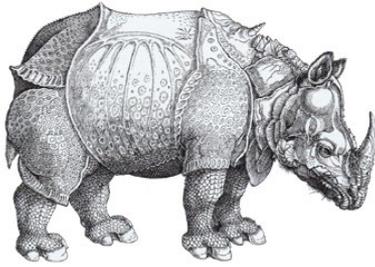


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SECURITY INDEX

Occasional Paper Series

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The Price Tag: Foreign Financing of North Caucasian Terrorism

Alexey Polyakov



This paper is devoted to analyzing external sources of financial support of terrorism in the North Caucasus – a region of the Russian Federation notorious for the military crackdown on the Chechen insurgency in the 1990s and the continuous terrorist activity which has led to hundreds of attacks against civilian and military targets throughout Russia. The author brings together scant pieces of

information on the topic to present a study that could contribute to designing better law-enforcement and security practices intended to disrupt the financing of terrorism in Russia from abroad. This research is based on open sources and may serve as a framework for further investigation with the use of classified data by specialized agencies.

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Key findings:

- **The issue of external financing of contemporary terrorist groups operating in the North Caucasus does not receive much attention by the expert community.**
- In the mid-1990s, the Chechen insurgency relied primarily on foreign financial assistance, but nowadays terrorist groups in the North Caucasus are mainly sustained by a number of domestic sources. **The current prevalence of the terrorists' domestic financial sources poses a danger of mistakenly diverting attention and efforts of law enforcement and security agencies to cutting off these sources within Russia.** Relatively insignificant external financial sources may gain prominence if left unattended.
- **Apart from money, foreign terrorist fighters bring workable, cost-effective tactics to the terrorists in the North Caucasus.**
- **The diversity of routes of financial assistance to North Caucasian terrorists complicates the task of tracking the money flows to them.**
- While the financial support coming from Arab sympathizers might seem obvious and is frequently mentioned in the literature, **donations originating in Europe should also raise a particular concern. Such funds are usually raised in Muslim neighborhoods of European cities in the form of zakat and then transferred to the North Caucasus** either through cash couriers or charities.
- **The following means used to move money to the North Caucasus to support regional terrorism: wire transfers, couriers, *hawala*, and non-profitable organizations.**
- Given that cryptocurrencies and cyber space in general have not been properly regulated in Russia so far, this legislative gap allows for ample opportunities for financing North Caucasian terrorists from abroad without risks of being detected. **New**

legislation is needed to regulate informal-value transfer systems and cyberspace, due to both having a tremendous potential for money transfer.

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About the Author



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The Price Tag: Foreign Financing of North Caucasian Terrorism

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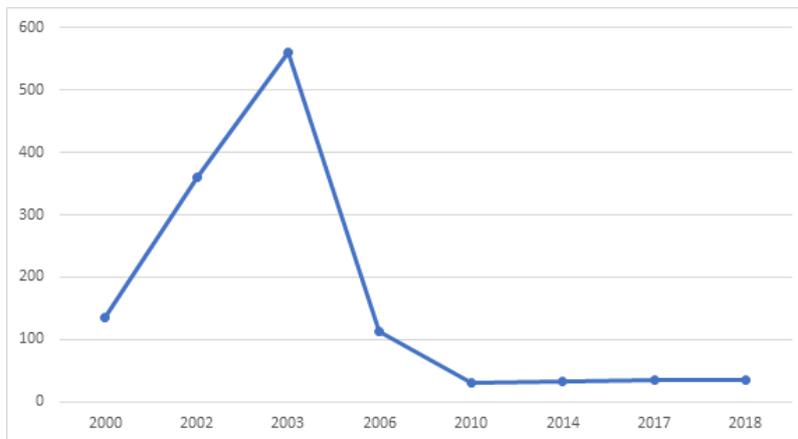


Introduction

Terrorism has been a threat to Russia since the 19th century. Taking on different forms – from the revolutionary Narodnaya Volya to national separatism with an infusion of Wahhabism in Chechnya to jihadist semi-criminal groups of North Caucasus – it has arguably influenced the pace and trajectory of the development of Russian society and statehood. Although, according to the official data, the number of terror

attacks perpetrated each year on the territory of the Russian Federation decreased from over 500 in 2003-2004 to 30-40 in 2017-2018¹ (see Figure 1), the number of prevented terror attacks still stands at approximately 20 incidents per year^{2,3}, which indicates a steady level of terrorist activity in Russia.

