An Analysis of Government Capabilities in Countering Terrorist Financing in Indonesia

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Declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university. To the best of the author's knowledge, it contains no material previously published or written by another person, except where due reference is made in the text.

Sylvia Windya Laksmi

January 2022

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> There is a time for everything and a season for every activity under the heavens…He has made everything beautiful in its time. He has also set eternity in the human heart; yet[a] no one can fathom what God has done from beginning to end.
>
> Ecclesiastes 3:1, 11

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Abstract

Since 2002, Indonesia has enacted policies aimed at Countering the Financing of Terrorism (CFT). This thesis explores the ways in which terrorist groups in Indonesia have developed their financial structure and examines in detail the impact of CFT policies in disrupting illicit financial flows used for terrorism purposes between the period 2002 -2019. To this end, it provides an ethical analysis of the following questions: How have CFT policies used to combat terrorist financing networks in Indonesia, evolved between 2002 to 2019, and what impact have these policies had?

Recent literature in this area presents that the Indonesian government has adopted measures in countering terrorist financing that were consistent with the FATF recommendations. Existing policy analysis discusses policy outputs and outcomes in terms of compliance or otherwise with the FATF recommendations. However, despite operational improvements in Indonesian CFT policies, the threat of terrorism remains relatively high. Law enforcement and policymakers are struggling to keep ahead in tackling terrorist financing crime. Rapid changes in terrorist financing environments, including rising abuse of charities, women and advanced technology in payment systems, pose emerging threats to the effective implementation of CFT policies.

The analytical framework utilises a policy evaluation model that includes the concept of evidence-based policy analysis, impact analysis approach, and unintended consequences examination. Drawing on court documents, government reports and interviews with policymakers, investigators and experts in Indonesia, Singapore, Malaysia, the Philippines and Australia, this thesis is unique in which it identifies dynamics of terrorist financing networks and probes shortcomings in Indonesian CFT policies, noting the limited impact on terrorist financing networks.

I argue that terrorist groups in Indonesia responded to changes in legislation, policy and procedures, technology, and social trends. Financial regulatory measures and law enforcement efforts play significant roles in disrupting terrorist financial transactions and thus undermining terrorist activities. In order to counter terrorist financing more effectively, the Indonesian government modified its CFT policies, but without catching up with the changes in terrorist financing tactics. Furthermore, this thesis also shows that the implementation of CFT policies generates intended and unintended consequences, which countries should acknowledge and address to improve policy effectiveness.

Overall, the thesis shows that Indonesian CFT policies are lagging behind the development of technology as the primary channel used by terrorist groups to communicate, raise and move funds. Therefore, the crucial element of terrorist financial flows was left unaddressed. CFT policies fail to address the risks arising from evolving terrorist financing networks in Indonesia. This thesis suggests that there is room for improvement in the implementation of CFT policies to prevent financial support channelled for social welfare outreach through NPOs, and to diminish the misuse of illegal money remittances and financial technology for terrorist financing purposes. The present study will serve as a base for future studies where the growing threats of terrorism may potentially lead to a new era of cyberterrorism.

List of Abbreviations

ADC	Azzam Dakwah Center
AGO	Attorney General's Office
AML	Anti-Money Laundering
APG	The Asia/Pacific Group on Money Laundering
AUSTRAC	Australian Transaction Reports and Analysis Centre
BAPEPAM	Badan Penyelenggaraan Pasar Modal (Indonesia Capital Market Supervisory Agency)
BAPPEBTI	Head of Commodity Futures Trading Regulatory Agency
BI	Bank Indonesia (Central Bank)
BO	Beneficial Owner
CDD	Customer Due Diligence
CFT	Countering the Financing of Terrorism
CT	Counterterrorism
DNFBPs	Designated Non-Financial Businesses and Professions
ETA	Basque Homeland and Liberty (Terrorist group)
FAKSI	Forum Aktivits Syariat Islam (Forum of Islamic Law Activists)
FATF	Financial Action Task Force on Money Laundering
FIU	Financial Intelligence Unit
FSA	Financial Service Authority (Indonesia)
FSPs	Financial Service Providers
FTFs	Foreign Terrorist Fighters
G7	Group of Seven (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States)
GASHIBU	Gerakan Sehari Seribu (Fund-raising activities run by terrorist groups)
GWOT	Global War on Terrorism

HOSSPs	Hawala and Other Similar Service Providers
HTI	Hizbut Tahrir Indonesia (Radical group)
IDC	Infaq Dakwah Center
IFTS	Informal Fund Transfer System
IIRO	International Islamic Relief Organization
IMF	International Monetary Fund
INP	Indonesian National Police
IRA	Irish Republican Army (Terrorist group)
ISIS	The Islamic State of Iraq and Syria
IT	Information Technology
IVTS	Informal Value Transfer Systems
JAD	Jama'ah Ansharud Daulah (Terrorist group)
JAT	Jamaah Ansharut Tauhid (Terrorist group)
JI	The Jama'ah Islamiyah
KGR	Khatibah Gonggong Rebus (Terrorist group)
KYC	Know Your Customer
LSTTO	List of Suspected Terrorists and Terrorist Organisations
LTTE	Liberation Tigers of Tamil Eelam (Terrorist group)
MER	Mutual Evaluation Review
MER-C	Medical Emergency Rescue Committee
MILF	The Philippines Moro Islamic Liberation Front (Terrorist group)
MVTS	Money or Value Transfer Services
MIT	Mujahidin Indonesia Timur (Terrorist group)
NC	Non-Compliant (FATF rating)
NCA	National Counterterrorism Agency
NCC	National Coordination Committee
NCCTs	Non-Cooperative Countries and Territories
NGO	The Non-Governmental Organisation

NII	Negara Islam Indonesia (Indonesian Islamic State, an extremist group)
NPO	Non-Profit Organisation
NRA	National Risk Assessment on Terrorist Financing
OFW	Overseas Filipino Workers
PC	Partly-Compliant (FATF rating)
PLO	Palestinian Liberation Organisation (Terrorist group)
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan
PPP	Public-Private Partnerships
PUPJI	Pedoman Umum Perjuangan Jama'ah Islamiyah (A guidance for JI's members)
RBA	Risk-Based Approach
RRA	Regional Risk Assessment on Terrorist Financing
SEARCCT	Southeast Asia Regional Centre for Counter-Terrorism (Malaysia)
SIA	State Intelligence Agency
STR	Suspicious Transaction Report
STRANAS	Strategi Nasional (National Strategy)
TBML	Trade-Based Money Laundering
UN	United Nations
UNSC	United Nations Security Council
VCC	Virtual Credit Card

Table of Contents

Declaration ... iii
Acknowledgements ... v
Abstract ... ix
List of Abbreviations ... xi
Table of Contents ... xv
List of Tables ... xxi
List of Figures ... xxiii
Introduction ... 1
Are Strategies against Terrorism Fit for Today's Challenges? ... 1
What Terrorists Really Want: Inside Counter-Terrorism Strategy ... 8
Hitting Them Where It Hurts: Essentials of Countering Terrorist Financing ... 12
Research Design ... 18
Outline of the thesis ... 23
Chapter 1 ... 29
Terrorist Financing ... 29
Introduction ... 29
1.1 Defining Terrorist Financing and Resourcing ... 34
1.1.1 The Sources of Funds ... 38
1.1.2 The Movement of Funds ... 44
1.1.3 The Use of Funds ... 49
1.2 The Nexus between Terrorist Financing and Money Laundering ... 52
1.3 Terrorist Financing Typologies ... 55
1.3.1 Virtual Currency ... 56
1.3.2 Informal Money Remittance Services ... 61
1.3.3 Charities ... 65
1.3.4 Internet Payment Methods ... 70
1.3.5 Prepaid Cards ... 72
Conclusion ... 74
Chapter 2 ... 77
International Countering the Financing of Terrorism (CFT) Initiatives ... 77
Introduction ... 77
2.1 International Initiatives on Countering Terrorist Financing ... 79
2.2 Scope of the FATF Recommendations ... 83
2.2.1 Financial Regulation and Supervision ... 88
2.2.2 Operations and Law Enforcement ... 90

2.2.3 International Cooperation 93
Conclusion 95
Chapter 3..... 97
Policy Evaluation Model 97
Introduction..... 97
3.1 Definition of Policy Evaluation 98
3.2 Policy Impact..... 104
3.3 Policy Success and Policy Failure 108
3.4 The Study of Evidence-based Policy in Counter-terrorism Interventions..... 114
3.5 CFT Policies: Analytical Framework 118
Conclusion 125
Chapter 4..... 128
Research Methods 128
Introduction..... 128
4.1 Approach to Answering Research Questions 131
4.2 Methods in Detail 135
4.2.1 Documented Studies..... 135
4.2.2 Interviews..... 137
4.2.3 Data Analysis 144
Conclusion 146
Chapter 5..... 148
Terrorist Financing Networks in Indonesia (2002-2012) 148
Introduction..... 148
5.1 Case study 1: The Bali Bombing I 151
5.2 Case Study 2: The Hambali Brotherhood Network 162
5.2.1 Toni Togar and Fadli Sadama Group 163
5.2.2 Gun Gun Rusman Gunawan Group 166
5.2.3 Abdullah Sunata and KOMPAK..... 168
5.2.4 The JW Marriott Bombing..... 172
5.3 Case Study 3: Jalin Jantho Military Training Network..... 177
5.4 Case Study 4: Abu Roban Network..... 182
5.5 Case Study 5: The Cahya Fitrianta's Network 190
Conclusion 196
Chapter 6..... 199
Understanding Countering the Financing of Terrorism (CFT) Policies in Indonesia During 2002-2012..... 199
Introduction..... 199
6.1 The Early Establishment of CFT Policies in Indonesia..... 201
6.2 The Legislative Framework for Criminalising Terrorist Financing..... 204

6.2.1 Terrorism Listed as a Criminal Offence in Indonesia 204
6.2.2 Criminalising Funds for Terrorism Purposes in the Anti-Terrorism Law 206
6.2.3 Terrorist Financing Stipulations in the Anti-Money Laundering Law..... 208
6.3 Oversight of Financial Regulations and Supervision..... 209
6.3.1 Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) Programs 211
6.3.2 Customer Identification and Recordkeeping 214
6.3.3 Financial Transactions Reporting Procedures 217
6.4 Operations and Law Enforcement 219
6.5 International Cooperation 221
Conclusion 223
Chapter 7..... 226
Terrorist Financing Networks in Indonesia (2013-2019): Part I 226
Introduction..... 226
7.1 Case Study 6: Mujahidin Indonesia Timur (MIT) Group 229
7.1.1 The History of the MIT Group 229
7.1.2 The Funding Strategies of the MIT-Poso-Based Group 230
7.2 Case Study 7: The Khatibah Gonggong Rebus (KGR) Group 239
7.2.1 The Establishment of the KGR Group 239
7.2.2 The KGR Group's Contribution to Terrorism..... 241
7.2.3 The KGR Group Linked With Arif Hidayatulloh 243
Conclusion 246
Chapter 8..... 249
Terrorist Financing Networks in Indonesia (2013-2019): Part II 249
Introduction..... 249
8.1 Case Study 8: the Jama'ah Ansharud Daulah (JAD) group 250
8.1.1 The Misuse of NPOs for Terrorism 252
8.1.2 Series of Bombing Attacks in Central Java and Bekasi 258
8.1.3 The Samarinda Bombing..... 258
8.1.4 The Kampung Melayu Bombing 260
8.2 Case Study 9: Financing of Narco-Terror Networks 264
8.3 Case Study 10: The Solo Bombing Attack..... 271
Conclusion 274
Chapter 9..... 277
Terrorist Financing Networks in Indonesia (2013-2019): Part III 277
Introduction..... 277
9.1 Case Study 11: the Adi Jihadi Group..... 278
9.1.1 Support for FTFs Travelling to Syria..... 279
9.1.2 Planning for the Thamrin Bombing 280

9.1.3 Weapons Smuggling and Military Training 281
9.2 Case Study 12: Foreign Terrorist Fighters (FTFs) Networks..... 289
9.2.1 Self-Funding Resources..... 289
9.2.2 Funding Support from Friends' Networks 292
9.2.3 Combined Resources of Self-Funding and Groups Support 294
Conclusion 300
Chapter 10..... 303
Understanding Countering the Financing of Terrorism (CFT) Policies in Indonesia During 2013-2019: Part I..... 303
Introduction..... 303
10.1 The Establishment of Law Number 9 Year 2013..... 305
10.1.1 Mutual Evaluation Review (MER) of Indonesia..... 305
10.1.2 Indonesia in the FATF Public Statement 308
10.2 Defining Terrorist Financing in the Legislation 310
10.3 Regulatory Frameworks to Financial Institutions..... 314
10.3.1 The Risk-Based Approach in Financial Industries (AML/CFT Programs)..... 317
10.3.2 Customer Identification Procedures..... 321
10.4 Suspicious Financial Transactions Reporting Systems 324
Conclusion 327
Chapter 11..... 330
Understanding Countering the Financing of Terrorism (CFT) Policies in Indonesia During 2013-2019: Part II..... 330
Introduction..... 330
11.1 Strengthening Law Enforcement Mechanisms..... 331
11.1.1 The Financial Intelligence Approach..... 331
11.1.2 The Application of the National Risk Assessment to Terrorist Financing 337
11.1.3 Targeted Financial Sanctions Related to Terrorism and Terrorist Financing. 342
11.1.4 Targeted Approach, Outreach and Oversight of At-Risk Non-Profit Organisations 345
11.2 Leveraging International Collaboration in Combating Terrorist Financing 351
Conclusion 358
Chapter 12..... 361
Policy Slippage in the Implementation of CFT Measures..... 361
Introduction..... 361
12.1 The Dynamic of Terrorist Financing Networks in Indonesia 363
12.1.1 The Shifts of Social Network-Based Terrorist Financing..... 364
12.1.2 Emerging Trends and Types of Terrorist Financing..... 371
12.2 Limitations in Implementing CFT Policies 377
12.2.1 Financial Regulations..... 379
12.2.2 Operations and Law enforcement..... 382

12.2.3 International Cooperation in CFT Operations 387
12.3 Identification of Emerging Unintended Consequences 391
Conclusion 396
Conclusion 399
Countering Terrorist Finance: A Reform Roadmap 399
The Theoretical Contributions of the Thesis 401
Summary of the Findings 404
Terrorist Financing Networks: Dynamic and Adaptable 404
Policy Limitations and Unintended Consequences Revealed Through an Impact Analysis Framework 407
Limitations and Future Research on CFT Policies 411
Implications of the Study for CFT Policies 412
Bibliography 415
Books and Book Chapters 415
Journal Articles, Working Papers, and Reports 418
Newspaper Articles 431
Official Documents, Archival Materials, and Speeches 433
Appendix 1: List of Regulations and Laws 444
Appendix 2: Questions Used to Guide the Interviews 447
Appendix 3: Incoming Fund Transfers on Nurul Azmi Tibyani Financial Records 458
Appendix 4: Outgoing Transactions on Nurul Azmi Tibyani's Financial Records 460
Appendix 5: Financial Expenses Recorded on Behalf of Rizki Gunawan 462
Appendix 6: The Bank Statement of Wahyudin 466
Appendix 7: The Bank Statement of Habibi Muhammad 469
Appendix 8: Hendro Fernando's Expenses in 2015 473
Appendix 9: International Outgoing Transfers Conducted by Hendro Fernando 474
Appendix 10: Financial Transaction Activities Done by Khoirudin 475
Appendix 11: The Purchase of Chemical Substances 476
Appendix 12: List of Financial Industries Regulations (2013 - 2019) 479
Appendix 13: Fintech Regulations in Indonesia 480
Appendix 14: List of Interviewees 484

