



Following the Crowd

Clarifying Terrorism Financing Risk in European Crowdfunding

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About Project CRAFT

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Introduction

Terrorism financing (TF) researchers have paid close attention over the last decade to the role that new communications and financial technologies have played in the operations of violent extremists. One such new financial technology (fintech) highlighted as a potential avenue for TF is crowdfunding: collecting funds online from many sources, in order to finance a project, business, loan or other endeavour.

The TF risk from crowdfunding in both fiat – and in some instances cryptocurrencies – has enjoyed a recent burst of exposure because of its reported significance to extreme right-wing (XRW) groups. Media reports and an early academic analysis have suggested, for example, that some activists who assaulted the US Capitol building on 6 January 2021 were funded partly via crowdfunding platforms.¹ Alleged TF risks around crowdfunding are not a new concern, or limited to the XRW, and policymakers have emphasised its potential for misuse by extremists of all varieties for some time. Indeed, the Financial Action Task Force (FATF) – the global standard setter for anti-money laundering and counterterrorist financing (AML/CTF) – listed crowdfunding among its emerging global TF risks in 2015.²

Yet, despite statements of official concern, the extent to which crowdfunding's potential for abuse has translated in practice remains unclear. This briefing paper thus looks again at the TF risks from crowdfunding, from its inherent vulnerabilities to the current evidence around the scale and character of *actual* abuse. Produced as a deliverable for the RUSI Europe project 'New Technologies and Terror Finance: Risks and Opportunities' within the EU-funded Project CRAAFT,³ this briefing's chief focus is Europe, but also draws on wider global examples.

Given that crowdfunding as a concept has been around for less than a decade, it is still difficult to make confident judgements about the TF risks it brings. Although some well-established platforms have been abused by violent extremists, and radical groups on their fringes, formal crowdfunding's overall current significance as a TF stream remains *relatively* small within the European context. Nonetheless, the experience of 6 January in the US highlights the potential for abuse of formal platforms by extremists. It is also apparent that risks are higher outside formal crowdfunding platforms, with the internet offering possibilities for less-regulated 'pop-up' methods using social media and, increasingly, cryptocurrencies. Such challenges must therefore be addressed, but this will need to be done in a focused and proportionate way to ensure that broader financial innovation is not stifled unnecessarily.

Methodology

The material in this briefing draws on an unpublished literature review on TF risks associated with various new technologies, produced as a deliverable for this project, as well as additional research specifically on crowdfunding. It is also informed by a range of research interviews conducted during the spring and early summer of 2021 with European academic, governmental, law enforcement and private sector stakeholders and experts.

Defining Crowdfunding

According to Francesca Di Pietro, crowdfunding was inspired by the advent of microfinancing projects in the developing world, as well as crowdsourcing of knowledge and services via the internet.⁴ Although the underlying logic of crowdfunding is nothing novel – it closely resembles many other kinds of fundraising – its execution is dependent on the scale and flexibility of modern technologies. Individuals or groups seeking to generate

1. Chainalysis, 'Alt-Right Groups and Personalities Involved in the January 2021 Capitol Riot Received Over \$500K in Bitcoin From French Donor One Month Prior', 14 January 2021, <<https://blog.chainalysis.com/reports/capitol-riot-bitcoin-donation-alt-right-domestic-extremism>>, accessed 5 August 2021; Jimmy Gurulé, 'Criminalizing Material Support to Domestic Terrorist Organizations: A National Security Imperative', *Journal of Legislation* (Vol. 47, No. 2, 2021).
2. Financial Action Task Force (FATF), 'Emerging Terrorist Financing Risks', 2015, pp. 30–35, <<https://www.fatf-gafi.org/media/fatf/documents/reports/Emerging-Terrorist-Financing-Risks.pdf>>, accessed 24 June 2021.
3. Collaboration, Research and Analysis Against the Financing of Terrorism (Project CRAAFT) is an academic research and community-building initiative designed to build stronger, more coordinated counterterrorist financing (CTF) capacity across the EU and in its neighbourhood. It is funded by the EU's Internal Security Fund.
4. Francesca Di Pietro, 'Deciphering Crowdfunding', in T Lynn et al. (eds), *Disrupting Finance: FinTech and Strategy in the 21st Century* (Cham: Palgrave Macmillan, 2019), p. 2.