Figure 1. Number of terrorist attacks in Russia



The aforementioned data leads to a concern about the sources the terrorists are using to mastermind attacks amid counterterrorist efforts of the Russian government and requires further research into this topic. Among various underpinnings of terrorist capabilities, terrorism financing is considered to be of a major importance in terrorism studies and counterterrorism strategies, which is stressed by many researchers and reflected in the 1999 International Convention on the Suppression of the Financing of Terrorism⁴, FATF's topical reports⁵ and a number of statements made by world leaders.

Definition of North Caucasian terrorism

This paper is focused on analyzing foreign financial support of North Caucasian terrorism threatening Russian security. Defining the terrorist group(s) in question for the purpose of this research rests upon two assumptions:

- a) The North Caucasus has been the source of terrorist threats for Russia since the mid-1990s.
- b) The North Caucasus continues to be the most terrorism-affected region of Russia.

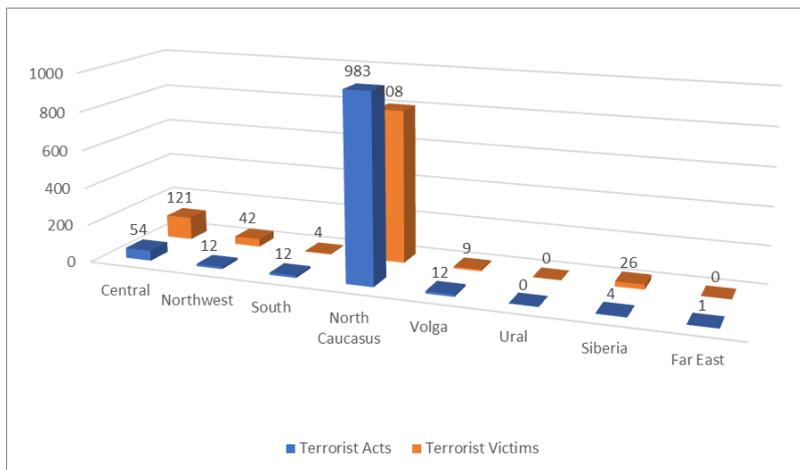
Assumption one is based on the historical record of terrorist activity in the North Caucasus – today officially known as the North Caucasian Federal District (see Figure 2). The Russo-Chechen War of the 1990s, the following Counter-Terrorist Operation Regime lasting until 2009, and dozens of deadly terrorist attacks both in the North Caucasus and other Russian regions planned, orchestrated or directly perpetrated by terrorists of Chechen origin are vivid examples. Assumption two is substantiated by recent statistics on the number of terror attacks and victims per region of Russia⁶ (see Figure 3). This data shows that the problem of terrorism in the region has not been solved so far, which proves the need for research into sources of the continuing terrorism, including those coming from abroad.

Figure 2. The North Caucasian Federal District (NCFD)



Since the formal end of the military activities on the territories of the North Caucasian republics in 2009, terrorism in the North Caucasus has been compartmentalized to comprise Chechen revanchists, terrorists with allegiance to the Islamic State or to a broader jihadist cause⁷, and some other groups or cells mixed with organized crime⁸. Provided that the study of interconnections of terrorist groups in the North Caucasus deserves separate research and goes beyond the scope of this paper, the author introduces the term “North Caucasian terrorism” to refer to all groups of individuals operating on the territory of the region employing terrorism either as the goal in itself, a tool in achieving the goal, or just as their *modus operandi*. This approach allows for a more comprehensive analysis of foreign financial sources upholding all kinds of terrorist activity in the region as compared to the limitation of studying separately Chechen insurgency or more recent IS-associated groups whose foreign financial support bases might differ.

