remains active, carrying out terrorist attacks in Syria and Iraq (Center for International Security and Cooperation, 2019).

The Islamic State ranks as the wealthiest terrorist organization that ever existed, with an overall capital of \$2 billion, most probably also due to donations from private individuals as well as governments in Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates, which had interests in the unstable situation in Iraq and Syria and are estimated to have contributed to up to \$40 million of ISIS budget (CGSRS, 2015). Once the Caliphate was established, ISIS had to take charge of all the expenses that ruling brought: Not only did the organization have to pay allowance for its fighters, who, depending on the ranking, received between \$350 and \$500 per month, but also had to cover all the costs of governing the territory (Robillard, n.d.). Although never recognized by the international community, rather than solely being a terrorist organization, at that point, ISIS became a proper administrator in the region, which also led to the expropriation of oil reserves and bank branches, eventually exploited to reinvigorate the Caliphate's coffers (Department of the Treasury, 2022).

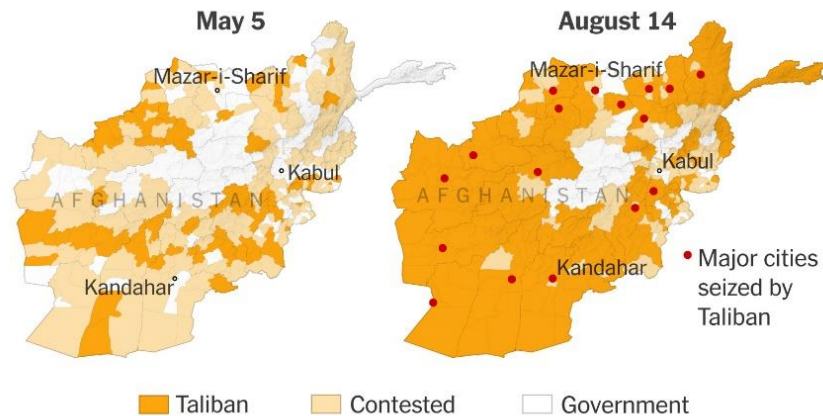
To move its capital, ISIS often took advantage of the Hawala system, its speed, and its secrecy, resulting in the arrest of many Hawaladars operating in Western countries with the accusation of helping ISIS to transfer its funds from one place to the other. A report from The Global Coalition (2020), an organization of 86 partners committed to defeating Daesh, reported a list of cases of Hawaladars found guilty of facilitating transfers on behalf of ISIS in 2018,

highlighting that many of these operated from the inside of Displaced Persons Camps in Türkiye. Among the arrested Hawaladars were: Faruq Hamud, who supported Daesh through his administered branch of the Tawasul Hawala, transferring funds from Türkiye to Syria; Mushtaq Talib Zughayr al-Rawi lived in Belgium but operated a Hawala network with bases in Iraq, Syria, Türkiye, Sudan, and the Gulf, moving money on behalf of ISIS, he was arrested in 2018; Umar Talib Zughayr al-Rawi operated Hawala transactions to the Islamic State through his bases in Iraq, Syria, and Türkiye; Abd-al-Raham al-Rawi collaborated in the transfer of \$250,000 to Daesh from the Gulf through the Hawala system; The Money Exchange Company “*Al-Ard Al-Jadidah*” was used by ISIS members in Iraq, and among its various transactions, the company served Daesh members with single transfers that could amount to more than one million dollars; Halima Adnan Ali forwarded sums up to \$150,000 coming from all around the world to Daesh fighters.

These are only a few of the many cases of terrorism financing through the Hawala system that served ISIS. Throughout its years of activity, the Islamic State managed to largely use this informal transfer method to move millions of dollars, ensuring that most of the transactions remained unknown to official financial agencies. One individual Hawaladar could finance Daesh moving hundreds of thousands of dollars in a single transfer. This was also the case for a man of Syrian origin prosecuted at The Hague Court of Appeal in 2021 as part of a Hawala network of 67 people who transferred to the Islamic State almost \$200 million originating from criminal activity in Europe (National Coordinator for Counterterrorism and Security, 2022) and the Hawaladar Brukan al-Khatuni, who received, transferred, and managed millions of dollars on behalf of ISIS (US Department of the Treasury, 2023). Hawala transfers have been used by ISIS sympathizers living in at least 40 countries, also financing individual ISIS fighters with sums that reached \$20,000 per month (Wilson Center, 2022).

- Taliban

The Taliban is a group of Muslim extremists that emerged in the ‘90s in Afghanistan, formed by Islamic Mujahideen who resisted the Soviet occupation, backed by the CIA and the Pakistani Inter-services Intelligence (ISI), as well as supported by students and scholars who studied in Pakistani religious schools named Madrassas (Maizland, 2023). Taking advantage of a situation of weak administration, by 1996, the Taliban governed two-thirds of the country, including the capital Kabul (The Editors of Encyclopedia Britannica, 2018). For years, the regime provided a safe haven for Osama Bin Laden, however, after the 9/11 attacks on the United States, the Taliban was progressively defeated and lost control of the country during the War on Terror, which saw a group of Western countries, guided by the US and the Northern Alliance - an anti-Taliban resistance group which still held power in the North of the country - fighting the Taliban and removing the organization from power. Nevertheless, the organization did not cease to exist, on the contrary, it kept using terrorist strategies such as suicide bombings or explosive devices to put pressure on the new Afghan US-established government (The Editors of Encyclopedia Britannica, 2018). After years of American military presence in the country and numerous attempts at negotiations between the Afghan Government and the Taliban, in August 2021, US troops withdrew from Afghanistan, leaving a power vacuum that the Taliban easily and rapidly filled, taking over Kabul and the entire country, and spreading panic throughout the civil population.