funds to support an endeavour or a cause can use online platforms to reach vast audiences with little effort, collect and aggregate the funds directly, and send those funds to the intended recipient at speed.⁵

At its most basic, crowdfunding structures require three key elements: givers with the means to pay funds digitally; recipients with the means to receive those funds digitally; and a payments infrastructure to bring them together. The third element is typically a dedicated online platform which presents opportunities for contribution, which is underpinned by a payments portal typically provided by an external payment processor from either the traditional banking system or the fintech sector.⁶ Firms focused specifically on providing payment services to crowdfunding platforms, such as MangoPay⁷ and LemonWay,⁸ have begun to meet a growing demand and fill a gap left by some more traditional financial institutions who choose not to serve crowdfunding platforms as clients.

So far, crowdfunding has had a number of different applications, ranging from the commercial to the charitable. Peer-to-peer (P2P) lending platforms allow lenders to contribute money to new business ventures or personal loans in return for interest, while other investment-based approaches provide shares and dividends, or ‘benefits in kind’ such as free services.⁹ In addition, donation-based crowdfunding platforms facilitate the collection of donations for a predefined project or purpose, where donors give based on personal motivation to support a cause or activity they care about. Charitable crowdfunding sites often include fundraising targets, minimum pledge amounts and varied approaches to whether recipients can keep the funds if targets are not met. The largest

donation-based crowdfunding platforms tend to be ‘umbrella’ services which allow multiple charities or independent creatives (GoFundMe¹⁰ and Patreon¹¹ being major examples) to ‘advertise’ and collect funds without the need to set up their own website.

Beyond formally recognised crowdfunding platforms, there are also money-pooling services like those offered by PayPal or France-based Leetchi.¹² These are popular modes of collecting funds, typically among a group of friends or colleagues, but are open to others if they have access to the relevant URL. Similarly, social media platforms such as Facebook¹³ and instant messaging (IM) services such as Snapchat¹⁴ have been used informally to share payment details by those collecting funds, and some platforms have also introduced payment mechanisms in recent years.¹⁵ Although the use of social media and ‘non-financial’ platforms for fundraising is not strictly ‘crowdfunding’ in a formal sense, it in many ways fulfils exactly the same function of allowing users to highlight their cause or activity, as well as request and collect funds.

Crowdfunding in Europe

According to media reports, the global crowdfunding market is large, and growing rapidly, with one study suggesting a compound annual growth rate of 16% between 2021 and 2026.¹⁶ Initially, European crowdfunding has lagged behind other major markets in the US and Asia-Pacific,¹⁷ but recent years have seen significant growth in the UK, Nordic and Baltic states, and the Iberian peninsula.¹⁸ Although up-to-date statistics are not available, it appears that the vast majority

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5. UK Crowdfunding Association, ‘What is Crowdfunding?’, <<https://www.ukcfa.org.uk/what-is-crowdfunding/>>, accessed 28 June 2021.
 6. Asia-Pacific Group/Middle East and North Africa Financial Action Task Force, ‘Social Media and Terrorism Financing Report’, January 2019, <<http://www.apgml.org/methods-and-trends/news/details.aspx?pcPage=1&n=1142>>, accessed 5 August 2021.
 7. See MangoPay, <https://www.mangopay.com/en_UK/>, accessed 28 June 2021.
 8. See Lemonway, <<https://www.lemonway.com/en/>>, accessed 28 June 2021.
 9. UK Crowdfunding Association, ‘What is Crowdfunding?’.
 10. See GoFundMe, <<https://www.gofundme.com>>, accessed 5 August 2021.
 11. See Patreon, <<https://www.patreon.com>>, accessed 5 August 2021.
 12. See Leetchi, <<https://www.leetchi.com/fr>>, accessed 28 June 2021.
 13. See Facebook, <<https://www.facebook.com>>, accessed 5 August 2021.
 14. See Snapchat, <<https://www.snapchat.com>>, accessed 5 August 2021.
 15. Facebook Pay enables users to make digital payments on several apps including Facebook Messenger and Instagram in many EU member states. See Facebook Pay, <<https://pay.facebook.com/gb/>>, accessed 3 September 2021.
 16. *BusinessWire*, ‘World Crowdfunding Market Growth, Trends, and Forecasts 2021-2026: Reward-Based Crowdfunding is Expected to Grow Significantly’, 11 February 2021, <<https://www.businesswire.com/news/home/20210211005592/en/World-Crowdfunding-Market-Growth-Trends-and-Forecasts-2021-2026-Reward-based-Crowdfunding-is-Expected-to-Grow-Significantly---ResearchAndMarkets.com>>, accessed 5 August 2021.
 17. European Commission, ‘Crowdfunding’, <https://ec.europa.eu/info/business-economy-euro/growth-and-investment/financing-investment/crowdfunding_en>, accessed 5 August 2021.
 18. Di Pietro, ‘Deciphering Crowdfunding’, p. 3.