Figure 3. The number of terrorist attacks and victims per region of Russia⁹



Time Frame

This paper covers the period since 1994 when the Russo-Chechen war started and the terrorist threat to Russia became a reality. That being said, the primary focus of this research is the current state of affairs, which means that the time period of interest begins in 2009, the year which marks the cessation of the Counter-Terrorist Operation Regime - or the so-called second Russo-Chechen war – and, consequently, the end of the Chechen organized insurgency. This framing is based on the assumption that the changing nature of the terrorist threat in the late 2000s might have enabled some transformations in the way money is moved from abroad to the North Caucasus, which is paralleled by the emergence of new ways of raising and moving money in general as a result of globalization. Therefore, the empirical data about foreign financial sources of the Chechen insurgency of the 1990s - early 2000s are primarily used as a point of reference to track how the foreign financial assistance to the current North Caucasian terrorism has changed since then.

Literature Gap

The issue of terrorism financing in the North Caucasus in the 2000s has been covered by a number of observers both in Russia and in the West. Given that this paper is designed to be more practice-oriented rather than focused on contributing to the theory of terrorism financing in general and considering a significant number of existing works devoted to North Caucasian terrorism, the author abstains from delving into differences between the narratives so as not to divert attention from the main topic.

However, with regard to the subject matter of this research, it is worth noting that the issue of external financing of contemporary terrorist groups operating in the North Caucasus does not receive much attention by the expert community, which is especially evident in reviewing works in English and can be explained by western observers' probably insufficient knowledge of the socio-economic, political and cultural modalities of the region and its population.

This paper builds its analysis on a combination of Russian and English works either devoted to or touching upon the topic in an attempt to offer the first comprehensive review of current external sources of terrorism financing in the North Caucasus. The author refers to several articles, a

number of news stories, interviews, and statistics to create a considerable body of evidence of foreign financial assistance to terrorism in the region.

Analytic gap

Considering how scarce the information on the topic is, the author admits that this paper may not cover all the existing sources of external terrorism financing in the North Caucasus and its means. Moreover, the lack of detailed case studies does not allow for well-grounded conclusions concerning the certain input of foreign sources to terrorism financing in the region.

Intended audience

This study may be of interest to a broad audience. It allows Russian policy makers and security agencies to review relevant legal procedures with regard to monitoring the movement of money and other financial assets that may be diverted to support terrorism in the North Caucasus. The business community could also take note of the information provided in this work in order to protect its activities in the region from the terrorist threat. The academic community may benefit, too, as this paper is intended to accumulate the fragmented knowledge on the topic and serve as the basis for further research.

North Caucasian Terrorism: Origins, Stakeholders and Timeline

The North Caucasus has been a rebellious region of Russia since the time it became part of the Russian Empire in the 19th century as a result of the Caucasian War of 1817-1864. The conflict was complicated by the resistance of Chechen and Dagestani tribes under the flag of Gazivat – a holy war against the conquerors. In the next century, during WWII, the Soviet leadership was concerned that Chechens and Ingushes¹⁰ might take revenge by collaborating with the Nazis, which led to a decision to deport them (approximately 400,000 people in total) to Central Asia¹¹. Most of them returned in the 1960s when the restriction to come back home was lifted following the reshuffle in the Soviet leadership.

The Chechen grievances and anger increased after the dissolution of the USSR in the 1990s. Having secured support of local tribal and religious leaders, former Soviet general of Chechen origin Dzhohar Dudaev started a revolt and claimed independence of Chechnya (*Ichkeria* – in Chechen), which led in 1994 to a military conflict between the federal armed forces and Chechen separatists embracing Wahhabism as their ideological basis and insurgency and terrorism as their tactics. In 1999, the Chechen militants – including foreign terrorist fighters – attacked neighboring Dagestan in an attempt to stir up conflict in the North Caucasus, which made the Russian government launch the Counter-Terrorist Operation Regime which lasted until 2009 and resulted in the crackdown on the organized Chechen insurgency.

However, the terrorist attacks did not stop at that point, as other terrorist groups comprised of Caucasian guerrillas and foreign terrorist fighters continued to wage the war against Russian security forces. The most notorious group of the kind is the Caucasus Emirate¹² aiming to establish a Sharia-type state in the North Caucasus by means of jihad, responsible for numerous deadly attacks across Russia and having ties with Taliban and Al-Qaeda. In 2014 and 2015, several military commanders of the group pledged allegiance to the Islamic State and formed their own terrorist cells.