List of Tables

Table 4.1 List of Terrorism and Terrorist Financing Cases 134
Table 4.2 List of Case Documentation 135
Table 4.3 Categorisation of Participants 140
Table 4.4 Schedule of Interviews 142
Table 4.5 Summary of Interviews 143
Table 7.6 Incoming Funds Received by Rosma 232
Table 7.7 International Incoming Transfers Received by Hendro Fernando 236
Table 7.8 Incoming Funds from Turkey 242
Table 7.9 Arif Hidayatulloh's Expenditure. 245
Table 8.10 Outgoing Transfers for the JAD Medan Group's Operations 254
Table 8.11 Funding Resources for ADC 257
Table 8.12 Donations to Bahraini Agam 267
Table 8.13 Donations Listed to Rio Priyatna Wibawa 268
Table 9.14 Money Transfers Between Indonesia and the Philippines 283
Table 11.15 Use of PPATK Intelligence (2013-October 2017) 334

List of Figures

Figure 3.1 A Nested Model of Policy Capacity 103
Figure 3.2 Policy Impact Model 105
Figure 3.3 Research Strategy for Impact Analysis 106
Figure 3.4 The Common Modes of Policy Failure 112
Figure 3.5 Policy Evaluation Model 125
Figure 5.6 Summary of Terrorist Financing Patterns Between 2002 – 2012 150
Figure 5.7 Financial Links of Jamaah Islamiyah Group 155
Figure 5.8 Financial Flow Map of Bali Bombing 1 161
Figure 5.9 The Financial Flow of the Hambali Brotherhood Network 176
Figure 5.10 The Financial Flow of Jalin Jantho Military Training 181
Figure 5.11 The Money Flow of the Abu Roban's Network 189
Figure 5.12 Financial Scheme of Cahya Fitrianta's Network 195
Figure 6.13 Various Laws/Regulations Issued Regarding KYC/CDD Principles 216
Figure 7.14 Summary of Terrorist Financing Patterns Between 2013-2019 228
Figure 7.15 The MIT Group's Financial Flows 238
Figure 7.16 The Fund Management of the KGR Group 246
Figure 8.17 JAD Group's Funding Scheme 263
Figure 8.18 Financial Networks of Bahraini Agam Group 270
Figure 8.19 Funding for Solo Bombing Attack 274
Figure 9.20 Funding Management of Adi Jihadi Group 288
Figure 9.21 FTFs' Funding Resources 299
Figure 12.22 The Policy Evaluation Framework in Analysing CFT Policies in Indonesia 363

Introduction

> The better, more determined, and more sophisticated terrorists will… always find a way to carry on their struggle.
>
> Bruce Hoffman[1]

Are Strategies against Terrorism Fit for Today's Challenges?

Today's terrorist landscape is more unpredictable and complex than ever. Counterterrorism (CT) remains a top priority for all states to protect and secure the global community. Governments have taken and will continue to take all necessary measures to combat terrorism by devoting resources to law enforcement, security, border protection and intelligence. Notwithstanding the decreasing number of terrorist incidents from 1970 to 2019,[2] countries continue to face threats from the global expansion of ISIL to the problems of far-right terrorism and political violence.[3]

Over the last two decades, Indonesia, like other countries, has been working on its CT strategies. Terrorist funding and how to combat it has become a significant aspect of counterterrorism studies. From the adoption of international standards in combating terrorist financing to the introduction of domestic measures to prevent the exploitation of financial and regulatory loopholes, Indonesia is continuing to search for the best ways to implement countering the financing of terrorism (CFT) policies. The evolving trends in terrorism and

[1] Bruce Hoffman, "Rethinking Terrorism and Counterterrorism Since 9/11," *Studies in Conflict & Terrorism* 25, no. 5 (September 2002): 313.
[2] Bureau of Counterterrorism, "Country Reports on Terrorism 2019," 2020, 2 – 3.
[3] Thomas Morgan, Olivia Adams, and David Hammond, "Global Terrorism Index 2020: The Shifting Landscape of Terrorism," in *Counterterrorism Yearbook 2021*, ed. Leanne Close and Daria Impiombato (Canberra: Australian Strategic Policy Institute, 2021), 13 – 14, http://www.aspi.org.au.

terrorist financing require governments, including Indonesia's, to adjust their policies to meet today's challenges.

This thesis work will examine the Indonesian counterterrorism strategies that focus particularly on disrupting terrorist funding. The purpose of the study is twofold. First, the study shows the importance of developing CFT policies to contribute as an integral part of counterterrorism policies, to which the case of Indonesia offers valuable insights. Second, the analysis of CFT policies in Indonesia and their effectiveness in stemming and eliminating terrorist financial flows is itself an essential study. An understanding of the implementation of CFT policies from 2002 to 2019 is necessary in order to assess how effective Indonesia has been in addressing the dynamic threat of terrorist financing networks. Examining CFT policies in Indonesia in this period allows us to track policy development from the beginning, known as the Anti-Money Laundering (AML) regime, up until the Anti-Terrorist Financing Law came into force in 2013.

This research contributes to the debate on the effectiveness or otherwise of CFT policies in Indonesia by analysing the policies and their impact on terrorist financing crime networks. The debate also discusses that despite operational improvements in Indonesian CFT policies, the threat of terrorism remains relatively high. Law enforcement and policymakers are struggling to keep ahead in tackling terrorist financing crime. They face more significant challenges than before in interdicting incomes from criminal enterprises. Rapid changes in terrorist financing environments, including rising abuse of charities, women and advanced technology in payment systems, pose emerging threats to the effective implementation of CFT policies.[4] It is important

[4] Sylvia Laksmi, "Nexus Between Charities and Terrorist Financing in Indonesia," *Counter Terrorist Trends and Analyses* 11, Issue 7 (September 2019), 6 - 10; "Alms for Terror: Indonesian Extremists Finance Jihad with Charity," *The Bangkok Post*, June 24, 2021, https://www.bangkokpost.com/world/2137787/alms-for-terror-indonesian-extremists-finance-jihad-with-charity; "Indonesia Cleric Charged Over Allegations He Used a Charity to Funnel Money to Bali Bombing Terror Group," *ABC News,* November 18, 2021, https://www.abc.net.au/news/2021-11-18/indonesia-cleric-arrested-over-ties-to-bali-bombing-group/100629264; Sylvia Laksmi, "A More Effective Counterterrorism Strategy for Indonesian Women by Acknowledging Their Motivations and Tactical Contributions," *Stratsea.com*, December 14, 2020, https://stratsea.com/a-more-effective-counterterrorism-strategy-for-indonesian-women-by-acknowledging-their-motivations-and-tactical-contributions/; Wahyudi Soeriaatmadja, "Militant Bahrun Naim used PayPal, Bitcoin to Transfer Funds for Terror Attacks in Indonesia," *The Strait Times,* January 9, 2017, https://www.straitstimes.com/asia/se-asia/militant-bahrun-naim-used-paypal-bitcoin-to-transfer-funds-for-terror-

to analyse whether the combating and prevention of terrorist financing crime causes changes in terrorist financing networks, or these changes are a result of the crime. Furthermore, the examination on the effectiveness of policy improvements to disrupt terrorist financing networks is to offer additional insight into why the terrorist financing network continues to evolve and to demonstrate that CFT policies are lagging to the development of technology as the primary channel used by terrorist groups to communicate, raise and move the funds.

This thesis aims to contribute to this growing area of research in two ways.

First, it fills a gap in the research on terrorist financing in Indonesia from 2002 to 2019. This is the first study to undertake a longitudinal analysis of terrorist financing networks in Indonesia by applying an evidence-based analysis of court documents and interview data. The study will provide a comprehensive explanation of the changes in terrorist financing methods: fund-raising, fund-moving and fund-using. It also explores the dynamics of terrorist financial flows, including the modifications of social network-based terrorist financing, the growing use of illegal money remittance companies, the impact of modern technology in improving communication and facilitating payment systems, the transformation of criminal funding resources into legal businesses, and finally, the exploitation of non-profit organisations (NPOs) as a cover for terrorist financing activities.

The existing literature on terrorist financing in Indonesia has looked to some typologies of terrorist financing networks that have existed since the 2000s, the early establishment of the Jama'ah Islamiyah (JI) group. Because the research to date on Indonesian terrorist financing is limited, there is a knowledge gap in the evolution of terrorist financing networks in Indonesia. There is a lack of information pertaining to terrorist financing case studies. For instance, there is no central database on terrorist financing verdicts or figures that show the total number of

attacks-in; "V. Arianti and Kenneth Yeo Yaoren, "How Terrorists Use Cryptocurrency in Southeast Asia," *The Diplomat,* June 30, 2020, https://thediplomat.com/2020/06/how-terrorists-use-cryptocurrency-in-southeast-asia/.

cases and how the law enforcement and intelligence agencies handle crime. The existing literature includes only fragmentary information, collected from public data, on JI's financing structure. The dearth of open-source publications on terrorist financing case studies in Indonesia and Southeast Asia was a significant constraint for further study in terrorist financing and CFT policies. The main challenge for Indonesian policymakers seeking the best strategy against the threat is access to information on the development of terrorist financing networks. At the same time, this information is critical to understanding and explaining the dynamic of terrorist financing tactics in raising, moving and spending funds. The accurate identification and correct analysis of terrorist financing trends are essential to the formulation of successful CFT policies. The gap in the literature indicates, therefore, that there is plenty of room for a critical study on terrorist financing in Indonesia as undertaken here.

Second, this thesis provides the first extensive examination of the implementation of CFT policies in Indonesia in terms of results. Previous research on CFT policies in Indonesia focused narrowly on the degree of compliance with the recommendations of the inter-governmental Financial Action Task Force on money laundering (FATF).[5] It was impossible to assess, based on this research, whether specific policies were effective in disrupting terrorist financing activities. This research identifies policy caveats as well as unintended consequences of CFT policies targeting the threat of terrorist financing. Shortcomings in financial regulations include inadequate red flags for suspicious financial transactions, lack of capacity in digital customer identification mechanisms as a response to terrorists' advanced financial technology, and a lack of rigorous risk assessment.

[5] FATF is an inter-governmental body established in 1989 to develop policies to address money laundering and its associated crimes. FATF set standards of which countries should comply for combating money laundering and terrorist financing as a predicate crime to money laundering. The FATF conducts an evaluation to member jurisdictions regarding the compliance obligation with its international recommendations. Please see: "International Convention for the Suppression of the Financing of Terrorism," *United Nations Website*, December 1999; FATF, "Money Laundering," FATF Website, accessed June 16, 2021, https://www.fatf-gafi.org/faq/moneylaundering/.

Furthermore, in the fields of law enforcement and international cooperation, shortcomings include performance in seizing terrorist assets, utilising and exchanging financial intelligence information, the application of risk-based assessment approach, the absence of urgent responses mechanisms and effective public-private partnerships at the domestic and regional levels.

Finally, the study sheds new light on three unintended consequences of the implementation of CFT policies in Indonesia. These are the encouragement of undue targeting and potential distrust of Islamic charities, the prohibition of the use of cryptocurrencies, and unintended costs to the financial industry and law enforcement sectors.

As mentioned above, existing literature describes methods of evaluating CFT policies in Indonesia, particularly methods generated by FATF, known as the FATF mutual evaluation. The FATF evaluation, conducted on rotation for each country member (including Indonesia) through peer reviews, assesses the compliance of member states with global standards for countering money laundering and terrorist financing.[6] The evaluation is of both effectiveness and technical compliance. The outcome is a country report showing a country's implementation of money laundering and terrorist financing countermeasures based on policy outcomes which are divided into 'outputs' and 'activities.'[7]

Despite these evaluations, terrorist financing remains elusive, and the threat is growing. There has been relatively little literature published in the area of evaluating CFT policies for their actual impact on stemming financial flows to terrorists. The methods of the FATF, which assess compliance with global standards, are not designed to capture the effectiveness or otherwise of CFT policies in Indonesia. The approach to an investigation of what shortcomings exist in

[6] Anja P. Jakobi, "Governing Illicit Finance in Transnational Security Spaces: The FATF and Anti-Money Laundering," *Crime, Law and Social Change* 69, no. 2 (2018): 184, https://doi.org/10.1007/s10611-017-9750-y; Mark T Nance, "The Regime That FATF Built: An Introduction to the Financial Action Task Force," Crime, Law and Social Change 69, (2018): 116.
[7] FATF, "Mutual Evaluations," 2020, http://www.fatf-gafi.org/publications/mutualevaluations/documents/more-about-mutual-evaluations.html.

CFT policies and why, is essential to evaluating whether Indonesia's CFT policies are fit for the purpose

It follows that this study aims to answer one fundamental question: How have the Countering the Financing of Terrorism (CFT) policies used to combat terrorist financing networks in Indonesia evolved between 2002 to 2019, and what impact have these policies had?

When analysing the policy implementation and its impact, one also needs to understand the development of terrorist financing and how the policy responded to it. Therefore, beyond the primary question, there are other related questions to be addressed: How has terrorist financing evolved in Indonesia? How have its CFT policies responded to terrorist financing networks? To what degree do Indonesian CFT policies play a role in enabling the interdiction and combating of terrorist financing flows within networks, and how, if at all, have they improved?

In the following sections, this introduction chapter will define key terms and outline a theoretical and analytical approach to the study of CT and CFT policies. It will then continue by setting out the key arguments, the research design, and the approach to conceptualising propositions. Finally, it will outline how the research examines in detail the key arguments discussed in this study. This research set out to critically examine the ways in which terrorist groups in Indonesia have developed their financial structure and review in detail the impact of CFT policies in disrupting illicit financial flows used for terrorism purposes between the period 2002 -2019. The most obvious finding to emerge from this study is the first call on the dynamics of terrorist financing networks, where terrorist groups explore channels of raising, moving and using the funds, from conventional ways, like cash and bank transfers, transformed to digital ways using sophisticated technology. As will be explained in the following chapters, the study assesses the correlation between the effect of advanced technology and regulation on terrorist financing has been underpinned by dynamics in social networks, domestic society and terrorist linkages.

Furthermore, the changing impetus of using money is directed for organisational purposes rather than operations for large scale attacks. Terrorist groups have been expanding their social welfare outreach. For instance, Indonesian terrorist groups consider raising money from members and the community to conduct social activities, including health insurance, daily allowances, scholarships, and financial support for terrorists' wives, widows, children, and relatives.