**Map of the process of the Taliban takeover of Afghanistan in 2021**  
 Source: FDD's Long War Journal

Press briefing notes from the UN Office of the High Commissioner for Human Rights (2023) counted that, from the Taliban takeover of Afghanistan in 2021 to June 2023, “*the de facto authorities were responsible for 218 extrajudicial killings, 14 enforced disappearances, over 144 instances of torture and ill-treatment, and 424 arbitrary arrests and detentions*”. Nevertheless, these numbers are probably downsized, due to the difficulties in retrieving official information from the Taliban administration. In addition, despite the hopes for a better and lighter administration than the first one, since it came back to power, the Taliban imposed extensive limitations on the rights of women, creating what has been called a “*gender apartheid*”, widely criticized and condemned by the international community. Some of these are restrictions to women’s freedom of movement, access to education and to the labour market, and limited use of the health and justice systems (United Nations, 2023).

To sustain all its activities, both before and after the takeover, the Taliban needs consistent amounts of capital to run the organization and to administer the country. The Taliban holds the label of being the first terrorist organization to successfully take over an entire country and govern it, therefore inheriting all administrative bodies. Of course, this did not come without repercussions: the country remained isolated from the international community and Washington impeded access to \$9 billion of aid in reserve in Afghanistan’s Central Bank, making it more difficult for the group to collect money (Suroush, 2022). Furthermore, Afghanistan’s GDP drastically dropped after the Taliban’s takeover of the country: in 2020, the World Bank registered a GDP of \$20.14 billion, with a steady and growing economy; this trend dramatically shifted when the Taliban took control of the government, and, only one year later, Afghanistan’s GDP was recorded at \$14.58 billion, therefore shrinking by 25% in only 2 years (The World Bank, 2022). This decrease in GDP is also reflected in the newly installed government’s budget: While the former Afghan government proposed a budget of \$6 billion, this number was severely downsized in 2022, after the Taliban took power, only reaching \$2.6 billion (Maizland, 2023).

After effortlessly taking over Afghanistan in 2021, the Taliban inherited all the means a State employs to generate, distribute, and regulate the flow of its finances. Among these, the organization gained control of Banks, financial bodies, trade, and industries (especially in the oil sector), and eventually also covered the role of fiscal authorities. Since its birth, the organization has been well-known for exploiting the opium trade for its own benefit.

Afghanistan's economy for long relied on opium harvests and trade, which in 2021 brought between \$1.8 billion and \$2.7 billion into the country to reinvigorate its finances (Suroush, 2022). However, this unexpectedly changed in April 2022, when the Taliban declared a ban on the cultivation of opium poppy on Afghan soil, publicly justifying this change in policy with the harmful effects of opium and opposing religious values, and eventually reducing the production by more than 90% in the whole country, reaching a drop in harvests of 99% in Helmand province (Limaye, 2023).

Nevertheless, the takeover did not come without consequences on the already weak Afghan economy: The country is subject to international sanctions, which largely limited the available budget, and the movement of money from and to Afghanistan is more difficult than ever. Even prior to the takeover, the Afghan Banking system proved to be underdeveloped, registering just two bank branches for every 100.000 people, concentrated in the biggest cities while absent in remote areas - which make up the majority of the country's territory - uncovered, and only one in six Afghans owning a bank account, a number even lower when considering the female population residing in Afghanistan (Zerden, 2021).

Because of the limited services that the Afghan Bank system can offer and the current difficulties in moving money through formal transferring methods due to the isolation of Afghanistan by the international community, the most common transfer method used by the Afghan population is the Hawala system, responsible for 50% to 90% of all the financial transactions happening inside the country, as well as those coming from outside of Afghanistan (The World Bank, 2022). It is not an exaggeration to say that, for decades, the Hawala system widely sustained the Afghan economy, especially due to the remittances sent from Afghan migrants back to their families still residing in the country. After the Taliban takeover in 2020, the Hawala system has proven to be the most efficient and popular transfer method, showing an increase in transactions, which facilitated a vast range of operations, such as remittances and NGO financing, that could have hardly been possible otherwise (UNDP, 2023).

Certainly, the Hawala system has also a long history of facilitating transactions meant to finance the Taliban operations, especially before the 2021 takeover of Afghanistan. The US Department of the Treasury embarked on legal actions against a series of Hawaladars who were discovered to transfer money to the Taliban. Among these, in 2012, the Money Exchange Haji Khairullah Hajy Sattar, Roshan Money Exchange, and Rahat Ltd were sanctioned, while, in 2014, Etehad Brothers joined the list. Before the takeover, the Afghan government had imposed regulations on Hawala operators and Afghan authorities carried out a series of arrests of Hawaladars in the north of the country, as well as in the capital, who helped the Taliban through their money transfer services (Zerden, 2021). In 2013, Mullah Ahmed Shah Noorzai was designated as the owner of a money exchange which enabled the transfer of hundreds of thousands of dollars to the Taliban Finance Commission, becoming a trusted Taliban Hawaladar (US Department of the Treasury, 2013).

In 2015, the Council of the European Union adopted the *"IMPLEMENTING REGULATION (EU) 2015/1322 of 31 July 2015 implementing Article 11(1) and (4) of Regulation (EU) No 753/2011 concerning restrictive measures directed against certain individuals, groups, undertakings and entities in view of the situation in Afghanistan"*, through which the EU took restrictive measures towards Abdul Basir Noorzai, owner of Haji Basir and Zarjmil Company Hawala, who collaborated with the Taliban and sent hundreds of thousands of dollars to the organization (The Council of the European Union, 2015).

It is compelling to highlight that the majority of the Hawaladars signalled by Western investigative authorities happened to operate and be based in Pakistan: this data provides further concerns about the involvement of the Pakistani administration and in particular the Inter-Services Intelligence (ISI), in the financing of the Taliban. The ISI's involvement in the creation and financing of other terrorist organizations, especially those operating in Indian administered Jammu & Kashmir, makes it compelling to investigate this link further since Pakistan is believed to have geopolitical interests in maintaining an unstable situation in its neighbouring countries.

In 2018, an Estonia-based hawaladar was arrested and consequently extradited to the US because of his extensive connections to the Afghan heroin trade and frequent Hawala transactions with the Taliban and the Haqqani Network. Although the Hawaladar's Afghanistan-based business was put on a US Treasury blacklist in 2012, allegedly losing around \$20 million, the Hawaladar used associate Hawaladars based in Australia to move money to Afghanistan and the US. Only between June and August 2018, it is estimated that the Hawaladar transferred \$500,000 to the Haqqani Network, through his Australian colleagues (UNODC, 2023).