Therefore, North Caucasian terrorism evolved from a centralized religious ethno-nationalist movement (the most lethal type of terrorism according to Asal and Rethemeyer's classification¹³) of the 1990s to a number of fragmented and loosely connected groups fighting for different causes

today. The existing links to foreign terrorist organizations of the currently active North Caucasian terrorist groups bring to the fore the importance of investigating their foreign sources of financing.

Sources of financing

The input of domestic and external sources of financing to North Caucasian terrorism has changed over time. In the mid-1990s, the Chechen insurgency relied primarily on foreign financial assistance¹⁴ until it managed to raise funds within the territory it controlled. As of today, terrorist groups in the North Caucasus are mainly sustained by a number of domestic sources such as extortion, racket disguised as *zakat* (mandatory tax in Islam), legal businesses and front companies, drug dealing, and material, logistical or administrative support from fighters' relatives working in municipal institutions^{15,16}.

The current prevalence of domestic financial sources of North Caucasian terrorism poses a danger of mistakenly diverting attention and efforts of law enforcement and security agencies to cutting off these sources within Russia. Arguably, this is a reasonable strategy to undermine the financial basis of terrorism. However, it should be noted that external financial sources – relatively insignificant today – may gain prominence if left unattended, which justifies their analysis given below.

External financial sources

This section describes the external financial sources of North Caucasian terrorism and the ways the money is moved into the region.

The author defines the following sources of foreign financial support: state sponsors, international terrorist organizations, foreign terrorist fighters, and donations.

State sponsors

Although the credibility of any state providing financial support to the Chechen insurgency in the 1990s is disputed and difficult either to prove or deny, it is still important to consider this probable source of financial inflow and compare it with the way money is raised today. The analysis is complicated by the fact that observers and journalists mainly tend to mention that there is a chance that foreign – primarily American, Saudi, and Pakistani – involvement in the Chechen conflict was present without expanding on what is meant by this. It is also notable that this hypothesis is commonly seen in works of Russian experts who either do not go in details simply justifying the assistance of “special agencies of many countries”¹⁷ by geopolitical interests or, on the contrary, build elaborate conspiracy-like theories of how the second Chechen war was initiated together by the Russian and foreign governments in 1999 to control the supplies of Caucasian gas and oil and to prepare the electoral base for the election of Vladimir Putin as president in 2000. As seen, the literature can hardly be regarded as a trustworthy source to build on.

The only official-level claim of the state sponsorship of terrorism in Chechnya in the 1990s was made by Russian President Vladimir Putin during his interview to Oliver Stone in 2017¹⁸. The President assured that there was indisputable evidence of U.S. agencies providing financial support to Chechen insurgents in the 1990s. However, he did not elaborate on this topic.

The probability of state sponsorship in the case of the Chechen insurgency may also vary depending on what should be considered as financial support by foreign states in general. It may be the direct financial assistance by foreign intelligence services (as President Putin claimed) or the acquiescence by a foreign government of activities of charities and other organizations operating within its jurisdiction and transferring the sympathizers' money to the North Caucasus.

International terrorist organizations

According to the Russian Ministry of Internal Affairs¹⁹, around 60 international terrorist organizations have been providing financial assistance to terrorists in the North Caucasus since the beginning of the Chechen campaign in the 1990s. Although North Caucasian terrorism seems to have switched to internal financial sources, both Russian and Western observers note that global terrorism continues to make financial contributions to terrorist activities in Russia or even that "al-Qaeda and other foreign extremist organizations in the Middle East and Central Asia have increased their financial and moral support of the radical Islamist movement in the Caucasus"²⁰. Considering the presence of foreign terrorists in the North Caucasus and the recently growing number of Caucasian terrorist cells pledging allegiance to the Islamic State, this claim may have reasonable grounds.

In estimating the contribution of international terrorist groups, it is important to consider various forms the financial assistance might take. In the case of North Caucasian terrorism (especially in the 1990s), foreign terrorist groups provided not only weaponry, cash, or wire transfers but also training and indoctrination services in the North Caucasus and outside including in Muslim boarding schools in Arab countries²¹. This kind of financial support allows regional terrorist groups to save the money that otherwise would have been spent on training and apportion it in a more effective manner.