Taken together, this is the first study to evaluate the impact of national CFT policies on the development of terrorist financing networks in Indonesia. The following literature review presented in this research reveals that there has been little research on Indonesian CFT policies. However, the key strengths of this study include the in-depth analysis of examining the roles of financial institutions, law enforcement and intelligence approach and international cooperation in combating terrorist financing. A policy evaluation model offered in Chapter 3, which involves the nuance of evidence-based policy analysis, impact analysis approach, and unintended consequences examination, will be applied to assess how policy improvements have been effective in disrupting terrorist financing networks and reviewing other factors are at play in the policy implementation. These findings provide noteworthy confirmation that Indonesian CFT policies have limitations in financial regulations and procedures, law enforcement and international cooperation, and unintended consequences as 'side-effects' of policy. Thus, the policies fail to address the risks arising from evolving terrorist financing networks in Indonesia. The present study will serve as a base for future studies where the growing threats of terrorism may lead to a new era of cyberterrorism.

What Terrorists Really Want: Inside Counter-Terrorism Strategy

The terrorist attacks on New York City and Washington DC on 11 September 2001, awakened states to the renewed threat of terrorism in the 21st Century. The series of airline hijackings followed by suicide attacks were committed by 19 militants linked to the most significant Islamist terrorist group, Al Qaeda. The iconic image of that day is of two airliners crashing into the World Trade Center towers, causing both to collapse with the loss of thousands of lives. The attack was controlled by Al Qaeda's Hamburg cell, with Mohammed Atta as the lead hijacker.[8] The death toll at the end of the day stood at 2,753,[9] with ages of victims ranging from two to 85. Most (75-80%) were men.[10]

Since 9/11, there has been a sharp growth in the literature that seeks to define and understand terrorism and explore the characteristics of terrorist groups. Scholars like Hoffman, Gunaratna, and Kydd and Walter analyse the motivations behind terrorism. As a form of psychological warfare, Bruce Hoffman argues that terrorism is '…planned, purposeful, and premeditated[11],.. motivated by a religious imperative in particular, and the concept of martyrdom."[12] According to Kydd and Walter, terrorist groups use violence against civilians to achieve policy or regime change, maintain a status quo position, affect social control, and bring about territorial change.[13] Furthermore, Rohan Gunaratna notes that terrorist organisations like Al Qaeda are motivated to launch an attack that is unrelated to power or popularity, but rather to 'an ideological belief in their struggle.'[14]

[8] Peter L. Bergen, n.d., "September 11 Attacks | History, Summary, Timeline, Casualties, & Facts | Britannica," accessed December 14, 2020, https://www.britannica.com/event/September-11-attacks.
[9] NYC Government, *Office Of Chief Medical Examiner: World Trade Center Operational Statistics, September 3, 2015,* accessed December 14, 2020, http://www.nyc.gov/html/ocme/downloads/pdf/public_affairs_ocme_pr_WTC_Operational_Statistics.pdf.
[10] "September 11 Fast Facts, " *CNN Editorial*, accessed September 18, 2020, https://edition.cnn.com/2013/07/27/us/september-11-anniversary-fast-facts/index.html.
[11] Hoffman, "Rethinking Terrorism and Counterterrorism Since 9/11," 313.
[12] Hoffman, "Rethinking Terrorism and Counterterrorism Since 9/11," 304.
[13] Andrew H. Kydd and Barbara F. Walter, "The Strategies of Terrorism," *International Security* 31 (1) (2006): 49 – 80.
[14] Rohan Gunaratna, "Ideology in Terrorism and Counter Terrorism: Lessons from Combating Al Qaeda and Al Jemaah Al Islamiyah in Southeast Asia," *CSRC discussion paper* 05/42 (2005): 9.

Second, the literature discusses the dynamism of global terrorist movements, which now span three generations: the emergence of Al Qaeda with the 9/11 attacks, Al-Baghdadi's declaration of the Islamic State of Iraq and Syria (ISIS) as a caliphate on 29 June 2014, and lastly, the global expansion of the caliphate outside Iraq and Syria.[15] Terrorists tend to develop and adapt their tactics, operational capabilities and weapons systems as needed in order to increase the sophistication of their attacks and achieve their ultimate goals.[16] Globalisation is one of the enabling factors that allow terrorist networks to become more dynamic, progressively better funded and more loosely controlled.[17]

In addition to this global threat, at the national level, successive Indonesian governments have faced an increasing threat of terrorism from the colonial era to the present. In 2002, the government declared that the Jama'ah Islamiyah (JI) group was the most significant terrorist network in the country. JI orchestrated the single worst attacks in Indonesia, the bombing of two Bali nightclubs in October 2002.[18] Thereafter, JI continued to be associated with high-profile terrorist attacks across the country, including the first bombing of the J.W. Marriott Hotel in 2003, the Australian embassy bombing of 2004, and the second series of Bali bombings in 2005.[19] This group adopted Salafi-Jihadist religious principles[20] and had a strong ideological as well as financial connection with Al Qaeda.[21]

[15] Gunaratna, "Global Threat Forecast," 1-2.
[16] Bruce Hoffman, "Rethinking Terrorism and Counterterrorism Since 9/11," *Studies in Conflict & Terrorism* 25 (5) (2002): 313 - 314.
[17] Combs, *Terrorism in the Twenty-First Century*, 637 - 639.
[18] Two bombs were exploded at Paddy's Irish Bar and the nearby Sari Club in Bali on 12 October 2002. The authorities reported the death of 202 people from 21 countries, including 88 Australians, 38 Indonesians and 28 Britons (BBC News, "The 12 October 2002 Bali Bombing Plot - BBC News," *BBC.com*, October 11, 2012, https://www.bbc.com/news/world-asia-19881138.)
[19] Sulastri Osman, "Jemaah Islamiyah: Of Kin and Kind," *Journal of Current Southeast Asian Affair* 29, no. 2 (2010): 161; Sidney Jones, "The Changing Nature of Jemaah Islamiyah," *Australian Journal of International Affairs* 59, no. 2 (2005): 169.
[20] Elena Pavlova, "From a Counter-Society to a Counter-State Movement: Jemaah Islamiyah According to PUPJI," *Studies in Conflict & Terrorism* 30, no. 9 (2007): 783.
[21] Zachary Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah," *The National Bureau of Asian Research (NBR) Analysis* 25, no. 2 (2003): 172; Bilveer Singh, "The Revival of Al Qaeda's Affiliate in Southeast Asia: The Jemaah Islamiyah," *Counter Terrorist Trends and Analyses* 9, no. 5 (May 2017): 6; Jones, "The Changing Nature of Jemaah Islamiyah," 169, 172.

As terrorism has become a threat to global security, countries seek to apply counterterrorism strategies. In general, scholars have discussed CT strategy in terms of focus and the scope of the strategy.

First, the focus of CT strategy relies on four areas: counter-ideology narratives,[22] intelligence-led policing,[23] anti-poverty and counter-ideology,[24] and use of military force.[25]

Second, some scholars[26] have noted that states fighting terrorism are engaged in employing two types of measures: offensive and defensive. Offensive measures include strategies for protecting critical assets through physical monitoring and controls and strategies to detect and destroy terrorist camps, assassinate key leaders and disrupt terrorists' financial flows. Brian T. Bennett describes these ideas as physical systems which involve efforts to mitigate the threat from inside and outside, including deterrence and prevention efforts.[27] Defensive measures consist of deterrence, hardening targets, border control protection, and security checks.[28] Diplomacy, intelligence operations, and counterterrorism training are additional measures applied in defensive counterterrorism strategies. Intelligence operations aim to observe and monitor the movements of terrorists and terrorist groups, including how they get their money, where they conduct training, and how they plan their operations. Technical intelligence efforts

[22] David A. Snow and Scott C Byrd, "Ideology, Framing Processes, And Islamic Terrorist Movements," *Mobilization: An International Quarterly Review* 12*,* no. 1 (2000); Rohan Gunaratna, "Ideology in Terrorism and Counter Terrorism: Lessons from Combating Al Qaeda and Al Jemaah Al Islamiyah in Southeast Asia"; Muhammad Haniff Bin Hassan, "Key Considerations in Counterideological Work against Terrorist Ideology," *Studies in Conflict & Terrorism*, no.: 29 (6) (2006), 531 – 558; Kenneth Payne, "Winning the Battle of Ideas: Propaganda, Ideology, and Terror," *Studies in Conflict & Terrorism*, No. 32 (2009).
[23] Edmund F. McGarrell, Joshua D. Freilich, and Steven Chermak, "Intelligence-Led Policing as a Framework for Responding to Terrorism," *Journal of Contemporary Criminal Justice*, No. 23 (2) (2007), 142 – 158.
[24] Alessandro Orsini, "Poverty, Ideology and Terrorism: The STAM Bond," *Studies in Conflict & Terrorism,* No. 35 (10) (2012), 665 – 692.
[25] Richard J Erickson and LT Col Usaf, *Legitimate Use of Military Force against State-Sponsored International Terrorism* (Alabama: Air University Press, 1989); M. Ryan, "Framing the War Against Terrorism: US Newspaper Editorials and Military Action in Afghanistan," *International Communication Gazette* 66, no. 5 (October 1, 2004): 363–82; Greg Travalio and John Altenburg, "Terrorism, State Responsibility, and the Use of Military Force," *Chicago Journal of International Law* 4, no. 1 (2003): 97 – 120; Geraint Hughes and L Etort, "The Military's Role in Counterterrorism: Examples and Implications for Liberal Democracies" (Carlisle, 2011).
[26] Harvey W Kushner, *Encyclopedia of Terrorism* (SAGE Publications, 2003); Sanghoon Lee, "Dynamic Inconsistency in Counterterrorism," *Conflict Management and Peace Science* 27, no. 4 (2010): 369 – 385.
[27] Brian T Bennett, *Understanding, Assessing, and Responding to Terrorism: Protecting Critical Infrastructure and Personnel* (Hoboken: John Wiley & Sons, Inc, 2007), 313.
[28] Lee, "Dynamic Inconsistency in Counterterrorism."

also can be applied to interrupt communications or disrupt the flow of financial resources.[29] This is where CFT policies locate within defensive CT frameworks.

The international drive against terrorism started on 7 October 2001 when the US launched a 'Global War on Terrorism' (GWOT) campaign as the first global movement to degrade the threat of terrorism by emphasising two targets: terrorist organisations and those countries that 'support, defend, and harbour' the organisations.[30] Thereafter, the implementation of the GWOT campaign affected domestic policies, including legal reforms and restrictions on terrorist financing as more sophisticated ways to reduce the number of deaths from terrorist attacks.[31]

The bomb attacks in Bali in 2002 and later attacks in Jakarta provided 'ample reasons' for the Indonesian government to establish countermeasures in combating terrorism. These measures included not only legislation but also law enforcement.[32] For instance, since 2002, the Indonesian government has formulated laws and regulations focusing on CT policies, including Government Regulation in Lieu of Law No. 1 of 2002[33] and the amendment of the Anti-Terrorism Law in 2018.[34] Furthermore, the government established the Special Anti-Terror Unit under the Indonesian National Police (INP), called Special Detachment 88, or *Densus*

[29] Kushner, *Encyclopedia of Terrorism*, 99.
[30] George W. Bush, the President, also called for international cooperation to work together in combating these terrorist threats through coercive actions like the destruction of terrorists' base camps located in different countries, killing of terrorist leaders, and interdiction/reduction of terrorists' assets. Please see: Nidhi Chowdhary and Sourav Kumar Das, "Global War on Terror: Policies, Propaganda, and Perspectives," in *The Impact of Global Terrorism on Economic and Political Development*, (Emerald Publishing Limited, 2019), 84 - 85.
[31] Peter S. Henne, "Assessing the Impact of the Global War on Terrorism on Terrorism Threats in Muslim Countries," *Terrorism and Political Violence* 33, no. 7 (2021), 1514.
[32] See Seng Tan and Hitoshi Nasu, "ASEAN and the Development of Counter-Terrorism Law and Policy in Southeast Asia," *University of New South Wales Law Journal* 39 (2016): 1229.
[33] On 18 October 2002, the government published Peraturan Pemerintah Pengganti Undang-Undang (Government Regulation in Lieu of Law, GRL) No. 1 of 2002 concerning the Eradication of Criminal Acts and GRL No. 2 of 2002 to make GRL No. 1 retroactively applicable to the Bali Bombings. Those GRLs became law in 2003, which enabled the authorities to arrest approximately four hundred suspected key individual terrorists and prosecuted close to three hundred in the court. Please see: Sidney Jones, "Briefing for the New President: The Terrorist Threat in Indonesia and Southeast Asia," *The ANNALS of the American Academy of Political and Social Science* 618, no. 1 (July 1, 2008): 75.
[34] Dr. Greta Nabbs-Keller, "Indonesia's Revised Anti-Terrorism Law ," *Australian Institute of International Affairs (AIIA*), August 26, 2018, https://www.internationalaffairs.org.au/australianoutlook/indonesias-revised-anti-terrorism-law/.

88,[35] and the National Counter-Terrorism Agency.[36] It will be argued here that despite improvements to policy by the Indonesian government, the threat environment develops increasingly complex in the country.

In order to explain how the government formulated a strategy to counter the financing of terrorism and to what extent this strategy contributed to weakening terrorist financing networks, it is necessary to provide some historical context.

Hitting Them Where It Hurts: Essentials of Countering Terrorist Financing

As terrorism has become a serious threat to national and international security, experts agree that finding the best countermeasures is critical. While counterterrorism policy emphasises coercive action, scholars suggest there is no single solution.[37] Michael A. Berger points out that disrupting terrorist funding is one method of non-military coercion to combat terrorist organisations, as it targets the capability and sustainability of terrorist groups.[38] Mete Feridun, and Muhammad Shahbaz also recognise that 'military anti-terrorism measures alone are

[35] Simon Butt, "Anti-Terrorism Law and Criminal Process in Indonesia," ARC Federation Fellowship 'Islam and Modernity: Syari'ah, Terrorism and Governance in South-East Asia' (Professor Tim Lindsey) (Melbourne), 16–17, accessed December 22, 2020, www.mahkamahkonstitusi.go.id.

[36] The President issued Presidential Decree No. 46/2010 as a foundation for the new formation of the National Counter-Terrorism Agency. The establishment of this institution was the first commencement of the government in coordinating the application of soft counter-terrorism measures in the country, including the prevention and deradicalisation program. Please see: Angel Damayanti, "Is Counter Terrorism in Indonesia a Triumph?," *Jurnal Pertahanan* 2, no. 2 (May 2012): 37.

[37] Jeanne K. Giraldo and Harold A. Trinkunas, "Terrorism Financing and State Responses: A Comparative Perspective," 2007, 365; Mete Feridun and Muhammad Shahbaz, "Fighting Terrorism: Are Military Measures Effective? Empirical Evidence from Turker," *Defence and Peace Economics* 21, no. 2 (April 2010): 193 – 205; Michael A. Berger, "Interdicting Terrorist Financing with Coercion: Strategies for Policy-Makers to Cut the Cash Flow of Terrorist Organizations," *Defence Studies* 10, no. 3 (2010): 387–404; Michael Freeman, "The Sources of Terrorist Financing: Theory and Typology," *Studies in Conflict & Terrorism* 34, no. 6 (June 2011): 461 – 475.