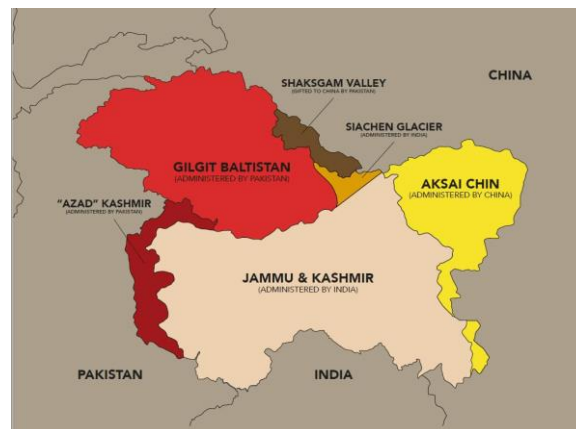
Afghanistan has a long history of transactions through the Hawala system, which de facto acted as an efficient substitute for a formal banking system. In recent years, Afghan law has tried to enforce control systems on Hawala transactions, also adapting to international regulations. Hawaladars are supposed to keep track of transaction details, file Suspicious Activity Reports for transactions that might involve money laundering, terrorism financing, tax evasion, or drug trafficking, as well as pay a bank guarantee that might amount to \$3000 (Suroush, 2022). However, for years, the Afghan administrative system, built on weak authorities, unofficially allowed thousands of unregistered Hawaladars to keep operating undisturbed in the country.

Although in the past the Taliban widely exploited the system and benefited from its funds, since its takeover, the Taliban administration felt the urgent need to regulate it and maintain control of the transactions. Hawaladars interviewed in a report by the UNODC (2023) suggested that, since the takeover, the new de facto authorities raised license costs and imposed more restrictions and surveillance on their businesses, forcing them to keep computerised records and follow *Know Your Customer* requirements, immediately shutting down non-compliant businesses. The block to the flow of dollars from leaving the country by imposing harsher controls on capital and a revision to the Hawala system let the Afghani currency stabilise and, today, its value is only 7% lower against the dollar than before the takeover (The Economist, 2023).

The increased surveillance on Hawala transactions implemented by the Taliban administration can be explained by the organization's necessity to stabilise the economy in a time of tough international sanctions and frozen funds that are currently hindering the already unstable Afghan economy and that the Taliban hope to soon see lifted, as well as the group's fight to gain international legitimacy. Through major surveillance and higher license costs, together with other reforms, the Taliban administration is hoping to further reinvigorate Afghanistan's finances and therefore improve their governance and authority inside the country and their reputation at the international level.

- Terrorism in Jammu & Kashmir

The Indian Union Territory of Jammu & Kashmir and the Kashmir region in general, divided into three areas under the administration of Pakistan, India, and China, has been a contended territory since 1947, the year that marks the partition of India and the birth of Pakistan. Since then, both countries' claims of the entirety of the region led to three wars and a persistent atmosphere of tension between Pakistan and India, as well as throughout the Kashmiri population (Mohanty & Mohanty, 2007). In contrast to the rest of India, Jammu & Kashmir's population is of Muslim majority: this demographic aspect caused the Islamic Republic of Pakistan to repeatedly claim the Valley. Nevertheless, Pakistan's claims did not stop with words and the wars of 1947, 1965 and 1999. In order to maintain an unstable situation in Kashmir and push for a reunification of the region under Pakistani authority, Pakistani governments are known to be involved in the creation, rise, and financing of Jihadi groups in the region, which continuously threaten the lives of civilians. Although, for centuries, Kashmiris have practised a variant of Sufism, which preaches pluralism and peaceful coexistence with other faiths, Pakistani elites easily propagated extremist groups in the region, like Jaish-e-Mohammed (JeM), and Lashkar-e-Taiba (LeT), to fulfil their geopolitical goals.



Map of Jammu & Kashmir, divided between regions administered by Pakistan, India, and China

Founded in 2000, Jaish-e-Mohammed is a Sunni Islamist extremist organization which is based in Pakistan but mostly operates in Jammu & Kashmir with the goal of integrating the Indian-administered region under Pakistani rule. On 20 April 2000, a JeM militant on board of an explosive vehicle conducted the first terrorist attack on behalf of Jaish-e-Mohammed, in the city of Srinagar, located in Indian-administered Jammu & Kashmir. In the following years, the organization carried out a series of terrorist attacks, also targeting administration buildings such as at the Jammu & Kashmir Legislative Assembly in 2001, killing hundreds of people. Although Pakistani authorities have denied their involvement in the creation of Jaish-e-Mohammed, elite personalities contradicted these versions and admitted the responsibility of Pakistan in the birth, financing, and sustenance of the organization. While the total amount of finances at JeM's disposal is not clear, the detailed planning of their attacks and the equipment required, suggests the existence of wide financial support from the Pakistani ISI (Honawar, 2005).

Born in the early '90s as the military arm of the Pakistan-based Islamist organization Markaz-ud-Dawa-wal-Irshad, Lashkar-e-Taiba is among the largest organizations operating in Indian-administered Jammu & Kashmir, although its main facilities and training camps are based in Pakistan. Since 1993, the organization carried out several terrorist attacks both in Indian-administered Jammu & Kashmir and in other parts of India, killing hundreds of civilians and

Indian army officials, such as the 2006 attack on commuter trains, with a death toll of 180, and the 2008 attacks in Mumbai, killing 160 people (US Department of the Treasury, 2010). Lashkar-e-Taiba's annual expenditure is estimated to be around 365 million Pakistani Rupees, equal to US \$5.2 million, and is believed to come from different sources, including private donations, International Islamic NGOs, and Government support from Pakistan (Rath, 2020).

The formal Banking system is considered to be underdeveloped in Jammu & Kashmir, especially along the Line of Control (LoC) which marks the de facto border between Pakistan-administered and India-administered Jammu & Kashmir. Therefore, apart from being a very useful transfer method employed by honest civilians, the Hawala system became the perfect method for terrorist and unlawful organizations in the region to transfer funds and finance their activities.