of the European crowdfunding market is focused on commercial funding, with figures from 2016 suggesting that only 1.6% of European market share is going to donation-based platforms, and such platforms have only exhibited modest levels of growth in comparison to their commercial alternatives.¹⁹

Terrorism Financing Risks in Theory

Finance, though perhaps a less important factor in some recent lone actor or small cell terrorist attacks in Europe and elsewhere,²⁰ remains a significant issue for extremist groups and networks. As Europol, the EU's policing agency, notes, terrorist groups still need funds 'to cover logistical needs like maintaining an infrastructure, recruitment, propaganda, and enhancing operational capacities'.²¹ In theory, crowdfunding offers terrorists a number of ways to raise funds to support their activities. These could include:

- The formation of bogus **'front' businesses or charities** which could seek witting and unwitting funding via formal crowdfunding sites.
- The **redirection of funds** collected for established and/or legitimate businesses or charities collected on formal crowdfunding sites. This could also include the redirection of funds from legal but radical groups which have not been designated by the authorities.
- **Using social media and IM sites to appeal**, either openly or fraudulently, to followers and connections. The appeal could include the positing of fiat account details or a crypto wallet number where funds will be received.²²

In all of these instances, crowdfunding mechanisms could also be further abused by the ease with which they can be combined with other forms of financial product which

sit outside the core elements of the conventional financial system. These forms include, for example, alternative value transfer systems (AVTS) such as hawala, or cryptocurrency exchanges and 'mixers' (which anonymise the sources of funds), which can further extend and obfuscate the payment chain.²³ From a TF perspective, the addition of cross-border transfer mechanisms greatly increases theoretical risks, as one conceivable scenario might feature the apparently 'legitimate' collection of funds within a low-risk jurisdiction that could be transferred out in a chain leading from medium- to eventually high-risk jurisdictions. Given the fluidity of the modern international financial system, the funds could be destined to end up anywhere.

Moreover, crowdfunding might be seen as a particularly attractive *modus operandi* for terrorist financiers at present because of the relatively light AML/CTF regulatory burdens such activities currently face. There is no explicit reference to crowdfunding of any type – commercial or charitable – in the current version of the FATF 40 Recommendations, and although commercially focused sites might be deemed to be obligated financial institutions because of their involvement in lending in securities, this is not explicit.²⁴ Not-for-profit organisations (NPOs), a category into which donation-based sites seem most neatly to fit, are required only to take 'reasonable measures' to ensure funds are not being abused, and there is no requirement to conduct customer due diligence (CDD).²⁵ There is also no reference to other platforms, such as social media websites, that might be 'repurposed' for informal crowdfunding.

The FATF's relatively light-touch approach is reflected at the national level among many FATF member states. A 2017 study found a fragmented approach among EU jurisdictions, for example, with only 11 out of 27 providing a regulatory framework for investment-focused crowdfunding.²⁶ The first set of EU-wide rules were only

19. *Ibid.*

20. FATF, 'Ethnically or Racially Motivated Terrorism Financing', June 2021, p. 8, <<https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-rationally-motivated-terrorism-financing.pdf>>, accessed 5 August 2021.

21. Europol, 'EU Terrorism Situation and Trend Report 2021 (TESAT)', June 2021, p. 31, <<https://www.europol.europa.eu/activities-services/main-reports/european-union-terrorism-situation-and-trend-report-2021-tesat>>, accessed 5 August 2021.

22. Author video conference interview with Florence Keen, Research Fellow, International Centre for the Study of Radicalisation, 5 May 2021; author video conference interview with Jessica M Davis, President and Principal Consultant, Insight Threat Intelligence, 10 May 2021.