[38] Berger, "Interdicting Terrorist Financing with Coercion: Strategies for Policy-Makers to Cut the Cash Flow of Terrorist Organizations," 402.

insufficient to prevent terrorism.'[39] As Michael Freeman observes, "terrorism costs money" and "money is 'the lifeblood' of terrorist organizations."[40]

Terrorists need money to finance and expand their operations, including training costs, accommodation, explosive materials, weapons purchasing, propaganda campaigns and recruitment. Because money is essential to the operations and management of terrorist groups, an essential complement to government CT strategy is a focus on the finances of terrorist organisations.[41] Michael Levi notes that applying 'follow-the-money' dictum is critical to completing, and thereby improving, CT strategy. The financial intelligence approach uncovers suspicious transactions with links to terrorism and gives a fuller picture of terrorist networks. Being privy to the financial side of the equation provides the counter-terrorism practitioner with additional information and insights that make it possible to prevent individuals and groups from accessing money for purposes such as suicide attacks.[42] The literature review below demonstrates the rationale for why CFT policy is critical to counterterrorism strategy.

In 1989, FATF was established by the Group of Seven (G7) to develop policies in money laundering and associated crimes by setting international standards to which member states should adhere.[43] The mandate of the FATF was expanded in 2001 to include the financing of terrorism.[44] The term Counter-Terrorist Financing already had been coined by the United Nations (UN) in 1999. The International Convention for the Suppression of the Financing of Terrorism called on states to set up measures to detect, freeze and seize the sources of funds that support terrorist activities.

[39] Feridun and Shahbaz, "Fighting Terrorism: Are Military Measures Effective? Empirical Evidence from Turker."
[40] Freeman, "The Sources of Terrorist Financing: Theory and Typology," 461.
[41] Giraldo and Trinkunas, "Terrorism Financing and State Responses: A Comparative Perspective."
[42] Michael Levi, "Combating the Financing of TerrorismA History and Assessment of the Control of 'Threat Finance'','" *The British Journal of Criminology* 50, no. 4 (July 2010): 666, https://doi.org/10.1093/bjc/azq025.
[43] FATF, "History of the FATF," *FATF Website,* accessed December 12, 2021, https://www.fatf-gafi.org/about/historyofthefatf/.
[44] FATF, "IX Special Recommendations," *FATF Website,* October 2001, https://www.fatf-gafi.org/publications/fatfrecommendations/documents/ixspecialrecommendations.html.

FATF is an essential institution for the countering of terrorist financing and the protection of the integrity of the international financial system. Through its nine regional bodies, it promotes the practical application of legal, regulatory and operational standards. These regional bodies constitute a global network to combat money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction. One such regional body is the Asia/Pacific Group on Money Laundering (APG), based in Sydney, Australia.[45]

Since its inception, the FATF has promulgated recommendations that constitute international standards for combating money laundering, the financing of terrorism and financial flows connected to the proliferation of weapons of mass destruction.[46] FATF members must comply with the recommendations by establishing a policy of counter-terrorist financing. Members' progress is measured by regular mutual evaluations and reviews. The FATF conducts these reviews in conjunction with its regional bodies.[47] The focus is on how well members have performed in discovering the capabilities of terrorist groups, including their operational cells, as well as coordination, logistical and financial environments that enable them to exist and work. Compliance of states with the FATF recommendations is a critical component of CFT strategies.[48]

Consistent with the FATF recommendations, experts argue that the application of CFT policies has three elements: the multidimensional approach, the sanction list mechanism, and the financial intelligence aspect.[49] First, the multidimensional approach combines legal and

[45] "About - Financial Action Task Force (FATF)," accessed May 21, 2021, https://www.fatf-gafi.org/about/.
[46] As an international CFT body, the FATF categorised the recommendations on terrorist financing into three groups. These include (1) recommendations on criminalising terrorist funding, (2) targeting financial sanctions relating to terrorism and terrorist financing, and (3) preventing the potential misuse of non-profit organisations (NPOs) for terrorist financing purposes. Measures of targeted financial sanctions formulate commitments of country members to apply the strategy of 'freeze without delay the funds' or other assets of and assuring that no funds or other assets support directly or indirectly to any person or entity listed by United Nations Security Council under Chapter VII of the Charter of the United Nations, including in accordance with resolution 1267 (1999) and resolution 1373 (2001). Please see: FATF, "The FATF Recommendations," Paris, 2012.
[47] Jean-Marc Sorel, "Some Questions About the Definition of Terrorism and the Fight Against Its Financing," *European Journal of International Law* 14, no. 2 (April 2003): 373.
[48] Kathryn L Gardner, "Fighting Terrorism the FATF Way," *Global Governance* 13, no. 3 (2007): 325 – 345.
[49] R Barry Johnston and Ian Carrington, "Protecting the Financial System from Abuse," *Journal of Money Laundering Control*, April 2013; T J Biersteker, S E Eckert, and Peter Romaniuk, "International Initiatives to Combat the Financing of Terrorism," in *Countering the Financing of Terrorism* (New York: Routledge, 2008), 234; T J

administrative structures, financial regulatory measures, and law enforcement, which aim to protect the integrity of the financial system and provide evidence for the cases under investigation. In addition, information on asset freezing and prosecution procedures is essential to the policy evaluation process.[50] Second, the sanctions list mechanism covers sanction policies to interdict and exclude financial transactions with Al Qaeda and other terrorist groups listed by UN Security Council Resolutions 1267 and 1373. However, the absence of domestic legal means and local institutions authorised and resourced to enforce sanctions is identified as another impediment to implementing the strategy, resulting in a significant gap in countering terrorist financing,[51] particularly in the case of developing countries like Indonesia. Third, financial intelligence as part of CFT policies can provide grounds for intervention, although its efficacy is questioned by some. As Michael Levi remarks:

> In reality, the best that can probably be achieved by 'follow-the-money' methods in countering terrorist finance is some intelligence that allows for interventions to make arrests, build up a broader picture of terrorist linkages, permit physical observations and prevent particular individuals and groups from obtaining the funds for particular projects beyond the trivial amounts needed for suicide bombings at the local level—or make them run higher risks in the search for funding.[52]

Financial Intelligence Units (FIUs) in each country generate financial intelligence reports to disseminate to law enforcement agencies and strategic counterparts, domestic and international. The reports depict information of terrorist linkages, including potential offenders and sympathisers who have much to lose from official sanctions and social benefits. However, this classified information ought to be verified as input to the further investigation process. As a transnational organised crime, terrorist financing transactions should be disentangled with

Biersteker and S E Eckert, "Taking Stock of Efforts to Counter the Financing of Terrorism and Recommendations for the Way Forward," in *Countering the Financing of Terrorism* (New York: Routledge, 2008), 289; Yee-Kuang Heng and Ken McDonagh, "The Other War on Terror Revealed: Global Governmentality and the Financial Action Task Force's Campaign against Terrorist Financing," *Review of International Studies* 34, no. 03 (July 2008): 553 – 573; Peter Sproat, "The Global System of Counter-Terrorist Finance: What Has It Achieved; What Can It Achieve," in *Routledge Handbook of Law and Terrorism* (New York: Routledge, 2015), 237 – 250.

[50] Biersteker, Eckert, and Romaniuk, "International Initiatives to Combat the Financing of Terrorism"; Sproat, "The Global System of Counter-Terrorist Finance: What Has It Achieved; What Can It Achieve."

[51] Jonathan M. Winer, "Countering Terrorist Finance: A Work, Mostly in Progress," *The Annals of the American Academy of Political and Social Science* 618, no. May (2008): 112 – 132.

[52] Levi, "Combating the Financing of TerrorismA History and Assessment of the Control of 'Threat Finance'','" 666.

money laundering. Most terrorist organisations are driven by political ends and tend to raise money and profit to support their networks and terror activities. Roberge reveals a comparison of concepts for defining money laundering and terrorist financing. However, the main weakness of Roberge's research is the statement that a policy targeting financial sectors is less appropriate to disrupt terrorist's funding.[53] This study will complete the gap in Roberge's research. It develops the importance of financial intelligence in terrorism investigations and contributes to disrupting terrorist financing by showing a correlation between CFT policies applied in the financial sector and how they address terrorist financing.

But there are several lines of criticism of applying the FATF recommendations. Neil Jensen and Cheong-Ann Png identified three factors that influence the level of compliance of developing member countries. The first factor is the complexity of the FATF recommendations. The strategies for implementing the recommendations vary according to the domestic legal and financial systems of each country. The FATF puts 220 criteria for their current evaluation methodology, which are hard for developing member countries to achieve due to resource limitations. The second factor to highlight is the limited capacity of countries to comply with the recommendations. The limitations include the capability of human resources and the level of human resources employed by government bodies, including financial regulators and law enforcement institutions. The last factor to consider is the ways countries prioritise the development of AML/CFT policies. Every country faces diverse challenges in addressing money laundering and terrorist financing issues. Therefore, how the national policymakers prioritise improving AML/CFT policies is another concern to consider.[54]

The concerns noted above could inform a review of how countries implement the FATF recommendations through CFT policies and to what extent the policies affect terrorist

[53] Ian Roberge, "Misguided Policies in the War on Terror? The Case for Disentangling Terrorist Financing from Money Laundering," *Politics* 27, no. 3 (2007): 197.
[54] Neil Jensen and Cheong-Ann Png, "Implementation of the FATF 40+9 Recommendations: A Perspective from Developing Countries," *Journal of Money Laundering Control* 14, no. 2 (2011): 113 – 115.

financing. This is related to how Indonesia established CFT policies and where the policies played a crucial role in preventing and combating terrorist financing crime. The work of Jensen and Png shows that the understanding of how each government body works in countering terrorist financing is critical to the level of compliance by member countries. However, it might be more useful to think of how the dynamics of terrorist financing changed in the country over time. An underlying assumption is that policymakers measure the success of CFT policies only based on the compliance rating issued by the FATF, rather than whether the policies effectively disrupt terrorist financial flows and mitigate further risk.

This research highlights the importance of how CFT policies are implemented in Indonesia. Indonesia is not a FATF member, but it is a member of the APG, the FATF-style regional body.[55] The Indonesian government has modified its laws, notably those on anti-money laundering, in order to comply with the FATF recommendations. In 2002, for instance, Indonesia followed the FATF recommendations by establishing an FIU and generating an anti-money laundering (AML) law. The AML law stipulated that terrorism and terrorist financing were predicate crimes of money laundering. Between 2002 and 2017, the Indonesian government developed law in three significant stages: the new AML law No. 8 Year 2010,[56] the anti-terrorist financing law No. 9 Year 2013,[57] and the issuance of financial technology regulation in 2017.[58] The objectives of these legal amendments are to disrupt the financial flow

[55] Indonesia became the APG member in August 1999. On June 29, 2018, Indonesia became an observer to FATF as an official step to becoming a full member of the organisation. The observer status was achieved during the Financial Action Task Force-Middle East and North Africa Financial Action Task Force (FATF-MENAFATF) joint plenary meeting in Paris attended by 700 members countries. By being an observer, Indonesia, represented by officials from the finance and foreign ministries, as well as the Indonesian Financial Intelligence Unit, could play a role in the task force's programs and voice its aspirations in the meeting. See: The Jakarta Post, "Indonesia Obtains FATF Observer Status," *The Jakarta Post,* July 5, 2018, https://www.thejakartapost.com/news/2018/07/05/indonesia-obtains-fatf-observer-status.html.

[56] The first phase of amending the law occurred in 2010 when the government established the new AML law No. 8. This law modified the definition of money laundering crime, financial industries' rules, and the relevant law enforcement efforts. Please see: "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 Tentang Pencegahan Dan Pemberantasan Tindak Pidana Pencucian Uang," 2010.

[57] In 2013, the government formulated an anti-terrorist financing law No. 9 that regulates a distinct definition of terrorist financing, the broader role of law enforcement agencies and financial industries in preventing and combating terrorist financing crime. Please see: "Undang-Undang Republik Indonesia No. 9 Tahun 2013," 2013.

[58] Through The Central Bank of Indonesia, the government regulated financial technology in 2017, covering the potential risk of technology in new payment methods, such as digital or mobile payment mechanism. Please see: Bank Indonesia, "Peraturan Bank Indonesia (PBI) No.19/12/PBI/2017," Central Bank of Indonesia, 2017.

of terrorist networks and prevent a future threat enabled by terrorist financing. Chapter 6, Chapter 10 and Chapter 11 in this study describe in more detail the work undertaken by the Indonesian government to step up efforts to disrupt terrorist funding through legislation, policies and law enforcement.

This thesis explains why the evaluation report conducted by the APG relating to Indonesia found that it was a compliant country but did not reach its potential in combating terrorist financing crime.[59] Although the APG report is an analysis of the implementation of CFT policies in Indonesia, a more complex task is to assess whether and how such policy modifications effectively combat and reduce, if not eliminate, terrorist financing networks in the country. The focus is to analyse whether the CFT policies affected the dynamic evolution of terrorist financing networks in Indonesia.

Research Design

In the broadest sense, this research seeks to define how Indonesian CFT policies have evolved during the period of 2012 to 2019 and what impact they have had on terrorist financing in the country. The following literature review has identified a knowledge gap that this study expects to fill. The argument is that there is a need for a comprehensive map of terrorist financing trends and typologies and for the application of impact analysis in evaluating CFT policies in Indonesia.

[59] The APG conducts a mutual peer review system, named as 'Mutual Evaluations' to all members in order to ensure the compliance of countries to the international AML/CFT standards set up by FATF. The evaluation process involves a team of experts from APG member jurisdictions who have been trained and qualified in applying the FATF's assessment methodology with a focus on technical compliance and effectiveness analysis APG, "Mutual Evaluations," accessed December 14, 2020, http://www.apgml.org/mutual-evaluations/page.aspx?p=a901712a-54e4-4b3b-a146-046aefca6534..

Although extensive research has been carried out on terrorist financing,[60] no single study exists explaining the evolution of terrorist financing networks in Indonesia from 2002 to 2019. Most of these works have focused on terrorist bombing incidents and arrests of terrorists. Because those studies have not provided complete information of trends and typologies of terrorist financing, policy has been formulated based on incomplete information. By using the case studies relating to the JI group and its associates, this study provides an account of terrorist financing networks, which is essential to the formulation of successful CFT policy.

Many scholars have worked in the field of policy evaluation. Studies by Evert Vedung, Thomas J. Cook and Frank P. Scioli Jr., David Marsh and Allan McConnell contributed to the theoretical framework used in this research. Vedung emphasises the importance of assessing policy performance, including the alignment (or its absence) of programs and policies with policy objectives.[61] The concept is central to the analysis in Chapter 12 of this thesis. The aim is to identify areas for improvement and priorities that the Indonesian government should have focused on in order to deal effectively with terrorist financing networks.