In 2011, the Indian government established a body with the mandate to investigate the sources and movements of finances intended for terrorist organizations operating in Jammu & Kashmir. A wide network of Hawaladars who were linked to Lashkar-e-Taiba had already been discovered along the Line of Control two years before. The triggering factor is considered the 2008 opening of trade across the Line of Control which indeed favoured legal trade and markets, but also facilitated the operations of illicit activities. Consequently to the investigations, in 2011, 48 people were arrested and accused of misusing trade along the LoC and 7.3 million Rupees, as well as un-cashed cheques worth 100.000 Rupees, were sequestered by the Indian authorities. In addition to Indian Rupees, the authorities retrieved 73.500 Saudi Arabian Riyal, around 2000 Euros and 2000 UK Pounds, which signalled the existence of a wider illicit market. Among the arrested in 2011 and in the following years, there were individuals and Hawaladars associated with the most known terrorist organizations in the region, such as Lashkar-e-Taiba and Jaish-e-Mohammed (Singh, 2022).

Although the Indian authorities conducted successful operations in the fight against terrorism financing through the Hawala system, these operations did not deter the informal transfer method from serving terrorist purposes during the first decade of this century. Most recent examples are from 2022 and 2023. In 2022, a Hawaladar named Muhammed Yaseen was arrested at a bus stop in Jammu for having facilitated the transfer of money to terrorist organizations in the region, in particular Lashkar-e-Taiba and Al-Badr, for a total of around Rs 24,00,000, which equals to slightly more than 27 thousand Euros, routed from abroad and transferred to J&K through Hawala (Ojha, 2022). The same case brought about the arrest of Former Minister Jatinder Singh, in Khatua, due to Yaseen's confession of having received from him Rs 6,900,000, which translates to almost 8000 Euros (Khajuria, 2022). Again, in June 2023, the Indian National Investigating Agency attached 17 properties owned by Kashmiri businessman Zahoor Ahmad Shah Watali, already known for his operations as a Hawala conduit, with links to both Lashkar-e-Taiba and Jaish-e-Mohammed (Pandit, 2023).

Terror funding in Jammu & Kashmir has also been discovered to be facilitated by political parties in the region. Formed in March 1993, the All Parties Hurriyat Conference is an alliance of secessionist parties and leaders united by the cause of Kashmir's accession and integration to Pakistan. Over the years, many members of the Conference have been involved in multiple terror financing scandals through the Hawala system. In 1997, prominent member of the political organization Jamaat-e-Islami Syed Ali Shah Geelani was discovered to be involved in terror financing through Hawala, after receiving 2 million Rials (today worth around 500.000 EUR) from Saudi Arabia, as well as other donations from the Kashmir American Council of around Rs. 10 crores (1.1 million EUR). These funds were then split and used in various



investments, such as property purchasing, as well as directed to terrorist groups (Swami, 1997). Six years later, in 2003, Hurriyat leader Nayeem Khan was found guilty of having received Rupees 9,00,000 through the Hawala system, money meant to fund terrorist groups in Jammu & Kashmir (Zee News, 2003). Again, in 2012, many Hurriyat members were arrested by the National Investigation Agency with allegations of Hawala transfers for terror financing. Among the many operations, the Hurriyat members Syed Ali Shah Geelani, Muhammad Siddiq Ganai, Ghulam Jeelani Liloo, and Farooq Ahmed Dagga were charged for procuring INR 45.7 million from Pakistan, facilitating the transfers through the Hawala system. The money was supposed to finance terrorist activities in Jammu & Kashmir (*All Parties Hurriyat Conference*, n.d.). More recently, in 2022, another Hurriyat leader was found involved in Hawala terror funding: Prof. Abdul Gani Bhat admitted that different Hurriyat members received Hawala money coming from Pakistan (Pandit, 2022).

Investigations on Hawala transactions meant for terror funding in Jammu & Kashmir also found guilty Ghulam Nabi Fai in the US. An American with Kashmiri origins, in 1990, Ghulam Nabi Fai founded the Kashmiri American Council, an organization based in Washington D.C., supposedly to organize seminars and conferences to raise awareness on the Kashmir issue and the right to self-determination of the Kashmiri people. However, after years of FBI investigations, in 2011 Ghulam Nabi Fai pleaded guilty to conspiracy and tax violations linked to the transfer of at least \$3.5 million from the Pakistani Inter-Services Intelligence agency to fund his pro-Pakistan lobbying activities in the US (Federal Bureau of Investigation, 2011). Years before, the Delhi police had already discovered a flow of Hawala transactions worth around Rs 16,00,000 which, on Fai's instructions, reached terror outfit Hizbul Mujahideen Chief Syed Salahuddin and funded terrorist activities in Jammu & Kashmir (Ahuja, 2011).

This paper cannot omit to mention the transit routes used by terrorist organizations operating in Jammu & Kashmir to finance their operatives. Specifically, Jaish-e-Mohammed is known to exploit platforms based in Bangladesh and Nepal as passages for funds, weapons, and Jihadis (Parliament of Australia, 2022). Under the payment of a small commission, young Nepali men living in areas bordering India have been discovered to make part of a wider network of Hawala transfers employed by the Pakistani ISI and Nepali businessmen to finance terrorist organizations operating in Kashmir (Mishra, 2021). Through the Nepal-Bihar-Uttar Pradesh route, this system made it possible for substantial amounts of money to reach the pockets of terrorist organisations operating in Kashmir, in particular Lashkar-e-Taiba and Jaish-e-Mohammed (Fayyaz, 2021). Nepal, due to law loopholes, an underdeveloped banking system, and 5% of the population living abroad willing to send remittances back home, registers one of the highest amounts of active Hawaladars. If most of the transactions are licit, these premises turned the country, and in particular the region of Terai, which constitutes Nepal's Southern border with India and is characterized by little law enforcement, into the perfect strategic spot for organizations like Lashkar-e-Taiba and Jaish-e-Mohammed to smuggle funds and weapons to Jammu & Kashmir, also exploiting the advantages of the Hawala system. This uncontrolled situation is nevertheless also favourable for Nepali Hawaladars, who operate at black market exchange rates and, when the transaction involves criminal proceeds, 15-20% commission fees are charged, therefore increasing their profits (Miklian, 2009). Although there is no official data on the amount of Hawala money used in terror financing that passes through Nepal, informal transfer methods are known to be the most popular remittance system in the country: in 2018/2019, of the NPR 128.5 billion (\$1 billion) remitted to Nepal from India, it is estimated that 30%, NPR 38 billion (\$295 million), was transferred through informal remitting methods, among which the Hawala system (Government of Nepal, 2022).