23. Author video conference interview with Jessica M Davis, 9 June 2021; author video conference interview with Hans-Jakob Schindler, Senior Director, Counter Extremism Project, 9 June 2021; author video conference interview with a senior AML/CFT consultant in the fintech space, 7 May 2021.

24. FATF, 'International Standards on Combating Money Laundering and the Financing of Proliferation and Terrorism: The FATF Recommendations', updated June 2021, p. 123, <www.fatf-gafi.org/recommendations.html>, accessed 25 August 2021.

25. *Ibid.*, p. 62.

26. Linus Sadzius and Tomas Sadzius, 'Existing Legal Issues for Crowdfunding Regulation in European Union Member States', *International Journal of Business, Humanities and Technology* (Vol. 7, No. 3, September 2017).

introduced in November 2020, when the Regulation on European Crowdfunding Service Providers (ECSP) came into force. This is scheduled to be implemented by November 2021.²⁷ So far, it covers commercial forms of crowdfunding alone, and requires that platform operators only conduct minimal levels of CDD on those seeking to raise funds. AML/CTF concerns seem limited, with the expectation that ongoing monitoring for suspicious activity will fall to the currently obligated elements of the financial system that provide the underlying infrastructure for holding and sending funds.²⁸

Some experts thus suspect that the scale of TF crowdfunding abuse could be substantial, and far beyond what is currently known. In the words of one academic researcher interviewed for this project, ‘humans are prone to weaponise whatever they have to hand’, especially operational spaces which have been left unregulated.²⁹ In interviews with compliance officers from major payment services providers, similar sentiments were shared, and crowdfunding was seen as high-risk by default.³⁰

Nonetheless, caution still needs to be applied, because even if abuse *can* occur, this does not mean it necessarily *will*. As behavioural economics has shown, individuals do not always behave ‘rationally’ or ‘optimally’. Even though an avenue might be open to them, this does not mean that all will take it.³¹ Imperfect knowledge, skills or access can be just as much a barrier to entry to terrorists as to a legitimate user.³² Indeed, where there is also more perceived and actual risk of detection, terrorists and their funders are likely to exhibit higher levels of care.³³

Terrorism Financing Risks in Practice

How do these theoretical concerns correspond to the evidence? As noted earlier, the FATF – 20 of whose 37 member states are European jurisdictions – highlighted crowdfunding as a source of funding for Islamist extremist terrorism in 2015, with a particular focus on the use of informal methods coordinated through ‘peer-to-peer communication’ platforms such as social media. Here, the FATF suggested that such informal crowdfunding had supported ‘large-scale and well-organised fundraising schemes’, with formal crowdfunding posing more of ‘an emerging TF risk’.³⁴ The potential TF role of crowdfunding among other groups was also reiterated in a recent FATF paper on the growth of XRW TF activity.³⁵ Europol has made similar recent assessments on the XRW, noting the importance of online donations to groups in Sweden and Finland.³⁶

Both organisations have noted the tendency of Islamist extremists and the XRW to use crowdfunding in different ways. Based on current practice, XRW groups are more likely to openly present themselves online, given that many groups are not designated in all European jurisdictions. This has allowed groups such as the Nordic Resistance Movement (NRM) and Nordic Strength to collect donations online, in a few instances via cryptocurrencies.³⁷

This matches similar developments to those seen elsewhere, such as in the US. There, XRW groups have demonstrated an affinity for crowdfunding, managing to use well-known platforms to support their activities in some cases. For example, GoFundMe was used by several of those who participated in the 6 January riot to fund their travel to the capital.³⁸ XRW and linked