In addition to Vedung's work, Cook and Scioli's work in measuring policy impact are important to this research. Their three standards of policy performance, adequacy of performance and efficiency describe the relationship between policy design and policy implementation and determine whether they have addressed the targeted issues. The approach of determining intended and unintended consequences[62] are relevant to be applied as the framework used to evaluate the implementation of the Indonesian CFT policies.

[60] Sidney Jones, "Terrorism in Indonesia : Noordin's Networks," *Asia Report* 114 (May 2006): 19; Sidney Jones, "Indonesia : Jemaah Islamiyah's Publishing Industry," Asia Report (Jakarta: International Crisis Group, February 2008); Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah."
[61] Evert Vedung, "Six Models of Evaluation," in *Routledge Handbook of Public Policy*, ed. Eduardo Araral Jr. et al., First (New York: Routledge, 2013), 387 – 400.
[62] Thomas J. Cook and Frank P. Scioli Jr., "A Research Strategy for Analyzing the Impacts of Public Policy," *Administrative Science Quarterly* 17, no. 3 (1972): 331.

Furthermore, previous work examining 'policy success or failure', by David Marsh and Allan McConnel, contributes to the evidence-based policy analysis that is applied in this research. The concept of policy success or failure strengthens the arguments of policy evaluation, focusing on the use of evidence to demonstrate policy implementation.[63] That concept is consistent with this research's objective of examining whether the implementation of CFT policies in Indonesia has achieved policy goals.

Numerous scholars offer a critical analysis of CT policies that examines countries' efforts to counter the terrorism threat and the increasing demand for evaluation of the material uncovered. However, the arguments of these scholars, including the rationalist approach and the risk and cost-benefit approaches, demonstrate a knowledge gap in evaluating CT policies. Measuring policy success by using the occurrence of terror attacks as an indicator[64] is dangerous, because terrorists might conserve their limited resources to maximise the effect of the resources.[65] Moreover, the evaluation provided by public opinion polls and policy expenditures influenced by politics[66] is difficult to assess accurately.

This research also considers the work of Cynthia Lum et al. and Legrand et al. regarding an evidence-based approach to evaluating CT programs. Their works are premised on the basic tenets of assessing CFT policies. There is virtually no research that assesses counter-terrorism policy. Most studies suffer from a failure to measure the policy outcome and the output rather than a failure to measure the impact.[67] While evaluating policy outputs and outcomes is under the control of the policymaker in implementing tactics and strategies, this

[63] David Marsh and Allan McConnell, "Towards a Framework for Establishing Policy Success," *Public Administration* 88, no. 2 (April 2010): 564 – 583.
[64] T W Van Dongen, "Break It Down: An Alternative Approach to Measuring Effectiveness in Counterterrorism," *Journal of Applied Security Research* 63, no. 6 (2011): 358 – 361.
[65] Alexander Spencer, "The Problems of Evaluating Counter-Terrorism," *UNISCI Discussion Papers; Madrid* 12, no. 12 (2006): 186.
[66] John Mueller and Mark G Stewart, *Terror, Security, and Money: Balancing the Risks, Benefits, and Costs of Homeland Security* (Oxford University Press, 2011), 251.
[67] Linda M Merola, "Evaluating the Legal Challenges and Effects of Counterterrorism Policy," in *Evidence-Based Counterterrorism Policy* (Springer, 2012), 281 – 300; Hendrik Hegemann and Martin Kahl, "Constructions of Effectiveness and the Rationalization of Counterterrorism Policy: The Case of Biometric Passports," *Studies in Conflict & Terrorism*, 2015.

research considers applying policy impact analysis. This analysis observes the necessity of examining the causal relationship between countermeasures and targeted behaviour changes, whether increased or decreased.[68] This leads to the identification of intended and unintended consequences of the implementation of CT policies.

In terms of evaluating CFT policies, there has been little literature published. Moreover, most studies attempt to examine the application of CFT policies by analysing country compliance with the FATF recommendations. For instance, M. Brozska discusses that strong political pressures influence countries to produce CFT assessments. Therefore, the evaluation of CFT policies has been motivated to improve the standards of controlling financial institutions by assessing them against 'best practices' and not against the evidence of diminishing terrorist actions. Brozska found that the measures of policy effectiveness are biased in leveraging CFT measures and potentially impact on excessive costs.[69] Other scholars also presented different methods of assessing the CFT policy. These methods considered the UN 'asset-freezing' lists, the national CFT law and reporting regime, and the use of Suspicious Transaction Reports (STRs) as best practice indicators in measuring policy effectiveness.[70] In addition, Braun et al. base their assumptions on the results of mutual evaluations conducted by the FATF and its regional bodies.[71] However, their work does not adequately explain whether the application of CFT policy effectively disrupted and diminished terrorist financing networks.

The methodology applied in this research is guided by the goal of filling the gap in the evaluation of CFT policies. To answer the primary research question about how the CFT policies to combat terrorist financing networks in Indonesia have developed between 2002 and

[68] Tim Legrand, Simon Bronitt, and Mark Stewart, "Evidence of the Impact of Counter-Terrorism Legislation," in *Routledge Handbook of Law and Terrorism* (New York: Routledge, 2015), 302.
[69] M. Brzoska, "Consequences of Assessments of Effectiveness for Counterterrorist Financing Policy," *Administration & Society* 48, no. 8 (2014): 915 – 916.
[70] David Chaikin, "How Effective Are Suspicious Transaction Reporting Systems?," *Journal of Money Laundering Control* 12, no. 3 (2009): 238 – 253; Julia Braun et al., "Drivers of Suspicious Transaction Reporting Levels: Evidence from a Legal and Economic Perspective," *Journal of Tax Administration* 2, no. 1 (2016): 1–31; Sproat, "The Global System of Counter-Terrorist Finance: What Has It Achieved; What Can It Achieve," 240 – 244.
[71] Braun et al., "Drivers of Suspicious Transaction Reporting Levels: Evidence from a Legal and Economic Perspective," 100 – 105.

2019 and how effective or otherwise they have been in reducing the threat, this research utilises a case study approach to document and analyse evidence. The information is focused on the development of CFT policies and presents 12 case studies of terrorism and terrorist financing that involve the JI group, its associates and expansion to Foreign Terrorist Fighters (FTFs) networks. A policy evaluation model used in this research, presented later in Chapter 3, is generated based on three primary dimensions: evidence-based policy analysis, policy limitations, and unintended consequences examination. Such dimensions are applied to evaluate the correlation between CFT policy improvements and implementation, and the dynamics of terrorist financing networks in Indonesia.

The research includes information from interviews and document studies, both primary and secondary sources. The primary sources include court documents, case investigation reports, laws and regulations. Besides, five types of secondary data are also integral to this research. They consist of reports issued by international regulators, data from government agencies, by mass media information, reports generated by international organisations, and data from published research. Furthermore, in-depth interviews with key respondents in Indonesia play an important role in the analysis of the implementation of CFT policies in Indonesia. Additional interviews were conducted in Singapore, Malaysia, the Philippines and Australia to provide a framework of reference for Indonesia, which is the central focus of the analysis.

As mentioned above, the research emphasises that a time series analysis is applied to observe the development of terrorist financing networks in Indonesia and the policy evolution. Time series analysis means the observation of case studies focuses on two timeframes, before and after 2013, when the 2013 Anti-Terrorist Financing Law in Indonesia was established. An examination of such longitudinal timeframes suggests Indonesia's CFT policies have had limited success. This premise is supported by the investigation of the following propositions:

Proposition One: Terrorist financing networks have dynamic and adaptable structures that involve interactions of multiple agents to accommodate illicit financial flows for terrorism purposes.

Proposition Two: The disruption of financial transactions linked with terrorist activities requires financial institutions to apply regulatory measures on financial technology and money remittance services, implement the digital customer identification policy, monitor and report on suspicious transactions that indicate links to terrorist financing.

Proposition Three: Successful interdiction of terrorist financing requires law enforcement agencies to possess strong capabilities in identifying and tracking terrorist's financial transactions, confiscating terrorist's assets, imposing legal sanctions and collaborating with international counterparts in terms of financial intelligence sharing and mutual assistance.

Proposition Four: The implementation of CFT policies generates intended and unintended consequences, which countries should acknowledge and address to improve the effectiveness of policy targeted against clandestine threats like terrorist financing.

This thesis presents the journey of discovery of these propositions.

Outline of the thesis

This thesis comprises twelve chapters:

Chapter 1 Terrorist Financing reviews the literature on terrorist financing and the development of related concepts, including a brief explanation of the relationship between terrorist financing and money laundering. The chapter begins with an explanation of why terrorism is a continuing threat and how the investigation of terrorist financing is vital to counterterrorism strategies. I

review a range of literature that discusses the development of financial strategies by terrorists to raise, move and use funds. The literature review includes a description of the financial infrastructure of terrorists, both individuals and groups. This distinction is important because the variety of resources employed by the offenders reflects how terrorist financing networks operate and change over time. This part is essential to the later analysis of terrorist financing networks in Indonesia from 2002 to 2019 by setting out the arguments which will be drawn upon to answer the first research question concerning how terrorist financing has evolved in Indonesia.

Chapter 2 International CFT Initiatives outlines a conceptual framework for establishing countermeasures against terrorist financing. The chapter explores the development of international CFT policies. This includes strategies for law enforcement, financial regulations, and international cooperation. This chapter then discusses the evolutionary model of CFT policies and presents principles and scope postulated by the FATF as an international regulator. The chapter explains the obligations of FATF member jurisdictions to comply with international standards on countering terrorist financing. When the policy mandates are adopted and implemented well, the course of action is likely to meet its objectives in combating terrorist financing and related crimes. This is relevant to the analysis in subsequent chapters of the development of CFT policies by the Indonesian government, which is the main focus of my research.

Chapter 3 Policy Evaluation Model seeks to explain the importance of policy evaluation as a framework to shape the arguments used in examining the impact of CFT policies. The chapter starts with a definition of policy evaluation and focuses on conceptual frameworks for assessing policy impact, which later helps to determine the success or otherwise of policy implementation. The evaluation process is defined as observing the adequacy of policy implementation and how it addresses the main problem. This means this chapter also reviews selected literature on policy impact, policy success and failure, and policy consequences.

Finally, the chapter points out the limitations of existing studies on the issue of how to measure effectiveness in the implementation of counterterrorism and counter-financing of terrorism policies.

Chapter 4 Research Methods describes research methods applied in the study. Empirical fieldwork was conducted in Indonesia, which is the primary focus of the study. Additional fieldwork was conducted in Singapore, Malaysia, the Philippines and Australia to provide an analysis that will support the central assessment on Indonesia by examining the development of terrorist financing networks linked with other countries and offering perspectives on the cooperation that Indonesia has been made in implementing CFT policies. Data was collected from court documents, government reports and interviews. Court documents are essential in describing the evolution of terrorist financing networks through case studies of terrorism and terrorist financing that existed between 2002 and 2019. Some of these were publicly available, and others were obtained by request. The project also involved gathering and analysing formal and public government papers, laws and regulations, documents issued by intergovernmental organisations, academic reports and research papers, and media releases and reports. Interviews were conducted with government officials, experts, academics and the Asia Pacific Group on Money Laundering officials. The interviews aimed to deepen understanding of terrorist financing and seek a range of perspectives and analysis of how Indonesian CFT policies have been implemented, including their intended and unintended consequences on community and stakeholders as well as the challenges and opportunities presented.

To depict key case studies explaining Indonesian terrorist financing networks between 2002 and 2019, I divide the information into two parts: the case studies that occurred before and after the new Anti-Terrorist Financing regime applied in 2013. Using all available information resources, the case studies presented in the research demonstrate the changing patterns of how terrorists generate, move, and use funds for operations and organisational purposes. The case studies presented in Chapter 5 Terrorist Financing Networks in Indonesia (2002-2012),

Chapter 7 Terrorist Financing Networks in Indonesia (2013-2019) Part I, Chapter 8 Terrorist Financing Networks in Indonesia (2013-2019) Part II, and Chapter 9 Terrorist Financing Networks in Indonesia (2013-2019) Part III are important to support the first hypothesis describing that terrorist financing networks consist of dynamic and adaptable structures. Interactions among persons of interest are critical to accommodate illicit financial flows for terrorism purposes.

Chapter 5 Terrorist Financing Networks in Indonesia (2002-2012) covers five case studies: the Bali Bombing attack, Hambali's brotherhood network, the Abu Roban group, Jalin Jantho military training group, and Cahya Fitrianta's network. The case studies are continued in Chapter 7 Terrorist Financing Networks in Indonesia (2013-2019) Part I, Chapter 8 Terrorist Financing Networks in Indonesia (2013-2019) Part II, and Chapter 9 Terrorist Financing Networks in Indonesia (2013-2019) Part III. Here they highlight the evolution of terrorist financing networks between 2013 and 2019 by investigating seven cases: the Mujahidin Indonesia Timur (MIT) group, the Khatibah Gonggong Rebus (KGR) group, the Jama'ah Ansharud Daulah (JAD) group, narco-terrorism funding case, the Solo bombing attack, the Adi Jihadi group, and Foreign Terrorist Fighters (FTFs) networks. Those empirical parts of the research end with summaries of findings that explain the strategies of terrorist groups for managing fund-raising, including the use of domestic and international support and the transfer of funds facilitated by bank and non-bank instruments. The research also explains the uses of the funds raised, including the financing of bomb attacks, military training, and other operational and organisational expenditures required to develop and sustain their activities.

The research question concerning the implementation of CFT policies in Indonesia is addressed in Chapters 6 Understanding CFT Policies in Indonesia During 2002-2012, Chapter 10 Understanding CFT Policies in Indonesia During 2013-2019 Part I and Chapter 11 Understanding CFT Policies in Indonesia During 2013-2019 Part II. These three chapters trace the establishment of the country's strategies before and after the new countermeasures in

terrorist financing enacted in 2013. The explanation of policy improvements supports the central thesis regarding the importance of financial regulations, law enforcement and international cooperation in undermining terrorist financing networks in Indonesia. The detail of such developments is to be found in Chapter 12 Policy Slippage in the Implementation of CFT Measures. Chapter 6 Understanding CFT Policies in Indonesia During 2002-2012 investigates the adoption of FATF recommendations in anti-money laundering and counter financing of terrorism into national legislation and policies. This chapter examines the legislative framework for the strategy of criminalising terrorist financing as a response to the terrorist threat. Analysis of data on developing national CFT policies continues in Chapter 10 Understanding CFT Policies in Indonesia During 2013-2019 Part I and Chapter 11 Understanding CFT Policies in Indonesia During 2013-2019 Part II. These chapters detail the reforms of Indonesian CFT policies in order to comply with FATF recommendations. Indonesia's compliance is embodied in a specific law on countering terrorist financing that came into force in 2013. The way law enforcement, financial, and international cooperation agencies have adapted since 2013, and the rules governing them, are presented in these chapters, along with example stakeholder directives.