## **Conclusion**

After the September 11, 2001, attacks and the investigations that followed, which uncovered the vast web of Hawala transactions, many Governments all around the world imposed restrictions on the use of this ancient transfer method. The evidence of the misuse of the Hawala system by terrorist organizations requires particular attention since its discrete tone often efficiently hides enormous amounts of money intended to finance terrorist activities, which eventually include deadly attacks all around the world. For financial authorities, the secrecy of transaction details certainly constitutes a serious issue as it prevents financial transparency, which could allow institutional bodies to persecute possible illicit transactions, money laundering cases, and the financing of criminal and terrorist organizations. The recent regulations of the Hawala system imposed by the Taliban administration in Afghanistan highlight how the secrecy and the emancipation of this method from any regulation eventually became problematic even for an organization that largely exploited the same system for decades.

As discussed in this paper through illuminating operations of Al Qaeda, the Taliban, ISIS, and two of the starkest terrorist organizations operating in Jammu & Kashmir, the Hawala system, if completely unregulated, can easily serve the malicious intentions of terrorist organizations. This is possible due to the long list of advantages that this method offers: The secrecy of the transfer details, the speed through which the transferring operation is completed, and the low fees and convenient exchange rates are among the most relevant incentives to conclude a transaction through the Hawala system rather than choosing the formal Banking system, which also appears to be underdeveloped in the regions where the Hawala system registers higher rates of employment.

Another consistent risk posed by the widespread use and misuse of the Hawala system is the simplicity through which it can serve tax evasion purposes. This is especially true when it comes to countries with a consistent informal economy and an underdeveloped formal banking system. The South Asian region, characterised by a black/parallel economy that accounts for between 30% and 50% of the formal economy, is particularly vulnerable to the risks posed by the scrutiny-free character of the Hawala system (Jost & Singh Sandhu, n.d.). Just like other alternative remittance systems, Hawala funds circulate outside the formal and official financial system and are consequently not subject to taxation, representing negative implications for both the sender and the receiving countries (Chêne, 2008). A report from the Council of the European Union clearly describes cases where Hawaladars served the maleficent purposes of wealthy tax evaders in Europe, also committing crimes of money laundering. Hawaladars in France, Belgium, and the Netherlands provided cash to wealthy tax evaders, who would transfer the same amount plus a commission fee from their offshore bank accounts. This process was involved in a bigger scheme of drug trafficking and money laundering (Council of the European Union, 2017). Regarding money laundering, the hawala system facilitates its operation in three stages, respectively identified as “placement”, “layering”, and “integration”. In the placement stage, criminals’ funds are introduced into the financial system, to be later manipulated to seem legitimate in the layering phase, and ultimately make these funds available for further use in the integration phase (Wheatley, 2014). Therefore, it must also be highlighted that, in most cases, Hawaladars are not passive actors when they are involved in tax evasion, money laundering, terror financing, or any other illicit activity.

However, despite the multiple risks of exposure to illicit activities, among which the financing of terrorism, which represent a sacrosanct reason for imposing restrictions on its unregulated

employment, Governments must not forget the extent to which the Hawala system serves the needs of honest migrants and citizens, completely alien to terrorist activities, willing to send remittances back to their home countries, often sustaining not only their families but entire low-income countries' GDPs and economies. According to the World Bank (2023), India, Pakistan, and Bangladesh are ranked first, fifth, and seventh economies in the world to receive amounts of money through remittances per year, respectively \$111 billion, \$30 billion, and \$22 billion. Informal transfer methods, such as the Hawala system, are preferred to send remittances to the South Asian region where, in 2022, remittance inflows grew by 12.2%.

In conclusion, while the fight against radicalization, terrorism, and unlawful organizations which undermine the freedom of civilians all around the globe must continue, the rights of innocent individuals who benefit from the Hawala system should not be forgotten and bypassed through the banishment of this method. Although regulating the Hawala system can be challenging, as it operates as an underground system, examples of working regulations can be provided by the UK and the United Arab Emirates where Hawaladars are required to register respectively at the HM Revenue and Customs and at the Central Bank, as well as to follow specific reporting and record-keeping procedures (Abouzied, 2023). Such regulations make it possible for financial authorities to keep control over Hawala transactions by imposing transparency processes which allow the detection and persecution of illicit transactions while guaranteeing the functioning of the system to legitimate senders and receivers.