27. EUR-Lex, ‘Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European Crowdfunding Service Providers for Business, and Amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937’, October 2020, <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R1503>>, accessed 5 August 2021.
28. European Commission, ‘Frequently Asked Questions: Proposal for a Regulation on European Crowdfunding Services for Business’, 8 March 2018, <https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_1423>, accessed 5 August 2021.
29. Author interview with Hans-Jakob Schindler.
30. Author video conference interview with senior AML/CTF compliance officer at a major fintech company, 27 May 2021.
31. See Peter J Phillips and Benjamin McDermid, ‘FinTech, Terrorism-Related Funds Transfer and Behavioural Finance’, *Dynamics of Asymmetric Conflict*, 14 September 2020, DOI:10.1080/17467586.2020.1821074.
32. Stephen Reimer and Matthew Redhead, ‘A New Normal: Countering the Financing of Self-Activating Terrorism in Europe’, *RUSI Occasional Papers* (May 2021), pp. 17–18.
33. Author interview with Florence Keen; author interview with Jessica M Davis.
34. FATF, ‘Emerging Terrorist Financing Risks’, p. 31.
35. FATF, ‘Ethnically or Racially Motivated Terrorism Financing’, p. 9.
36. Europol, ‘EU Terrorism Situation and Trend Report 2021 (TESAT)’, p. 31.
37. *Ibid.*, p. 33.
38. *Reuters*, ‘GoFundMe Bans Fundraisers for Travel to Potentially Violent Political Events’, 12 January 2021.

radical groups have also turned to dedicated right-wing websites and social media networks to tap tacit and full-fledged supporters for donations. When Andrew Anglin, the founder of a prominent US neo-Nazi publication, found himself subject to legal proceedings brought by the Southern Poverty Law Center in April 2017,³⁹ he turned to alternative crowdfunding site WeSearchr to raise more than \$150,000 for his defence.⁴⁰ Crowdfunding platforms such as GiveSendGo.com and RallyPay.com were similarly used to raise funds for groups participating in the insurrection at the US Capitol. One media report states that Enrique Tarrio, the national chairman of the Proud Boys, raised more than \$113,000 from 2,359 donors. Another media report indicates that \$247,000 was raised for 24 people, including at least eight members of the Proud Boys, intended for travel, medical or legal expenses connected with the ‘Stop the Steal’ rally.⁴¹

In comparison, Islamist extremists have instead tended to use the cover of humanitarian overseas causes to collect funds and direct them across borders.⁴² Europol has noted several cases over the last year where donations from Sweden, the Netherlands, Spain and Switzerland – ostensibly collected to support refugees and their dependents in Syria – have been redirected to support the families of foreign terrorist fighters.⁴³ The reported details of these cases suggest a preference for using informal crowdfunding mechanisms via social media and IM, combined with other traditional AVTS.⁴⁴

One of the most high-profile cases was the so-called ‘Justice for Sisters’ campaign in the summer of 2019, which raised thousands of euros via online crowdfunding,

ostensibly for female detainees at the Al-Hol camp in northern Syria.⁴⁵ Campaigners disseminated videos, pictures and written accounts in German, English and Arabic on Telegram channels associated with the Islamic State, often evoking the welfare of their young children to coax donations. Donors were then directed to several PayPal MoneyPool accounts, which were kept below €1,800 (the threshold above which the holder of the account is asked for additional identifying information to aid due diligence, in accordance with European law).⁴⁶ Funds were supposedly transferred from a German intermediary to Turkey via hawala transfers, moving on to shopkeepers inside the camp in Syria.⁴⁷ To evade detection by PayPal, donors were instructed to avoid using Islamic terms in their payment references, with campaigns labelled as ‘Honeymoon in Vienna’, among other things.⁴⁸

The Balance of Risk

Based on currently available evidence, there does not appear to be a significant level of TF risk via commercially focused crowdfunding platforms, which form the vast majority of the crowdfunding market in Europe. The reason for this is open to speculation, but it seems unlikely to be due to the stringency of pre-existing regulation, which, as already noted, has been limited so far. Another explanation might be that commercial crowdfunding – which is by its nature more long-term and focused on providing a financial return to investors – is a less appealing model to those seeking to collate and distribute funds quickly before they are discovered.