Chapter 12 Policy Slippage in the Implementation of CFT Measures, the concluding chapter of this thesis, sets out the findings of the analysis of the empirical evidence discussed in the previous chapters. Chapter 12 has four sections. The first is an examination and summary of observations on the changing patterns of terrorist funding. This includes methods of generating, moving and spending money through five streams: financial technology, informal money remittances, self-funding and social networks, non-profit organisations, and legitimate businesses. The second section considers the implications of improving financial regulations for undermining and eventually eliminating terrorist financing and covers three areas: (1) red flags or indicators for detecting suspicious financial transactions, (2) digital customer identification policies, and (3) a risk assessment approach. The third section is a review of

conclusions from mutual evaluation reports and the interviews conducted with selected respondents in several countries. The section starts with the confiscation of terrorist assets within a domestic framework, the use of financial intelligence and information exchange cooperation, and the need to improve public-private partnerships. Finally, the last part of the chapter reviews the hypotheses at the outset of the research. The chapter ends with a description of policy slippages in the implementation of CFT measures. It does so by probing shortcomings in three sectors as the causes of emerging unintended consequences: (1) undue targeting of NPOs, including Islamic charities, (2) banning the use of cryptocurrencies and (3) cost consequences borne by stakeholders, including technology and human resources.

Despite initiatives thus far, funding for terrorism continues, and unintended consequences are still emerging. This suggests that Indonesia's CFT policies are unlikely to be as successful as they could be. Indonesia's problem has been that national policies for countering terrorist financing have not sufficiently coordinated or focused on the target of terrorist financing crime networks yet. This chapter argues that the impact of the Indonesian Government's CFT policies on the threat of terrorist financing is limited. Modifying CFT policies to comply with the FATF standards is not enough on its own to diminish terrorist financing networks and mitigate future risks. This is the conclusion of the thesis, presented in the last chapter.

Chapter 1

Terrorist Financing

> Intelligence and security services worldwide, including the CIA and MI6, have never before encountered a global terrorist financial network as sophisticated as Al Qaeda's. Comparisons with other such networks reveal that Al Qaeda has built the most complex, robust and resilient money-generating and money-moving network yet seen. No network resembles Al Qaeda's….The resilience of Al Qaeda's financial infrastructure is primarily due to the compartmentalised structure it has adhered to since its inception. It assigns a high priority to financial training and management as well as the sustained generation and investment of funds.
>
> Rohan Gunaratna[72]

Introduction

Terrorism has been a defining feature of conflict in the opening decades of the twenty-first century, but its roots date back to decades earlier. Since the late 1960s and 1970s, scholars[73] have observed three types of terrorism phenomena: ideological terrorism, ethno-nationalist/separatist terrorism, and religious terrorism. Jae-myong Koh concludes that those categories are based on motivation or belief. For example, the ETA (Basque Homeland and Liberty), the IRA (Irish Republican Army), and the PLO (Palestinian Liberation Organisation) are parts of ethno-nationalist/separatist factions determined to pursue 'political self-determination'; while the ideology of other groups seeks a revolution of the entire political, social and economic system.[74] They look to replace it with a particular extremist model or establish religious belief-based networks including Al-Qaeda, the "Islamic" Hamas, etc. As

[72] Rohan Gunaratna, *Inside Al Qaeda: Global Network of Terror* (New York: Columbia University Press, 2002), 61.
[73] Jae-myong. Koh, *Suppressing Terrorist Financing and Money Laundering* (Springer, 2006); Bruce Hoffman, *Inside Terrorism*, Revised an (New York: Columbia University Press, 2006); Paul Wilkinson, *Terrorism Versus Democracy*, *International Terrorism: Challenge and Response*, 3rd edition (Oxon: Routledge, 2001); Cynthia C. Combs, *Terrorism in the Twenty-First Century*, Eight (New York: Routledge, 2018).
[74] Koh, *Suppressing Terrorist Financing and Money Laundering*, 2 – 3.

Cynthia C. Combs points out, there are at least four primary components of terrorism. These are violence, political motivation, an act against civilian non-combatants and an intention to spread fear and terror.[75]

Terrorism is an imminent threat in many parts of the world. Colin P. Clarke observes that terrorist groups continually develop their organisations and find ways to adapt their networks by employing their capabilities to produce money as the lifeblood of terrorist organisations.[76] This chapter highlights how terrorist groups manage their money and misuse or co-opt various payment methods to support their organisations and operations. The explanation offered here describes three phases of terrorist financing: fund-raising, fund-moving and fund-using. This chapter is essential to the research as it outlines the circumstances contributing to the CFT policymaking process aimed at countering the terrorist financing threat.

As Kim Cragin and Sara A. Daly observe, terrorist groups 'do not stand still'; they grow and respond to changes.[77] However, finance is essential to sustain them and to enable them to carry out acts of violence, including attacks on targets.[78] Through observations from the research on four terrorist groups: the IRA, Hamas, FARC, and Al-Qaeda – Cragin and Daly classify money as one of the operational tools for terrorists. The cases cited by Cragin and Daly, also confirm that the terrorist groups use their money to maintain group cohesion, such as funding for terrorists and their families.[79] This shows the importance of funds for terrorist organisations to sustain the groups and improve their financial capabilities. This is relevant to the explanation of terrorist financing offered in this chapter through the examination of the three elements of terrorist funding; that is, the ways terrorists raise, move and use money.

[75] Combs, *Terrorism in the Twenty-First Century*, 58.
[76] Colin P Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare* (California: Praeger, 2015), 1.
[77] Kim Cragin and Sara A. Daly, "The Dynamic Terrorist Threat: An Assessment of Group Motivations and Capabilities in a Changing World" (Santa Monica, CA: RAND Corporation, 2004), 61.
[78] Cragin and Daly, 25 – 26.
[79] Cragin and Daly, 54 – 57.

To clarify the scope of terrorist financing, Shanaka Jayasekara and Clarke[80] examine the terrorist groups The Liberation Tigers of Tamil Eelam (LTTE), Hezbollah, Al-Qaeda and the ISIS financial networks. In previous studies of those groups, different variables have been associated with each group's strategies to amass, transfer, and spend money, for example, on operations and for organisational purposes. According to these scholars, there are two key findings regarding the financial structure of terrorist groups. First, there are legal and illegal sources of money for terrorist groups. Second, domestic and international networks or diaspora play a significant role in galvanising support and relocating funds for terrorists.[81]

Clarke describes the fund-raising strategies of terrorist groups as the 'gray economy.'[82] The term refers to mixed channelling of funds from licit and illicit activities. Clarke emphasises that activities involving, but not limited to, diaspora funding, fraud, donations, and business activities, are not entirely illegal. He explains that the 'gray economy' intersects those legal and illegal activities.[83]

The legitimate funding of terrorist groups ranges from establishing individual or group businesses, diaspora contributions to charities, and front organisations. LTTE, for instance, established legal fund-raising streams by conducting businesses based on informal money remittance systems, mother-tongue schools, pre-paid phone cards, management of Hindu temples, fund-raising festivals, distribution of Tamil DVDs, subscription satellite television series; organising money through front organisations or charities; and managing registrations of the Tamil diaspora as a fixed income method.[84] In a similar vein, Hezbollah depends on

[80] Shanaka Jayasekara, "LTTE Fundraising & Money Transfer Operations," in *International Conference on Countering Terrorism* (Colombo: Centre for Policing, Intelligence and Counterterrorism, 2007), 1 – 10; Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*; Gunaratna, *Inside Al Qaeda: Global Network of Terror*.
[81] Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 3–6.
[82] Clarke, 49 – 50.
[83] Clarke, 5.
[84] Jayasekara, "LTTE Fundraising & Money Transfer Operations," 2–8; Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 50 – 51.

Iran's sponsorship, money from supporters living overseas, charities and front organisations.[85] As a worldwide terrorist group, Al Qaeda has combined legal and illegal funding.[86] The group had several legitimate businesses in construction, real estate, technology, agriculture and finance in several countries.[87] Apart from businesses, experts have found that Al Qaeda considered Islamic charities as the most important sources of financial support to the group, including donations gathered through non-profit organisations (NPOs); *zakat*, an obligatory financial contribution collected from Muslim diaspora; and money transferred by key financiers or businessmen.[88] The ISIS group use similar methods to fund operations.[89]

Terrorist groups generally apply not only legitimate but also various illegal ways to increase their wealth. For example, LTTE engaged its international network in a range of illegal activities, including the narcotics trade and international gang violence,[90] kidnapping for ransom, counterfeiting, fraud and money laundering.[91] Hezbollah similarly profited from a range of criminal activities, such as money laundering, human trafficking, fraud, intellectual property crime, drug and arms trafficking, cigarette smuggling, diamond trading, counterfeit

[85] Matthew Levitt, "Hezbollah Finances: Funding the Party of God," in *Terrorism Financing and State Responses: A Comparative Perspective*, ed. Jeanne K. Giraldo and Harold A. Trinkunas (California: Stanford University Press, 2007), 137 – 144; Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 71 – 74.
[86] Mark Basile, "Going to the Source: Why Al Qaeda's Financial Network Is Likely to Withstand the Current War on Terrorist Financing," *Studies in Conflict & Terrorism* 27, no. 3 (May 2004): 169 – 185; Zachary Abuza, "Tentacles of Terror: Al Qaeda's Southeast Asian Network," *Contemporary Southeast Asia* 24, no. 3 (2002): 427 – 465; Gunaratna, *Inside Al Qaeda: Global Network of Terror*; Shima D. Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism* (Gower, 2012); Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*; Victor Comras, "Al Qaeda Finances and Funding to Affiliated Groups," in *Terrorism Financing and State Responses: A Comparative Perspective*, ed. Jeanne K. Giraldo and Harold A. Trinkunas (California: Stanford University Press, 2007), 115 – 133; Juan Miguel Del Cid Gómez, "A Financial Profile of the Terrorism of Al-Qaeda and Its Affiliates," *Perspectives on Terrorism* 4, no. 4 (2010): 3 – 27.
[87] Basile, "Going to the Source: Why Al Qaeda's Financial Network Is Likely to Withstand the Current War on Terrorist Financing," 172 – 173; Gunaratna, *Inside Al Qaeda: Global Network of Terror*, 60; Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 103; Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 137; Juan Miguel Del Cid Gómez, "A Financial Profile of the Terrorism of Al-Qaeda and Its Affiliates," *Perspectives on Terrorism* 4, no. 4 (2010): 3 – 27; Comras, "Al Qaeda Finances and Funding to Affiliated Groups," 123 – 125.
[88] Basile, "Going to the Source: Why Al Qaeda's Financial Network Is Likely to Withstand the Current War on Terrorist Financing," 172 – 173; Gunaratna, *Inside Al Qaeda: Global Network of Terror*, 62; Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 103; Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 134 – 135; Gómez, "A Financial Profile of the Terrorism of Al-Qaeda and Its Affiliates," 2010.
[89] Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 154 – 156.
[90] Jayasekara, "LTTE Fundraising & Money Transfer Operations," 3 – 4.
[91] Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 52 – 53.

goods and medications, and sham marriages, as their business enterprise.[92] Al-Qaeda likewise has been involved in criminal activities, ranging from petty crime to white-collar crime, such as armed robberies and theft, illicit diamond trade in Liberia and Burkina Faso, drug trafficking, kidnapping for ransom, money laundering, fraud, counterfeit goods, paper companies, identity theft, exploitation of financial markets and insider trading, etc.[93]

The research undertaken here concerns the diversification of terrorist financing channels and analyses the funding options used by terrorist groups. With Indonesia as a case study, this study examines factors affecting the types of funding used by terrorist groups in Indonesia. This study notes there were similar circumstances previously in other countries with existing international terrorist organisations. This thesis shows that in examining those diversified terrorist financing strategies applied by Indonesian-based terrorist networks, there emerge clear similarities with the ways terrorist groups have operated elsewhere, particularly, in terms of raising, moving and using money. Thus, the analysis also demonstrates how multiple agents developing the financial structure of terrorist organisations responded to the CFT policies of the Indonesian government. This chapter surveys the literature on terrorist financing, and Chapter 2 will assess global CFT initiatives. The relationship between terrorist financing and CFT policies developed in Indonesia in response is the primary focus of my research.

As mentioned earlier, this chapter examines the three stages of terrorist financing: fund-raising, fund-moving and fund-using. The purpose is to review the literature defining terrorist financing as a critical element for terrorist organisations. The chapter also explains the difference

[92] Rhea D. Siers, "Hezbollah: The Continuing Expansion of a Robust Criminal Enterprise," in *Terrorist Criminal Enterprises: Financing Terrorism through Organized Crime*, ed. Kimberley L. Thachuk and Rollie Lal (California: Praeger, 2018), 147.
[93] Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 140; Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 106 – 108; 114 – 122; Gunaratna, *Inside Al Qaeda: Global Network of Terror*, 61 – 62; Comras, "Al Qaeda Finances and Funding to Affiliated Groups," 126; Gómez, "A Financial Profile of the Terrorism of Al-Qaeda and Its Affiliates," 2010, 12 – 14.

between terrorist financing and money laundering. Lastly, this chapter discusses the financial practices of terrorist groups.

1.1 Defining Terrorist Financing and Resourcing

Roth, Greenburg, and Wille argue that controlling terrorists' money is now an essential element of counter-terrorism, even though it was not an intelligence priority before the 9/11 attacks. Shortly after the attacks, the United States (US) government declared a global war on terrorism with a new approach to detecting and interdicting terrorists' funds. The US intelligence community found that the September 11 hijackers used domestic and foreign financial institutions as instruments to store, transfer and access their funds. They received money from facilitators in Germany and the United Arab Emirates. Khalid Sheikh Mohamed sent money to the hijackers when they transited Pakistan before going to the United States. The 9/11 Commission Report revealed the plot cost in the range of $400,000–500,000. The hijackers used money mostly for accommodation and living expenses.[94]

As noted in a later chapter, researchers are cognisant of the importance of financing for terrorist groups. However, some authors point out the trend towards 'budget' terrorist attacks; while some attacks require ample funding, the cost of lone offender attacks can be negligible and small cell plots may cost no more than $100,000 each. The London and Madrid bombings are examples of low-cost attacks. The terrorist cell responsible for the London bombing only spent $15,000, including airfares. Likewise, the cell responsible for the Madrid Bombing in 2004 spent only $80,000 to finance the train attacks, although it had access to approximately $2.3 million from the illegal drugs trade.[95] The 2014 Norwegian Defence Research

[94] John Roth, Douglas Greenburg, and Serena Wille, "Monograph on Terrorist Financing," Washington D.C., 2004, 3.
[95] Craig Whitlock, "Al-Qaeda Masters Terrorism On the Cheap," *The Washington Post*, 2008, http://www.washingtonpost.com/wp-dyn/content/article/2008/08/23/AR2008082301962.html.