## References

- Abouzied, M. (2023, March 10). *The Hawala System: A Risky Alternative to Traditional Banking*. ACAMS Today. <https://www.acamstoday.org/the-hawala-system-a-risky-alternative-to-traditional-banking/#:~:text=Hawala%2C%20also%20known%20as>
- Ahuja, R. (2011, July 26). *Fai funded terror in Kashmir valley*. Hindustan Times. <https://www.hindustantimes.com/delhi/fai-funded-terror-in-kashmir-valley/story-YPdVE2M6M68KpgtrEOAliI.html>
- All Parties Hurriyat Conference*. (n.d.). Www.satp.org. Retrieved December 13, 2023, from [https://www.satp.org/satporgrp/countries/india/states/jandk/terrorist\\_outfits/Hurriyat\\_tl.htm](https://www.satp.org/satporgrp/countries/india/states/jandk/terrorist_outfits/Hurriyat_tl.htm)
- Avdan, N., & Omelicheva, M. (2021). Human Trafficking-Terrorism Nexus: When Violent Non-State Actors Engage in the Modern-Day Slavery. *Journal of Conflict Resolution*, 002200272110109. <https://doi.org/10.1177/00220027211010904>
- Baldock, G., Batayneh, A., Brewer, J., & Haque, F. (2022). *Trade-Based Financial Crime -Middle East and North Africa A reference guide for the anti-financial crime community* (C. Mavrellis, Ed.).
- Basra, R., Neumann, P. R., & Brunner, C. (2016). *Criminal Pasts, Terrorist Futures: European Jihadists and the New Crime-Terror Nexus*. The International Centre for the Study of Radicalisation and Political Violence. <https://icsr.info/wp-content/uploads/2016/10/ICSR-Report-Criminal-Pasts-Terrorist-Futures-European-Jihadists-and-the-New-Crime-Terror-Nexus.pdf>
- Callimachi, R. (2014, July 29). Paying Ransoms, Europe Bankrolls Qaeda Terror. *The New York Times*. <https://www.nytimes.com/2014/07/30/world/africa/ransoming-citizens-europe-becomes-al-qaeda-patron.html>
- Center for International Security and Cooperation. (2019). *FSI | CISAC | MAPPINGMILITANTS CISAC - MMP: Islamic State*. Stanford.edu. [https://cisac.fsi.stanford.edu/mappingmilitants/profiles/islamic-state#text\\_block\\_18356](https://cisac.fsi.stanford.edu/mappingmilitants/profiles/islamic-state#text_block_18356)
- CGSRS. (2015, October 25). *Money Matters: Sources of ISIS' Funding and How to Disrupt Them*. CGSRS | Centre for Geopolitics & Security in Realism Studies. <http://cgsrs.org/publications/27>
- Chêne, M. (2008, May 23). *Hawala remittance system and money laundering*. Wwww.u4.No. <https://www.u4.no/publications/hawala-remittance-system-and-money-laundering.pdf>
- Choudhary, R. (2023, February 3). *Taliban Net Worth 2023: Income Source Assets Property*. CAknowledge. <https://caknowledge.com/taliban-net-worth/>
- Chulov, M. (2014, June 15). *How an arrest in Iraq revealed Isis's \$2bn jihadist network*. The Guardian. <https://www.theguardian.com/world/2014/jun/15/iraq-isis-arrest-jihadists-wealth-power>

- Council of the European Union. (2017). 12005/17 . In <https://www.statewatch.org/media/documents/news/2017/sep/eu-council-austria-europol-hawala-money-transfer-crime-12005-17.pdf>
- Department of the Treasury. (2022). *Fact Sheet: Countering ISIS Financing*. <https://home.treasury.gov/system/files/136/Fact-Sheet-on-Countering-ISIS-Financing.pdf>
- Dewan, A., & Sarocco, S. (2001, November). CBC News Online. [https://www.acu.org/sites/default/files/torturefoia/released/FBI\\_4533\\_4535.pdf](https://www.acu.org/sites/default/files/torturefoia/released/FBI_4533_4535.pdf)
- EFSAS. (2017, July). *Pan-Islamism and Radicalization of Kashmiri Youth*. Wwww.efsas.org. <https://www.efsas.org/publications/study-papers/pan-islamism-and-radicalization-of-kashmiri-youth/>
- EFSAS. (2023, July). *Jaish-e-Mohammad | A brief profile*. Wwww.efsas.org. <https://www.efsas.org/publications/articles-by-efsas/jaish-e-mohammad-a-brief-profile/>
- FATF. (2021, October 21). *FATF Public Statement on the Financing of ISIL, Al Qaeda and Affiliates*. Wwww.fatf-gafi.org. <https://www.fatf-gafi.org/en/publications/Fatfgeneral/Statement-isil-al-qaeda.html#:~:text=However%2C%20the%20group%20is%20still>
- Fayyaz, A. A. (2021, March 4). *Pakistan takes Nepal hawala route to pump in funds for J&K terror groups*. Indianarrative. <https://www.indianarrative.com/kashmir-news/pakistan-takes-nepal-hawala-route-to-pump-in-funds-for-jk-terror-groups-16258.html>
- Federal Bureau of Investigation. (2011, December 7). *Virginia Man Pleads Guilty in Scheme to Conceal Pakistan Government Funding for His U.S. Lobbying Efforts*. <https://archives.fbi.gov/archives/washingtondc/press-releases/2011/virginia-man-pleads-guilty-in-scheme-to-conceal-pakistan-government-funding-for-his-u.s.-lobbying-efforts>
- Financial Action Task Force. (2014). *Financial flows linked to the production and trafficking of Afghan opiates*.
- Freeman, M., & Ruehsen, M. (2013). *Terrorism Financing Methods: An Overview*. *Perspectives on Terrorism*, 7(4), 5–26. <https://www.jstor.org/stable/26296981>
- Global Coalition. (2020, July 28). *US Treasury Designates Key Daesh Financial Facilitators in the Middle East - The Global Coalition Against Daesh*. Global Coalition. <https://theglobalcoalition.org/en/treasury-designates-key-daesh-financial-facilitators-in-the-middle-east/>
- Government of Nepal. (2022). *Nepal Labour Migration Report 2022*. [https://moless.gov.np/storage/files/post\\_files/Nepal%20Labour%20Migration%20Report\\_2022.pdf](https://moless.gov.np/storage/files/post_files/Nepal%20Labour%20Migration%20Report_2022.pdf)
- Honawar, R. (2005). *IPCS SPECIAL REPORT*. <https://www.files.ethz.ch/isn/100232/IPCS-Special-Report-04.pdf>
- Jost, P. M., & Singh Sandhu, H. (n.d.). *The Hawala Alternative Remittance System and its Role in Money Laundering*. Financial Crimes Enforcement Network in collaboration with INTERPOL. <https://amnet.co.il/joomla/attachments/FinCEN-Hawala-rpt.pdf>
- Kagan, J. (2019). *How Hawala Works*. Investopedia. <https://www.investopedia.com/terms/h/hawala.asp>
- Khajuria, S. (2022, August 26). *Hawala case: Accused arrested from IGI Airport after deportation from UAE*. *The Times of India*. <https://timesofindia.indiatimes.com/india/hawala-case-accused-arrested-from-igi-airport-after-deportation-from-uae/articleshow/93785764.cms>
- Landay, J. (2021, August 16). *Profits and poppy: Afghanistan's illegal drug trade a boon for Taliban*. Reuters. <https://www.reuters.com/world/asia-pacific/profits-popy-afghanistans-illegal-drug-trade-boon-taliban-2021-08-16/>
- Lichtblau, E. (2009, June 24). *Documents Back Saudi Link to Extremists*. *The New York Times*. <https://www.nytimes.com/2009/06/24/world/middleeast/24saudi.html>
- Limaye, Y. (2023, June 6). *Inside the Taliban's war on drugs - opium poppy crops slashed*. *BBC News*. <https://www.bbc.com/news/world-asia-65787391>
- Maizland, L. (2023, January 19). *What Is the Taliban?* Council on Foreign Relations. <https://www.cfr.org/backgrounder/taliban-afghanistan#chapter-title-0-6>
- Miklian, J. (2009). *Illicit Trading in Nepal: Fueling South Asian Terrorism PRIO South Asia Briefing Paper #3*. International Peace Research Intitute. [https://www.files.ethz.ch/isn/97442/Illicit\\_Trading\\_in\\_Nepal\\_\(South\\_Asia\\_Briefing\\_Paper\\_3\).pdf](https://www.files.ethz.ch/isn/97442/Illicit_Trading_in_Nepal_(South_Asia_Briefing_Paper_3).pdf)
- Mishra, A. (2021, March 13). *ISI using Nepal-based modules to send money to Kashmir*. *The Sunday Guardian Live*. <https://sundayguardianlive.com/news/isi-using-nepal-based-modules-send-money-kashmir>
- Mohanty, J. N., & Mohanty, S. K. (2007a). *PAKISTAN'S KASHMIR POLICY : THE SMOKE-SCREEN OF FUNDAMENTALIST AGENDA?* *The Indian Journal of Political Science*, Vol. 68, No. 1, pp. 137-144. [https://www.jstor-org.ezproxy.leidenuniv.nl/stable/pdf/41858826.pdf?refreqid=fastly-default%3A113cea265a5bb0d36ee1425858afd8a6&ab\\_segments=&origin=&initiator=&acceptTC=1](https://www.jstor-org.ezproxy.leidenuniv.nl/stable/pdf/41858826.pdf?refreqid=fastly-default%3A113cea265a5bb0d36ee1425858afd8a6&ab_segments=&origin=&initiator=&acceptTC=1)
- Mohanty, J. N., & Mohanty, S. K. (2007b). *PAKISTAN'S KASHMIR POLICY: THE SMOKE-SCREEN OF FUNDAMENTALIST AGENDA?* *The Indian Journal of Political Science*, Vol. 68, No. 1, pp. 137-144.