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39. The Southern Poverty Law Center (SPLC) monitors the activities of hate groups including white nationalists and the neo-Nazi movement in the US. See SPLC, ‘Tanya Gersh V. Andrew Anglin’, <<https://www.splcenter.org/seeking-justice/case-docket/tanya-gersh-v-andrew-anglin>>, accessed 29 June 2021.
40. Matt Pearce, ‘Neo-Nazi Website Raises \$150,000 to Fight Southern Poverty Law Centre Lawsuit’, *Los Angeles Times*, 6 June 2017.
41. Gurulé, ‘Criminalizing Material Support to Domestic Terrorist Organizations’, p. 15; US House of Representatives Committee on Financial Services, ‘Memorandum: February 25, 2021, NSIDMP Hearing Entitled “Dollars Against Democracy: Domestic Terrorist Financing in the Aftermath of the Insurrection”’, 22 February 2021, <<https://financialservices.house.gov/uploadedfiles/hhrg-117-ba10-20210225-sd002.pdf>>, accessed 29 June 2021.
42. FATF, ‘Ethnically or Racially Motivated Terrorism Financing’, p. 10; author interview with Florence Keen; author interview with Jessica M Davis.
43. Europol, ‘EU Terrorism Situation and Trend Report 2021 (TESAT)’, p. 32.
44. *Ibid.*, p. 33.
45. Richard Hall, ‘ISIS Suspects in Syrian Camp Raise Thousands Through Online Crowdfunding Campaign’, *The Independent*, 25 July 2019.
46. *Ibid.*; Afshin Ismaeli and Hanne Christiansen, ‘IS-kvinner samler inn penger til «bryllupsreise til Wien». Målet er å unngå straffefølgelse i Europa’ [‘ISIS Women Raise Money for “Honeymoon to Vienna”. The Aim is to Avoid Prosecution in Europe’], *Aftenposten*, 4 August 2019, <[https://www.aftenposten.no/verden/i/wP4\]71/is-kvinner-samler-inn-penger-til-bryllupsreise-til-wien-maalet-er-aa](https://www.aftenposten.no/verden/i/wP4]71/is-kvinner-samler-inn-penger-til-bryllupsreise-til-wien-maalet-er-aa)>, accessed 29 June 2021.
47. Ismaeli and Christiansen, ‘IS-kvinner samler inn penger til «bryllupsreise til Wien». Målet er å unngå straffefølgelse i Europa’ [‘ISIS Women Raise Money for “Honeymoon to Vienna”. The Aim is to Avoid Prosecution in Europe’].
48. *Ibid.*

In contrast, there is undoubtedly more significant TF risk among formal donation-based crowdfunding platforms, especially where there are looser general requirements placed on the collection of funds. For example, in France – the only European country to regulate donation-based sites – the most significant TF risks have been found to come from ‘money-pooling’ sites, where there is no fundraising goal or deadline, and the stated purpose for the funds can be brief and undescriptive.⁴⁹

Casework themes noted by the FATF and Europol also stress the very real vulnerability of ‘non-financial’ social media and messaging sites becoming adjuncts to informal ‘pop-up’ donor campaigns. In these instances, it appears that modest measures to obfuscate the true purpose of an apparently legitimate crowdfunding campaign can succeed, at least for a time. In the case of the ‘Justice for Sisters’ campaign, donations arriving in the account of the Germany-based intermediary were easily cashed out, and then sent to Turkey via hawala.⁵⁰

However, the scale and proportion of the risk also need to be taken into account. As several expert interviewees noted, much of the evidence around the use of crowdfunding remains anecdotal rather than systematic, and Europol has suggested that crowdfunding is only one of many streams of funding being used by extremists groups.⁵¹ Moreover, the agency has also stated that the number of TF cases involving any ‘new payment method’ remains relatively low in comparison to other methods.⁵²

So far, there is also no publicly available evidence to suggest that crowdfunding has been used to fund a terrorist attack in Europe. The one example that seems to fit this description is the San Bernardino shooting in the US in December 2015. In this case, Syed Rizwan Farook secured a \$28,500 loan from P2P lending firm Prosper Marketplace, just two weeks before he and his wife Tashfeen Malik carried out a politically motivated shooting at a Christmas party.⁵³ Authorities indicated that the loan may have been used to pay for ammunition, components for several improvised explosive devices and target practice at a gun range.⁵⁴

Implications for Counterterrorist Financing

In light of apparently modest levels of current TF risks in commercial crowdfunding in the EU, current regulation seems relatively proportionate and cautious, and will at least add to the basic challenges that the use of a commercial model might bring to a terrorist financier collating funds for operational use, or a terrorist preparing an attack. In the latter instance, it is hard to imagine a lone actor or member of a small cell, who are most likely to conduct an attack at present, being able to access such services, given that they are relatively economically marginal figures on the whole.⁵⁵

Of course, these modest barriers do not eliminate TF risk, especially for established terrorist groups and networks that might also use legitimate commercial activities as a cover. They also do not eliminate the possibility of such sites being used by would-be attackers, where, as in the San Bernardino case, they have more conventional financial profiles characterised by the holding of bank accounts, salaries or credible credit scores. However, it would seem heavy-handed to harden the regulation of this sector of crowdfunding without stronger evidence of risk.