Foreign terrorist fighters

Tightly connected with the involvement of international terrorist groups is the issue of foreign terrorist fighters (FTFs) participating in terrorist activities in the North Caucasus. As frequently mentioned in the literature on terrorism financing, foreign fighters bring money when they join the group and provide other kinds of material support from abroad. While the North Caucasus is not an exception, one can make a peculiar observation in reviewing the role of FTFs in the region: apart from money, they bring workable, cost-effective tactics. As noted by one observer²², militants operating in Dagestan used to warn the police about a terror attack being planned in a certain place and ambush the police units coming there, which is claimed to be a method taken from Iraqi terrorist groups. This tactic avoids the risk of being neutralized in a direct assault at a police station and, thus, save people and resources.

According to different estimates, up to 700²³ foreign terrorists participated in terrorist activities in the North Caucasus in different time periods, of whom around 200 fighters were of Arab origin, their leader Ibn-al Khattab having close ties to Osama bin Laden. That being said, it is not the number of fighters that matters in terms of disrupting terrorism financing, but the diversity of their origin, as this is what defines the routes of financial assistance coming from their home countries. As stated by Vladimir Shamanov²⁴, retired Commander-in-Chief of the Russian Airborne Troops, the number of states that foreign terrorists come from to the North Caucasus increased from 15 in the 1990s to 52 as of 2011, including member states of the EU, which complicates the task of tracking the money flows to North Caucasian terrorists.

Donations

Another source of external financing of North Caucasian terrorism both in the 1990s and today is the donations made by Muslim communities and sympathizers in various countries. These include *zakat*, voluntary contributions to charities or money transfers through the Internet. Unlike much literature on terrorism financing, this work considers charities to serve not as a source but as a means through which money from sympathizers, other terrorist groups, or foreign governments have been moved to the North Caucasus. This approach is based on the notion that charities do not generate money but rather accumulate contributions of various sponsors.

While the financial support coming from Arab sympathizers might seem obvious and is frequently mentioned in the literature, donations originating in Europe should also raise a particular concern. Such funds are usually raised in Muslim neighborhoods of European cities in the form of *zakat* and then transferred to the North Caucasus either through cash couriers or charities²⁵. European supporters of North Caucasian terrorism also include Chechen immigrant communities. As of 2012, a group of 200 Chechens residing in Germany was involved in raising funds for terrorists in the North Caucasus, states a report by the German intelligence²⁶. Therefore, given the growing number of Muslim immigrants coming to Europe these days – including from the North Caucasus – Russian security agencies could anticipate an increase in the input of foreign donations to the funds of North Caucasian terrorists.

Means of money transfer from abroad

The task of disrupting foreign terrorism financing consists not only in finding the sources of terrorism financing but also the ways this support is rendered to them across the border. The literature mentions the following means used to move money to the North Caucasus to support regional terrorism: wire transfers, couriers, informal-value transfer systems (IVTS), or *hawala*, and NPOs. This section describes each of the means in more detail.

Wire transfers

Among all means of moving money, wire transfer seems to be the simplest, fastest, and relatively secure if it is done below the Currency Transaction Reports requirement (CTR requirement). Undoubtedly, making multiple money transfers to the North Caucasus from abroad would definitely draw the attention of security services that track every cross-border financial activity connected to the terrorism-prone region. For this reason, foreign supporters of North Caucasian terrorists might be using a two-stage transfer method. As exemplified in Russia's 2016 report to the FATF, "a foreign citizen living in Russia, routinely received transfers of funds of small amounts ... below the statutory monitoring threshold"²⁷. The money was then transferred to a charity that, as it turned out, sponsored terrorism in the North Caucasus. Therefore, the money is initially sent from abroad to a foreign citizen residing in Russia and having no record of terrorist support or association and then is moved domestically to a seemingly uninterested charity.

This scheme is supposed to raise little suspicion and provide constant – although limited in the amount due to CTR requirements – financial support to North Caucasian terrorists. At the same time, the effectiveness of such a scheme may vary and depends on how many foreign citizens make small money transfers to terrorist fighters in the North Caucasus.