- Mowatt-Larssen, K. (2016). “Black” Hawala: Confronting ISIL on the Financial Front “Black” Hawala: Confronting ISIL on the Financial Front. *National Security Law Brief*, 6(2).  
<https://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1104&context=nslb>
- National Coordinator for Counterterrorism and Security. (2022). *Terrorist Threat Assessment for the Netherlands 56*. Dutch Ministry of Justice and Security.
- Office of the High Commissioner for Human Rights. (2023, August 22). *Afghanistan: Amnesty violations*. OHCHR. <https://www.ohchr.org/en/press-briefing-notes/2023/08/afghanistan-amnesty-violations#:~:text=Between%20the%20Taliban%20takeover%20on>
- Ojha, A. (2022, August 19). *J-K Hawala operator arrested for funding terror outfits LeT, Al-Badr*. India Today. <https://www.indiatoday.in/india/story/hawala-operator-mohammed-yaseen-arrested-terror-funding-kashmir-valley-1990096-2022-08-19>
- Pandit, M. S. (2022, November 27). Hurriyat’s Prof Bhat quizzed in terror funding case. *The Times of India*. <https://timesofindia.indiatimes.com/city/srinagar/hurriyats-prof-bhat-quizzed-in-terror-funding-case/articleshow/95794932.cms>
- Pandit, M. S. (2023, June 13). NIA attaches properties of Kashmiri businessman arrested in terror financing case. *The Times of India*. <https://timesofindia.indiatimes.com/india/nia-attaches-properties-of-kashmiri-businessman-arrested-in-terror-financing-case/articleshow/100947113.cms>
- Parliament of Australia. (2022). *Appendix D – Statement of Reasons– JAISH-E-MOHAMMAD (JeM)*. Aph.gov.au. [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Completed\\_Inquiries/pjcis/four%20terrorist/report/Appendix%20D](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Completed_Inquiries/pjcis/four%20terrorist/report/Appendix%20D)
- Rath, S. K. (2020). Financial Network of Lashkar-e-Taiba. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3704944>
- Razavy, M. (2005). Hawala: An underground haven for terrorists or social phenomenon? *Crime, Law and Social Change*, 44(3), 277–299. <https://doi.org/10.1007/s10611-006-9019-3>
- Robillard, M. (n.d.). *Terrorist Group: ISIS | Counterterrorism Ethics*. Counter Terrorism Ethics. <https://counterterrorismethics.tudelft.nl/terrorist-group-isis/>
- Roth, J., Greenburg, D., & Wille, S. (2004). *Al Qaeda’s Means and Methods to Raise, Move, and use Money*. In *Monograph on Terrorist Financing*. National Commission on Terrorist Attacks Upon the United States.
- Samantha Maitland Irwin, A., Raymond Choo, K., & Liu, L. (2011). An analysis of money laundering and terrorism financing typologies. *Journal of Money Laundering Control*, 15(1), 85–111. <https://doi.org/10.1108/13685201211194745>
- Security Council - Counter-Terrorism Committee. (2019). *Identifying and exploring the nexus between human trafficking, terrorism, and terrorism financing*. <https://www.un.org/securitycouncil/ctc/sites/www.un.org/securitycouncil.ctc/files/files/documents/2021/Jan/ht-terrorism-nexus-cted-report.pdf>
- Singh, A. K. (2022, February 3). *Targeting Hawala: Comprehensive dismantling of the hawala networks in J&K could inflict a death blow on terrorism and separatism in J&K*. Outlook India. <https://www.outlookindia.com/website/story/targeting-hawala/279083>
- Singh, N. M., & Sandhya, P. (2008). *Hawala Financing: an aid to Terrorism*. <http://commonlii.org/in/journals/NALSARStuLawRw/2008/11.pdf>
- Stanford University. (2019). *FSI | CISAC | MAPPINGMILITANTS CISAC - MMP: Al Qaeda*. Stanford.edu. <https://cisac.fsi.stanford.edu/mappingmilitants/profiles/al-qaeda>
- Suderman, A. (2022, May 13). *Qatar, key US ally, faces new accusations of terror funding*. AP NEWS. <https://apnews.com/article/islamic-state-group-religion-syria-lawsuits-middle-east-75e15fcfc4b2c0dcd18ff16e2556a20>
- Suroush, Q. (2022, September 14). *Gray Cash: How the U.S. and the Taliban Have Tried and Failed to Fix Afghanistan’s Informal Banking System*. New America. <https://www.newamerica.org/future-frontlines/briefs/gray-cash-how-the-us-and-the-taliban-have-tried-and-failed-to-fix-afghanistans-informal-banking-system/>
- Swami, P. (1997, August 22). *Kashmir’s hawala scand*. Frontline. <https://frontline.thehindu.com/other/article30160074.ece>
- Temple-Raston, D. (2014, June 25). *How Much Does A Terrorist Attack Cost? A Lot Less Than You’d Think*. NPR.org. <https://www.npr.org/sections/parallels/2014/06/25/325240653/how-much-does-a-terrorist-attack-cost-a-lot-less-than-you-think>
- The Council of the European Union. (2015, July 31). *COUNCIL IMPLEMENTING REGULATION (EU) 2015/1322*. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R1322>
- The Economist. (2023, May 1). *Life under the rule of the Taliban 2.0*. The Economist. <https://www.economist.com/asia/2023/05/01/life-under-the-rule-of-the-taliban-20>