Establishment Report found that 75% of the 40 jihadi plots in Europe between 1994-2013 spent less than $10,000 each.[96] Another inexpensive terror attack was the Thamrin Bombing in Jakarta, Indonesia. The middleman for the alleged financier in the 2016 Thamrin Bombing stated that the group spent US$30,000 on smuggling the weapons for the attack. About $23,000 was delivered to two intermediaries, and the rest of it was sent to the Philippines. Besides weapons smuggling, they spent the money on 15 airfares to Syria.[97]

Some terrorist acts may be low cost, but terrorist organisations themselves require a substantial budget to function.[98] Financing becomes the engine that drives their violent acts and develops the groups' networks. Terrorists require money for the costs of attacks, the salaries of individual members, communications, training, travel, accommodation, and logistics. They need resources to generate, sustain and improve their infrastructures.[99]

Hamed Tofangsaz classifies terrorist funds into three categories: (1) money and financial means, (2) tangible assets and (3) intangible assets. Firstly, terrorists use money and financial instruments for a variety of purposes, including logistics expenses such as buying weapons and explosives, bribing officials, developing media propaganda and social networks, and as a means to safeguard their wealth. Second, tangible resources are essential for terrorists' lives in three respects: providing basic needs, communication systems, and operational costs for conducting violent acts. The resources include food, clothing, accommodation, communication expenses (like internet and cell phones), travel costs for members of organisations, and weapons (which range from simple knives to high-tech munitions). Finally, in terms of

[96] Emilie Oftedal, "The Financing of Jihadi Terrorist Cells in Europe," 2014, https://www.ffi.no/no/Rapporter/14-02234.pdf.
[97] "Thamrin Bombing Financier Middleman Testifies in Court," *The Jakarta Post*, 2018, http://www.thejakartapost.com/news/2018/03/13/thamrin-bombing-financier-middleman-testifies-in-court.html.
[98] Michael Freeman, "The Sources of Terrorist Financing: Theory and Typology," *Studies in Conflict & Terrorism* 34, no. 6 (June 2011): 461 – 475; Jeanne K. Giraldo and Harold A. Trinkunas, "Terrorism Financing and State Responses: A Comparative Perspective," 2007, 365; Arabinda Acharya, "Small Amounts for Big Bangs? Rethinking Responses to 'Low Cost' Terrorism," *Journal of Money Laundering Control* 12, no. 3 (August 7, 2009): 285 – 298; Matthew Levitt, "Low Cost, High Impact: Combatting the Financing of Lone-Wolf and Small-Scale Terrorist Attacks," 2017.
[99] Hamed Tofangsaz, "Rethinking Terrorist Financing; Where Does All This Lead?," *Journal of Money Laundering Control* 18, no. 1 (January 5, 2015): 114.

intangible means, terrorists require intelligence and effective leadership control to manage their clandestine operations, including planning, coordination and execution.[100]

To clarify the importance of money for terrorist organisations, a definition of terrorist funds is required. According to the International Convention for the Suppression of the Financing of Terrorism, terrorist funds are defined as :

> Assets of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including, but not limited to, bank credits, traveller's cheques, bank cheques, money orders, shares, securities, bonds, drafts, letters of credit, used to support operations and violence.[101]

The money could also be used for training, accommodation, explosives, weapon purchasing, propaganda, and recruitment.[102] Further, Article 2 of the 1999 Convention designates terrorism financing as a crime, as follows:

> 1. Any person commits an offence within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out:
>
> […]
>
> (b) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.
>
> […]
>
> 3. For an act to constitute an offence set forth in paragraph 1, it shall not be necessary that the funds were actually used to carry out an offence referred to in paragraph 1, subparagraphs (a) or (b).

[100] Tofangsaz, 114.
[101] "International Convention for the Suppression of the Financing of Terrorism," *United Nations Website*, December 1999.
[102] Giraldo and Trinkunas, "Terrorism Financing and State Responses: A Comparative Perspective."

> 4. Any person also commits an offence if that person attempts to commit an offence as set forth in paragraph 1 of this article.' (parentheses added).[103]

Michael Freeman names six key criteria influencing terrorist groups' choice of modes of funding. The first is quantity: the resources providing the most money are the most desirable. Second is legitimacy: terrorists prefer resources which at least appear legitimate in the eyes of the community whose support the terrorists are seeking. Terrorists tend to avoid illegitimate ways of raising money so as not to alienate those in their own clandestine movements who may have strong principles and religious beliefs where financial dealings are concerned.

Security is also important to terrorists in funding their organisation. As Freeman explains, terrorists will work with sources of funding less likely to be detected by state intelligence. The reliability of funding is also a key consideration. Terrorists prefer reliable, steady resources to those that fluctuate. Another criterion in managing terrorist funds is control. Terrorists understand that money is associated with power. They prefer independent sources to external sponsors because the sponsors may seek to influence the movement. Terrorist organisations also prefer simplicity in their money-raising. Financial channels that involve fewer specialist skills, less effort, easy processes and low costs will be preferred to others.[104] Terrorists tend to consider these six criteria identified by Freeman in choosing their financial resources.

To further explain the definition of terrorist financing, the FATF published nine special recommendations in 2001. The recommendations support the implementation of the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism by encouraging action by country members to combat terrorist financing. The FATF also emphasises three stages of terrorist financial management, including ways to raise, move and

[103] "International Convention for the Suppression of the Financing of Terrorism."
[104] Freeman, "The Sources of Terrorist Financing: Theory and Typology," 463 – 465.

spend funds.[105] An understanding of these three stages is necessary in formulating best practice counter-terrorist financing strategy.

As will be seen in a later chapter, the literature on terrorist financing is divided into three main categories. The first is terrorist fund-raising literature, discussed at the beginning of this section below. Terrorist fund-raising studies offer a model of how terrorists develop a diversity of sources, how they select the means of terrorist financing and how they use those resources to finance intended terror activities. The second part is the literature on the movement of funds which examines the use of legal and illegal methods to transfer money. Apart from using their own financial system, terrorists can move funds by other means, including trade finance, third parties, or the procurement of assets.[106] The third part explores spending, both for terror operations and for their enabling organisation. The reviewed literature is a point of reference in the research for an explanation of the dispersed mechanisms used by terrorists to protect the confidentiality of their financial management.

1.1.1 The Sources of Funds

When analysing terrorism financing, the literature mainly discusses the need terrorists have to fund their operations and develop their organisations and networks.[107] According to Richard Barrett, terrorist organisations raise money by harnessing individuals and groups of people to build financial networks outside the terrorists' closed loops.[108] Christian Leuprecht and Olivier Walther point out the character of terrorists' financial structures as 'complex,

[105] FATF-GAFI, "Terrorist Financing" (Paris: Financial Action Task Force (FATF) GAFI, February 2008), 4 – 5.
[106] Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 153.
[107] Fabian Maximilian Teichmann, "Recent Trends in Money Laundering and Terrorism Financing," *Journal of Financial Regulation and Compliance* 27, no. 1 (February 11, 2019): 2 – 12.; Tofangsaz, "Rethinking Terrorist Financing; Where Does All This Lead?," January 5, 2015; Anne L. Clunan, "The Fight against Terrorist Financing," *Political Science Quarterly* 121, no. 4 (2006): 569 – 596.
[108] Richard Barrett, "Preventing the Financing of Terrorism," *Case Western Reserve Journal of International Law* 44, no. 3 (2012): 719.

volatile and destabilising.'[109] Terrorist groups use two methods to raise funds: that is, legal and illegal methods which differentiate terrorist finance from other forms of financial crime, including money laundering.[110] By recognising those two strategies, this research provides relevant insights into terrorist financiers activities.

The following literature is a sound basis for the analysis of situations where varied and scattered financial resources in shifting networks can rapidly change the money-raising tactics of terrorist groups.[111] This argument is relevant to the present research because understanding terrorists' preferences in making and collecting money helps explain how governments formulate policy, improve law enforcement, and distribute resources to counter the financing of terrorism.[112] Moreover, Nikos also highlights the need to monitor the evolution of terrorist financial structures in order to track the financial flows and thereby anticipate a planned or imminent attack.[113] Phil Williams concludes that ..'the deeper the knowledge base and the greater the level of understanding terrorist finances, the greater chance of detecting activities or shifts in activities that provide warning indicators..'[114] Finally, the following arguments improve our understanding of the way terrorists and facilitators manipulate the global marketplace.

As noted previously, the common needs of terrorist organisations are a significant push factor to select their best financing methods. Jodi Vittori investigates other characteristics that could influence the selection, such as the group's inherent capabilities, the options available and the basic costs. Generally, terrorists acquire funds under three sets of conditions. These are 'to

[109] Christian Leuprecht and Olivier Walther, "Applying Social Network Analysis to Terrorist Financing," in *The Palgrave Handbook of Criminal and Terrorism Financing Law*, ed. Colin King, Clive Walker, and Jimmy Gurulé (Cham: Palgrave Macmillan, 2018), 945.
[110] Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 128.
[111] Jeanne K. Giraldo and Harold A. Trinkunas, "The Political Economy of Terrorist Financing," in *Terrorism Financing and State Responses: A Comparative Perspective*, ed. Jeanne K. Giraldo and Harold A. Trinkunas (California: Stanford University Press, 2007), 11.
[112] Passas, "Terrorism Financing Mechanisms and Policy Dilemmas."
[113] Ibid.
[114] Phil Williams, "Warning Indicators and Terrorist Finances," in *Terrorism Financing and State Responses: A Comparative Perspective*, ed. Jeanne K. Giraldo and Harold A. Trinkunas (California: Stanford University Press, 2007), 87.

have it given to them'; 'to steal it'; and 'to work for it.' The first one refers to a situation where terrorist groups receive money from sponsoring states or donors. Under the second set of conditions, terrorists would be in criminal networks. Under the third set of conditions, terrorists would establish legal business or financial ventures and use the proceeds to finance terrorism.[115]

In most cases, terrorists raise money through state sponsorship and self-funding. Several experts[116] have noted that state sponsorship is a major external funding channel for terrorist groups. Jodi Vittori identifies three motives for state-sponsored resourcing of terrorism: terrorist groups can benefit the supporting state, for example, by enhancing the state leadership's domestic power. Conversely, states offer tangible and intangible resources such as money to conduct training and for mounting violent operations; as well as for providing arms and logistics; and other possible assistance for the groups, including sanctuary. Sanctuary becomes the most critical support for terrorist groups since it greatly improves the group's chances of escaping counterterrorism powers and surviving.[117] The groups decide to receive support from the state because that support benefits the organisation and aids their execution of violent operations.[118]

On the other hand, terrorist groups can find there are disadvantages to such external support. State sponsorship can be detrimental to terrorist groups, especially regarding control and reliability.[119] Loss of autonomy is one of the most significant considerations for terrorist groups. Such groups believe that selecting a state as their primary channel for financing would

[115] Jodi Vittori, *Terrorist Financing and Resourcing* (New York: Palgrave Macmillan, 2011), 28 – 29.
[116] Freeman, "The Sources of Terrorist Financing: Theory and Typology"; Tofangsaz, "Rethinking Terrorist Financing; Where Does All This Lead?," January 5, 2015; Ilias Bantekas, "The International Law of Terrorist Financing," *The American Journal of International Law* 97, no. 2 (April 2003): 315; Vittori, *Terrorist Financing and Resourcing*; Giraldo and Trinkunas, "Terrorism Financing and State Responses: A Comparative Perspective"; Paul J. Smith, *Terrorism Finance: Understanding the Financial Foundations of Contemporary Terrorism*, ed. Matthew J. Morgan (New York: Palgrave Macmillan, 2009, 165 – 184.
[117] Vittori, *Terrorist Financing and Resourcing*, 29 – 30.
[118] Bantekas, "The International Law of Terrorist Financing," 317.
[119] Freeman, "The Sources of Terrorist Financing: Theory and Typology," 465.

compromise their integrity because a state has the power to constrain the group's activities and to use the group in pursuit of its own interests.[120]

Some prime examples of states sponsoring terrorist groups through funding include Iran, Syria and Pakistan. Iran is the most active sponsor of the group known as Hezbollah, donating approximately US$100 million per year. Syria is believed to supply weapons, safe-haven and financial support to seven terrorist groups in the US State Department's list, including Hamas and Palestinian Jihad. Pakistan's Inter-Service Intelligence Agency was identified as a sponsor of the Afghan Taliban and other groups, including Lashkar-e-Taiba, Harakat ul-Mujahidin, and the Hizbul Mujahideen.[121]

The decline in state sponsorship has forced terrorists to find other sources and methods for funding. Some have sought to rely on self-funding, using legal and illegal resources. Conducting legal activities to raise funds gives terrorists the benefit of security, as it is more difficult for the state authorities to detect terrorists' covert actions if they are hidden behind legal businesses. However, legitimate channels, such as business activities, require high skills to be profitable in a competitive market. And as Michael Freeman observes, 'a legal business may act as a beacon that offers the authorities a door into the terrorist group and might allow them to trace back communication or flows of money into the "dark" side of the organisation.'[122] The following literature indicates some of the legal funding options available to terrorists in charities and business activities. The framework is used in Chapter 5, Chapter 7, Chapter 8 and Chapter 9, to describe the evolution of terrorist financing activities in Indonesia, predominantly in charities and businesses.

[120] Vittori, *Terrorist Financing and Resourcing*, 30.
[121] Freeman, "The Sources of Terrorist Financing: Theory and Typology," 465.
[122] Freeman, 470.

The first example of legal sources of funding is the use by terrorists of either charitable individuals or non-profit organisations.[123] Charitable donations constitute a disproportionate part of the income of many Islamic groups, in particular. The Qur'an – the principal legal reference of Islamic Law – mandates Muslim societies to set aside money for a charity called Zakat. Vast donations through Zakat have been collected and acknowledged as the primary contribution from an individual to the broader community.[124] There is no accurate figure on the size of contributions and how the funds are used, but there is circumstantial evidence that these funds are misused for financing extremism or terrorist activities.

Furthermore, terrorists are in a position to misuse contributions from sympathetic diaspora communities to fund their operations. Previously, for instance, Al Qaeda made extensive use of charities to finance itself. This trend also can be seen in the cases of the Global Relief Foundation and the al-Wafa organisation,[125] which have been associated with Al Qaeda.[126] Nimrod Raphaeli claims that charitable organisations may not only spend their own money to fund violent operations, they may also serve as a channel for transferring money to other terrorist networks.[127]

As indicated previously, terrorist groups also establish legitimate businesses to cover their financial needs. For examples, Bin Laden – the leader of Al Qaeda – launched 30 companies

[123] Freeman, "The Sources of Terrorist Financing: Theory and Typology"; Tofangsaz, "Rethinking Terrorist Financing; Where Does All This Lead?," January 5, 2015; Nimrod Raphaeli, "Financing of Terrorism: Sources, Methods, and Channels," *Terrorism and Political Violence* 15, no. 4 (October 4, 2003): 59 – 82; Bantekas, "The International Law of Terrorist Financing"; Vittori, *Terrorist Financing and Resourcing*; Giraldo and Trinkunas, "Terrorism Financing and State Responses: A Comparative Perspective"; Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*; FATF-GAFI, "Terrorist Financing"; Smith, "Terrorism Finance: Understanding the Financial Foundations of Contemporary Terrorism."

[124] Bantekas, "The International Law of Terrorist Financing," 322.