Informal value transfer systems

IVTS or *hawala* is a method of making money transfers built on trust which is widespread in Muslim communities around the world. Since it does not imply physically moving money across the border and given that hawaladars usually do not keep records of their financial operations, this means could be considered a top choice for financing terrorism from abroad. However, there has

been no evidence of hawala used in Russia except for one small network in Moscow disrupted in 2007²⁸.

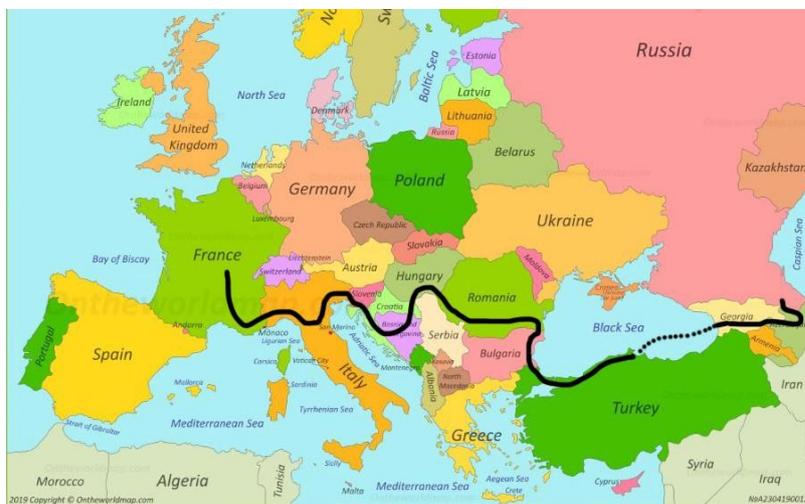
That being said, the absence of evidence does not necessarily mean that IVTS are not used in the North Caucasus. Experts believe that hawala might be present in Russia, especially in the North Caucasus where there are a number of exchange points and commercial centers owned or controlled by citizens of Middle Eastern countries²⁹. If these organizations are indeed used as front companies for hawala, Russian security and law enforcement agencies will face a great challenge in proving this, let alone finding connections to local terrorist groups.

Couriers

Another means of money transferring described in the literature³⁰ is couriers – people carrying cash through several countries to hand it over to North Caucasian terrorists or their representatives in the region. Obviously, it is difficult to detect relatively small amounts of money coming to the region with people travelling there by planes, buses, trains or personal cars. Moreover, this task seems impossible if money is transferred in small packages by unwitting cargo drivers or with the help of passenger bus drivers or train attendants – a widespread practice in Russia. Nevertheless, foreign routes of big cash inflows should and – as shown further – can be detected.

An interview³¹ with a former courier providing cash supplies to terrorists in the North Caucasus from Europe held in Paris in 2003 by a Russian TV channel sheds some light on how funds used to be moved to support terrorism in the region. An Arab man calling himself Ahmed told the reporters how the courier routes operated in the late 1990s – early 2000s. The journey would start with a fake French passport bought from a bribed official for a European-looking Arab man or woman who would not raise suspicions. The cash collected from Muslim supporters, charities, or obtained as crime proceeds would be carried in an ordinary travel bag from France through Italy to Slovenia where there would be a handover to a next courier who would carry it through the Balkans, Hungary, Romania, Bulgaria, and Turkey. Then the courier would sail from Turkey to Georgia, cross the border with Azerbaijan from where he would finally reach the territories controlled by North Caucasian terrorists (see Figure 4).

Figure 4. A route used to transfer cash with couriers to the North Caucasus³²



As claimed by Ahmed, couriers never had difficulties in crossing state borders with fake European passports. During the Asian part of the route, couriers would bribe customs officers and present themselves as tourists. Apparently, there must have been also certain points of contact in every country of the route to ensure a safe money transfer. This case describes only one route the couriers followed to bring cash to the North Caucasus, while there could have been many more directions cash couriers could take at that time, including from Asian countries.