- The Editors of Encyclopedia Britannica. (2018). Taliban | Definition, History, & Facts. In *Encyclopædia Britannica*. <https://www.britannica.com/topic/Taliban>
- The World Bank. (2022, October 7). *The World Bank in Afghanistan*. World Bank. <https://www.worldbank.org/en/country/afghanistan/overview>
- UNDP. (2023). *Afghanistan Socio-Economic Outlook*. <https://www.undp.org/afghanistan/publications/afghanistan-socio-economic-outlook-2023>
- United Nations. (2023, July 11). *Experts: Taliban treatment of women may be “gender apartheid.”* OHCHR. <https://www.ohchr.org/en/stories/2023/07/experts-taliban-treatment-women-may-be-gender-apartheid>
- UNODC. (n.d.-a). *Organized Crime Module 16 Key Issues: Kidnapping for ransom and terrorism*. Wwww.unodc.org. <https://www.unodc.org/e4j/en/organized-crime/module-16/key-issues/kidnapping-for-ransom-and-terrorism.html>
- UNODC. (n.d.-b). *Organized Crime Module 16 Key Issues: Terrorism and drug trafficking*. Wwww.unodc.org. <https://www.unodc.org/e4j/zh/organized-crime/module-16/key-issues/terrorism-and-drug-trafficking.html>
- UNODC. (2023). *The Hawala System: Its operations and misuse by opiate traffickers and migrant smugglers*. In [https://www.unodc.org/documents/data-and-analysis/AOTP/Hawala\\_Digital.pdf](https://www.unodc.org/documents/data-and-analysis/AOTP/Hawala_Digital.pdf).
- US Department of the Treasury. (2010, November 4). *Treasury Targets Pakistan-Based Terrorist Organizations Lashkar-E Tayyiba and Jaish-E Mohammed*. <https://home.treasury.gov/news/press-releases/tg944>
- US Department of the Treasury. (2013, February 26). *Treasury Targets Money Exchange House Operator for Supporting the Taliban*. <https://home.treasury.gov/news/press-releases/tg1863>
- US Department of the Treasury. (2023, January 5). *The United States and Türkiye Take Joint Action to Disrupt ISIS Financing*. U.S. Department of the Treasury. <https://home.treasury.gov/news/press-releases/jv1181>
- Wheatley, J. (2014). *ANCIENT BANKING, MODERN CRIMES: HOW HAWALA SECRETLY TRANSFERS THE FINANCES OF CRIMINALS AND THWARTS EXISTING LAWS*. <https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=1213&context=jil>
- Wilson Center. (2019, October 28). *Timeline: the Rise, Spread and Fall of the Islamic State*. Wilson Center. <https://www.wilsoncenter.org/article/timeline-the-rise-spread-and-fall-the-islamic-state>
- Wilson Center. (2022, May 9). *U.S. Sanctions ISIS Financial Network | Wilson Center*. Wwww.wilsoncenter.org. <https://www.wilsoncenter.org/article/us-sanctions-isis-financial-network>
- World Bank. (2023, June 13). *Remittances Remain Resilient but Likely to Slow*. World Bank. <https://www.worldbank.org/en/news/press-release/2023/06/13/remittances-remain-resilient-likely-to-slow#:~:text=The%20top%20five%20recipient%20countries>
- ZeeNews. (2003, September 11). *“Hurriyat leader received money through hawala for militancy.”* Zee News. [https://zeenews.india.com/news/nation/hurriyat-leader-received-money-through-hawala-for-militancy\\_120668.html](https://zeenews.india.com/news/nation/hurriyat-leader-received-money-through-hawala-for-militancy_120668.html)
- Zerden, A. (2021, September 17). *Reassessing Counter Terrorism Financing in a Taliban-Controlled Afghanistan*. Just Security. <https://www.justsecurity.org/78221/reassessing-counter-terrorism-financing-in-a-taliban-controlled-afghanistan/>



**EFSAS**

EUROPEAN FOUNDATION FOR  
SOUTH ASIAN STUDIES  
EXCELLENCE, GENUINENESS & AUTHENTICITY