The formal donation-based sector is a different matter, but some level of caution is again necessary. It accounts for just 1.6% of the European market for crowdfunding, and remains more of an ‘emerging’ TF risk according to official reports. For this sector, reputational factors are likely to encourage some self-policing without state intervention. In the US, for example, commercial and reputational imperatives have quickly come into play when radicals and extremists have abused platforms. Following the 2017 ‘Unite the Right’ rally in Charlottesville, Virginia, many fundraising campaigns from far-right groups were de-platformed from mainstream services such as GoFundMe and Kickstarter. Furthermore, although such groups then established bespoke crowdfunding platforms such as Hatreon and MakerSupport, major payment services providers including PayPal, Stripe, Apple Pay and Google

49. Author video conference interview with a senior European crowdfunding professional, 7 May 2021.

50. Author video conference interview with a senior AML/CFT consultant in the fintech space, 7 May 2021.

51. Europol, ‘EU Terrorism Situation and Trend Report 2021 (TESAT)’, p. 31.

52. *Ibid.*, p. 33.

53. James Rufus Koren and Jim Puzzanghera, ‘Loan to San Bernardino Shooter Draws Scrutiny to Online Lending Industry’, *Los Angeles Times*, 11 December 2015; *BBC News*, ‘San Bernardino Shooting: What We Know So Far’, 11 December 2021.

54. Koren and Puzzanghera, ‘Loan to San Bernardino Shooter Draws Scrutiny to Online Lending Industry’.

55. Reimer and Redhead, ‘A New Normal’.

Pay refused to accept payments on these platforms.⁵⁶ Payment providers including PayPal also withdrew their services from GiveSendGo following the incident in Washington, DC on 6 January.⁵⁷

Nonetheless, platforms and payment service providers' desire to maintain a good reputation should not be treated as a sure-fire, long-term insurance policy in reducing TF risks. If industry-wide common standards are absent, TF risks will simply be displaced over time, as rounds of de-platforming by larger businesses shift the problem to smaller and less mature firms and social media sites. Although communications technology firms have made considerable play of their efforts to work with authorities against extremist activities on their sites, they have prioritised taking down radicalising content over disrupting terrorist financing efforts.⁵⁸

A previous RUSI output suggested that social media sites should, at the very least, include the requirement to not conduct TF activity in their conditions of use.⁵⁹ This would be a good start for both those sites and for formal crowdfunding platforms. As a further step, it might also be necessary to bring such platforms and activities at least partially within the AML/CTF community. The application of banking-style CDD to those donating funds on formal crowdfunding sites would probably be onerous and disproportionate, but similar mandatory requirements for those collecting funds should be given consideration, as should the need for enhanced due diligence on fundraisers ostensibly raising funds for political, religious or humanitarian reasons, or when funds are to be sent overseas. Formal crowdfunding platforms could also be obliged to monitor for unusual patterns of activity, and to report those either to a national financial intelligence unit or relevant NPO regulator. For social media and other non-financial sites, requirements could include the active monitoring of financial appeals and the sharing of financial details between members, and reporting of suspicious instances to the authorities through pre-existing channels. Although far from being a perfect set of measures, they form an additional deterrent to terrorist financiers, and a potential new source of financial intelligence for the authorities.

Conclusion

This research briefing represents an initial assessment of crowdfunding and TF risks, which will be expanded on further in a final report. At this stage, it is apparent that many of the current assessments of the levels of risk focus on the theory of how crowdfunding platforms might be abused by terrorists, rather than by actual evidence of abuse. In fact, it seems more likely that the most credible TF risks come not from 'formal' crowdfunding platforms, but other types of sites or services that can be repurposed to share financial information. Although it remains important to retain a degree of caution, given the limited evidence generated by the relatively short lifespan of crowdfunding, it is also vital to retain a sense of proportion.

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