The understanding of Russia's domestic security environment at the time period covered by Ahmed in his reflections is essential in analyzing the couriers-enabled cash flows to the North Caucasus. During the Chechen wars of 1994-2009, it was barely possible to travel to the North Caucasian republics from other Russian regions without a rigorous security check, which made couriers enter the North Caucasus directly from the territories of South Caucasian states by bribing local security agents and using passageways not controlled by the Russian armed forces. Nowadays, when domestic travels to the republics of the North Caucasus are less restricted, couriers could enter Russia from any bordering country and hand over the money to a Russian citizen who would not raise suspicions while travelling to the North Caucasus. Therefore, with regard to cash transfers to North Caucasian terrorists made from abroad by couriers, the challenge for Russian security and law enforcement agencies has become even more complicated.

Non-Profitable Organizations

The role of non-profitable organizations (NPOs), the mechanisms they use to raise and move money as well as the legality of their activities have been discussed in detail in terrorism financing theory. The North Caucasian case is not an exception: involvement of foreign NPOs in financing terrorist activities in the region has also received certain attention in the literature.

Experts seem to concur that the NPO activity pique was evident during the first Chechen war in the 1990s. As noted by former division director of the KGB Yuri Drozdov³³, in 2002 a special operations unit obtained financial records of one of the Chechen leaders indicating that the Chechen insurgency had received about five million U.S. dollars from various organizations, charities, and foundations registered in Turkey, Jordan, and Pakistan. Mr. Drozdov further says that the United States alone harbored 50 Islamic NPOs raising funds for Chechen terrorists.

There seems to be little evidence that foreign NPOs render financial assistance directly to North Caucasian terrorists in the form of cash or wire transfers these days. Nevertheless, as mentioned by the former cash courier³⁴, the money that is moved by couriers is mainly raised by charities in Europe or elsewhere, which means that while foreign NPOs may not maintain a visible presence in the region, they still can be considered as a means of accumulating funds from various sources and transferring them to the North Caucasus with people, through hawala, wire transfers, or more cutting-edge cyber-enabled technologies.

Cyber-enabled technologies

Considering the relative novelty of the issue of terrorism financing with the use of cryptocurrencies, through the Deep Web or the Dark Net, the literature fails to identify cases of financing North Caucasian terrorism with these means. This, however, does not mean that the problem is not existent in Russia. Conversely, given that cryptocurrencies and cyber space in general have not been properly regulated in the country so far, this legislative gap allows for ample opportunities for financing North Caucasian terrorists from abroad without risks of being detected.

In June 2019, the FATF issued³⁵ new standards requiring virtual asset service providers, including crypto exchangers, to pass information about their customers to one another, and set out some

enforcement recommendations. Unfortunately, recent changes introduced to the Russian law concerning cyberspace and Internet-based financial operations failed to define cryptocurrencies, which means that the latest FATF recommendations still cannot be applicable on the territory of the Russian Federation. However, a few months later, deputy head of the Russian National Security Council said³⁶ that terrorists “actively use cryptocurrencies to finance their operations”, showing the importance the Russian government started to attach to this issue.

North Caucasian terrorist groups may be receiving external financial support through some other means such as trade-based money laundering techniques, running front companies abroad, or receiving financial support from front companies operating in Russia and owned by foreign citizens. Since these or any other schemes are not mentioned in the literature or in news reports, the author does not include them in this analysis.

Policy Implications

The changing geopolitical environment and the advent of new technologies complicate the task of disrupting foreign financing of North Caucasian terrorism. There are certain areas in which authorities can do little to hinder the money transfer to the region from abroad. For instance, today the cash received outside of Russia and delivered by couriers to the North Caucasus from other regions of the country is difficult to detect and criminalize given the free access to the territories previously closed for entry.

However, the Russian government could take some practical steps to disrupt foreign financing of North Caucasian terrorism. First, policy makers should focus on the areas which are currently beyond the reach of the state – IVTS and crypto-transfers. The existing legal gap in defining and regulating these spheres undermines efforts of security agencies to counterterrorism financing in the region, as terrorists could easily switch to the means not controlled by authorities. With this regard, the government could accelerate the revision and adoption of laws pertaining to the use of cryptocurrencies and other Internet-based mechanisms of trade and money transfer.

Last, there is a need for more open-source official data on the topic. Free access to the information concerning illicit activities associated with terrorism financing could raise public awareness. This, in turn, would strengthen the anti-money laundering efforts of the government and help disrupt terrorism financing, including from abroad.

Conclusion

Contemporary terrorism in the North Caucasus enjoys certain financial support from abroad. The variety of sources does not seem to have changed significantly since the 1990s. Terrorist groups operating in the region today still rely to some extent on international terrorist organizations, foreign terrorist fighters, and donations by foreign sympathizers or deep-pocket donors. What one can be more confident about is that the issue of state sponsorship is not relevant anymore.

The means of foreign financing have undergone more profound transformations. First, the emergence of cryptocurrencies brings new opportunities for terrorism financing in the North Caucasus. Second, couriers – if needed considering all the virtues of cyber technologies – do not have to enter the region from Azerbaijan or Georgia due to the changed security situation in Russia, which creates a great number of new potential routes for cash transfers to the region. Third, non-profitable organizations seem to be less important in moving money to the terrorists. Finally, wire transfers that have become widespread since the 1990s allow to make additional small transactions to terrorist groups in the region.

The identified sources and means of foreign financing and changes in their role and composition throughout time reveal certain areas where the Russian government could improve its counterterrorism tactics. Precisely, new legislation is needed to regulate IVTS and cyberspace, due to both having a tremendous potential for money transfer. Also, authorities could consider publishing official information with a view to informing the population about the existing risks concerning terrorism financing in Russia and in the North Caucasus, in particular.

This paper presents an overview of sources and means of external financing of North Caucasian terrorism found in the existing Russian and English literature on the topic and is based on the open-source analysis. A more rigorous investigation – involving classified or previously unpublished data – of each source and method of money transfer is needed before any conclusions can be made about their input in terrorists' budget and risks they currently pose to the Russian security.

¹ The Number of Registered Crimes by Type // Federal Statistics

Agency, 2019. http://www.gks.ru/free_doc/new_site/population/pravo/10-01.doc

² The National Counterterrorism

Committee Reveals the Number of Terror Attacks Prevented in 2018 // Federal News Agency, 2019.

<https://riafan.ru/1164428-v-nak-nazvali-chislo-teraktov-predotvrashennykh-v-rossii-v-2018-godu>

³ Bortnikov Tells About

Prevented Terror Attacks and Killed Terrorists // RIA News Agency, 2017.

<https://ria.ru/20171212/1510753990.html>

⁴ International Convention on the Suppression of the Financing of Terrorism // the United Nations, 1999.

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwiDutXxob71AhXZHzQIHfC6MQFjAAegQIBRAC&url=https%3A%2F%2Ftreaties.un.org%2Fdoc%2Fdb%2FTerrorism%2Fenglish-18-11.pdf&usq=AOvVaw0WumQDUFDG4nQM_TuICaY7

⁵ Financing of the Terrorist Organization Islamic State in Iraq and the Levant (ISIL) // FATF, 2015. <http://www.fatf-gafi.org/media/fatf/documents/reports/Financing-of-the-terrorist-organisation-ISIL.pdf>

⁶ Considering diverging approaches to defining what constitutes a terror attack, the author does not claim the numbers to be accurate. However, it is assumed that the data presents adequate proportion among the regions.

⁷ Joshua Sinai, The Terrorist Threats Against Russia and Its Counterterrorism Response Measures // JSTOR, 2015. <http://www.jstor.org/stable/26326421>

⁸ Yuliya G. Zabyelina, The Industry of Terror: Criminal Financing of the North Caucasus Insurgency // ResearchGate, 2018.

https://www.researchgate.net/publication/326589238_The_Industry_of_Terror_Criminal_Financing_of_the_North_Caucasus_Insurgency

⁹ Based on statistics by the Federal Statistics Agency.

¹⁰ Chechens and Ingushs live in neighboring republics and comprise the Nakhs ethnic group.

¹¹ 1944-1957: Deportation and Exile // The Telegraph, 2001. <https://www.telegraph.co.uk/news/1399561/1944-1957-Deportation-and-exile.html>

¹² Caucasus Emirate // Stanford Center for International Security and Cooperation.

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