[125] The Global Relief Foundation (GRF) and the al-Wafa organisation are two examples of Saudi charities and NGOs that had links to terrorist organisations, especially in terms of soliciting funds for Al Qaeda. Please see: Matthew Levitt, "Charitable and Humanitarian Organizations in the Network of International Terrorist Financing," *The Washington Institute*, August 1, 2002, https://www.washingtoninstitute.org/policy-analysis/charitable-and-humanitarian-organizations-network-international-terrorist-financing. The organisations are designated by US officials as key components of bin Laden's group. GRF was listed in 2002 by US Treasury because of its connection with Al Qaeda and the Taliban. Please see: Michael Jacobson, "Terrorist Financing and the Internet," *Studies in Conflict & Terrorism* 33, no. 4 (March 15, 2010): 356.

[126] Freeman, "The Sources of Terrorist Financing: Theory and Typology," 470.

[127] Raphaeli, "Financing of Terrorism: Sources, Methods, and Channels," 62.

that engaged in various businesses ranging from general research to civil engineering. They include Wadi al-Aqiq, Laden International, Taba Investment, Al-Hiraj, Blessed Fruits, al-Qudurat Transportations, al-Themar al Mubaraka and the International al-Ikhls Company. Bin Laden's family also owned a construction company – the Saudi Binladin Group.[128] Another well-known example is the Aum Shinrikyo group in Japan, which ran legitimate businesses such as a copy shop, a noodle shop, a computer software company, and a real estate business.[129]

In view of the disadvantages of conducting legal activities, such as the requirement for high-level business skills, a competitive environment and the challenge of maintaining adequate profits, terrorists may turn to illegal activities which may offer them greater reliability, simplicity, and independence.[130] Ranging from low-level street crime to white-collar and organised crime, terrorists struggle to raise large amounts of money. Methods include robbery, extortion, counterfeit products, drugs trade, smuggling, kidnapping for ransom, petty crime, pirating, cybercrime, and fraud. A corrupt or non-existent law enforcement environment is also a plus for terrorists committing such crimes. Regardless of the risk of arrest, terrorists believe that crime allows them to acquire, move, and hide their resources from the state authorities who seek to control and track their activities.[131]

Terrorists' fund-raising methods provide critical insights into terrorist funding activities; however, in the process of raising money and spending it, terrorists necessarily interact with people and enter into financial transactions outside their internal circles. The process of moving funds is discussed in the next section to reveal how terrorist groups, through their social networks, exploit banks and other institutions as their means of transferring money before it is

[128] Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 104.
[129] Daniel Alfred. Metraux, *Aum Shinrikyo's Impact on Japanese Society* (Edwin Mellen Press, 2000).
[130] Freeman, "The Sources of Terrorist Financing: Theory and Typology," 468.
[131] Vittori, *Terrorist Financing and Resourcing*, 30.

spent. Funds-transfer studies are helpful in recognising that terrorist groups in Indonesia have adopted similar methods for moving their funds.

1.1.2 The Movement of Funds

Having discussed how terrorists make money for their organisations, let us turn to terrorists' strategies for moving their funds. Terrorists move their money in three main ways: by using financial systems such as bank transfers and remittances, by physically transporting the cash across borders and by using the international trading system.[132] Understanding terrorists' strategies for moving their funds gives us a better comprehension of how they misuse key financial instruments in the process.

The most common way for terrorists to move funds is through the financial system. To transfer resources to particular persons of interest, terrorists use the informal and formal banking system. The formal banking system consists of commercial and investment banks and their services, including deposits, business and consumers loans.[133] It also includes wire bank transfers and a variety of derivative products such as e-money cards, electronic cash and smart cards, stored-value cards and prepaid cards.

Rudner claims that the formal banking system is attractive to terrorists because of the 'speed and ease' that enable the transfer process to run efficiently and effectively between and within jurisdictions.[134] The following literature examines the likelihood of terrorists using the formal banking system, in this case, commercial banking and electronic money.

[132] FATF-GAFI, "Terrorist Financing."
[133] Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 139.
[134] Martin Rudner, "Hizbullah Terrorism Finance: Fund-Raising and Money-Laundering," *Studies in Conflict & Terrorism* 33, no. 8 (July 15, 2010): 706.

Shima D. Keene surveys commercial banks, primarily at the level of retail operations, that offer typical mass-market banking services, including savings and checking accounts, mortgages, personal loans, credit cards and debit cards. These banks also offer convenience in accessing accounts through mobile phones and the internet. Individual customers can send and receive the money at any time.[135] Steve Kiser points out that formal banking systems can also serve as a cover for terrorists by facilitating transactions without revealing the sender because the bank's privacy regulations protect the information of account holders. For example, in the case of Al Qaeda, Osama bin Laden opened multiple accounts under aliases in different countries.[136]

Shima suggests that the formal payment system has turned electronic money[137] into a secure, efficient, time-saving and low-cost medium of exchange that creates new business opportunities on the internet.[138] Along similar lines, Giorgio Melonghi explains that the enhancements to electronic money as a payment instrument benefits criminals due to the system's accessibility, the protection of information by providers, the anonymity of operators and the option to move money internationally. Highly-developed information and communication technologies enable money transfers to be made electronically between users and system merchants without the intervention of a centralised authority or traditional financial mediators. As a result, the use of electronic money creates a situation where the speed and immediate effectiveness of encrypted IT data enable the transfer of unlimited amounts of money. Furthermore, the transactions can be concealed by splintering the funds into small

[135] Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 142.
[136] S D Kiser, "Financing Terror: An Analysis and Simulation for Affecting Al Qaeda's Financial Infrastructure," *RAND Thesis*, 2005, 86.
[137] Electronic money is also recognised as e-money, electronic cash, digital money, digital cash, electronic currency, or digital currency.
[138] Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 143.

amounts below the threshold that would trigger the customer's identification and the prying eyes of law enforcement and financial regulators.[139]

Apart from formal payment systems, other means of transferring funds are also popular. Nikos Passas notes the application of informal value transfer systems (IVTS) in financing terrorist activities. The IVTS refers to methods of moving money in an untraceable way because of the nature of the transfers being outside the formal financial system.[140] Jodi Vittori describes this method as a 'trust-based mechanism' that guarantees the movement of funds from one geographic location to another by "using a series of informal, and often unlicensed, money exchanges."[141]

Regarding IVTS, Passas mentions the potential for *hawala* and similar ethnic networks to be exploited for terrorist payments.[142] As previously stated, *hawala* is an Arabic term to define 'transfer.'[143] It has been used since before the 9/11 tragedy as a primary channel for transferring illegal cash to Islamist terrorists, particularly to fund the attack on the World Trade Center (WTC) and the Pentagon by the Al Qaeda group.[144] *Hawala* enables unregistered funds to move internationally by mobilising 'multiple contracting parties' linked by tribe, kinship, and family networks.[145]

As mentioned, *hawala* came under scrutiny over the 9/11 attacks, when financial authorities started to focus on its trust-based, practical, convenient and low-cost method of transferring funds. These characteristics have made *hawala* a popular means of transferring funds in South Asia, the Middle East, and Africa. Passas notes that *hawala* is a crucial conduit for terrorists

[139] Giorgio Merlonghi, "Fighting Financial Crime in the Age of Electronic Money: Opportunities and Limitations," *Journal of Money Laundering Control* 13, no. 3 (July 20, 2010): 207.
[140] Nikos Passas, "Informal Value Transfer Systems, Terrorism and Money Laundering," *SSRN Electronic Journal* (Boston, November 14, 2003), 8.
[141] Vittori, *Terrorist Financing and Resourcing*, 45.
[142] Passas, "Terrorism Financing Mechanisms and Policy Dilemmas," 29.
[143] Passas, "Informal Value Transfer Systems, Terrorism and Money Laundering."
[144] Thomas Viles, "Hawala, Hysteria and Hegemony," *Journal of Money Laundering Control* 11, no. 1 (2008): 25.
[145] Viles, 29.

operating in South Asia and Africa. In Southeast Asia, particularly in Indonesia and Malaysia, *hawala* is the service of choice for migrant workers sending money to their relatives overseas.[146]

Returning to how terrorists move their money, Hamed Tofangsaz notes that one traditional strategy is often described as the smuggling cash method.[147] Steve Kiser observes that cash smuggling is attractive to terrorists because of its anonymity and because its value can readily be converted into any other currencies or resources. Cash funds can also be deposited in the financial system at relatively low risk, making it even more attractive as a method of moving money.[148]

As an example, the 9/11 Commission Report frankly admits that besides using wire transfer, debit, and credit cards from overseas to the United States, Al Qaeda also financed the hijackers by hand-carrying cash or traveller's checks into the country.[149]

On the other hand, notwithstanding the benefits, cash smuggling runs the risk of detection by investigators and being stolen. To mitigate these risks, terrorists and their supporters may opt for precious metals and stones, like gold and diamonds or any other expensive commodities, to move and store terrorist resources.[150]

Lastly, there are cases of terrorists concealing their money in transit within the trading system. The international trade system is vulnerable to being exploited by terrorists moving their cash and commodities. Criminals abuse the system by over-and/or under-invoicing commodities and services, multiple invoicing of products and services, over-and under-shipments of goods and services, and misrepresenting goods and services.[151] This channel is often acknowledged

[146] Passas, "Terrorism Financing Mechanisms and Policy Dilemmas," 29.
[147] Tofangsaz, "Rethinking Terrorist Financing; Where Does All This Lead?," January 5, 2015, 117.
[148] Kiser, "Financing Terror: An Analysis and Simulation for Affecting Al Qaeda's Financial Infrastructure," 91.
[149] "The 9/11 Commission Report" (New York, United States, 2004), 172, 222.
[150] Koh, *Suppressing Terrorist Financing and Money Laundering*, 30.
[151] Clare Sullivan and Evan Smith, "Trade-Based Money Laundering: Risks and Regulatory Responses | Australian Institute of Criminology" (Canberra, 2011), 6, https://aic.gov.au/publications/rpp/rpp115.

as a trade-based money laundering (TBML) mechanism. Since 2006, the FATF has examined this mechanism as one of the three primary money moving methods to hide the origins of funds and reinstate the money in the legal economy. The FATF recognised TBML as the concealment of the proceeds of crime through trade transactions.[152]

In summary, this section has examined channels of funding that can be misused by terrorists to move their money. The examination demonstrates that funds can be transferred in several ways, including the use of asset transfers, trading systems and social networks. The description of how terrorists move their money underscores the importance of technology in payment methods for terrorists, for example, the creation of digital money. Shima Keene, however, singles out terrorist groups' use of money laundering in order to move funds.[153] Money laundering was prevalent in the Al Qaeda era, and as Nikos Passas claims, 'money laundering behaviour has manipulated international trade.'[154]

By identifying key means used by terrorists to raise and move funds, this section has established a basis for understanding the flow of terrorists' financial resources. The next section describes how terrorists' money is used to support the financial structure of their organisations. Phil Williams notes that the money collected by terrorists is used for terrorist activities either by the group itself or to support those of a separate cell. The transaction flows enable investigators to connect known and unknown parts of terrorist networks.[155]

[152] FATF, "Trade Based Money Laundering," 2006, 3, http://www.fatf-gafi.org/media/fatf/documents/reports/Trade Based Money Laundering.pdf.
[153] Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*, 153.
[154] Passas, "Terrorism Financing Mechanisms and Policy Dilemmas," 30–31.
[155] Phil Williams, "Warning Indicators, Terrorist Finances, and Terrorist Adaptation," *Strategic Insights* 6, no. 1 (2005): 8.

1.1.3 The Use of Funds

As noted above, terrorist groups need funds to acquire the operational and organisational capabilities to carry out attacks.[156] This section turns to the basics of how terrorists use their money. In general, terrorists spend most of their funds on survival and mounting violent operations. FATF studies highlight five categories for terrorists' expenditure. These are operations, propaganda and recruitment, training, salaries and compensation to members, and social services.[157]

The first category is money for operations. In most cases, terrorist groups need financial resources for pre-operational surveillance and then to conduct the attacks. Expenses include travel, accommodation, vehicle rental, weaponry, and fake identity documents. Zachary Abuza reveals that the funding network of Jemaah Islamiya (JI) received some US$95,000 from Al Qaeda through incremental cash deliveries by personal couriers. The money was contributed in part to finance the Bali bombings. Abuza also notes that Wan Min Mat – a JI treasurer in Malaysia – personally delivered US$35,000 to Mukhlas and Imam Samudra, the main actors in the Bali bombings.[158] This is a well-known example of how a terrorist group manages and deploys its resources in planning an attack.

Secondly, terrorist groups use their funds for propaganda and recruitment. Anne L. Clunan identifies that besides using the money for food, transport, accommodation, equipment, as well as purchasing explosive materials for bomb-making, terrorist groups collect funds for supporting groups' strategies to develop networks, for instance, through training and

[156] Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*, 14,19.
[157] FATF, "Emerging Terrorist Financing Risks," 2015, 9 – 10, http://www.fatf-gafi.org/media/fatf/documents/reports/Emerging-Terrorist-Financing-Risks.pdf.
[158] Zachary Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah," *The National Bureau of Asian Research (NBR) Analysis* 25, no. 2 (2003): 172, http://www.jstor.org/stable/25798639.

propaganda.[159] Tofangsaz also examines the financial requirements of terrorist organisations seeking to establish, sustain, and improve their infrastructure.[160]

The recent advance in communications technology creates ideal conditions for terrorists developing their propaganda and recruitment strategies. The groups use the internet as a platform to engage in public propaganda and psychological warfare. The latter is a tool for spreading provocative statements, delivering counter-narratives to the government's and terrifying images.[161] The use of the internet for publicity can cost a great deal of money, depending on the target audience and the type of media publicity envisaged, posting videos, podcasts or websites. Maura Conway examines recruitment as one of two core uses of the internet for terrorist organisations. By using the internet, such organisations also mobilise sympathisers to support them more actively.[162]

The third category of terrorist expenditure is training. After recruiting members, terrorist organisations require funds to conduct training on weapons, bomb-making, covert communications and ideology. Besides spending on technical expertise, they also use their money for setting up training camps and providing facilities. The former leader of JI, Abdullah Sungkar, began sending groups of recruits to Afghanistan to provide them with a jihadist worldview and combat skills as well as a connection with Indonesian trainees and members of Al Qaeda. This was an effort to involve the mujahideen in the terrorist networks. JI also collaborated with the Philippines Moro Islamic Liberation Front (MILF) to establish training camps in Mindanao. The purpose of coaching in Afghanistan and Mindanao was to boost Jihadist skills in Indonesia.[163]

[159] Clunan, "The Fight against Terrorist Financing."
[160] Tofangsaz, "Rethinking Terrorist Financing; Where Does All This Lead?," January 5, 2015, 114.
[161] Maura Conway, "Terrorism and the Internet: New Media—New Threat?," *Parliamentary Affairs* 59, no. 2 (2006): 283–98, https://doi.org/10.1093/pa/gsl009; Paul Gill et al., "Terrorist Use of the Internet by the Numbers," *Criminology & Public Policy* 16, no. 1 (February 2017): 99–117, https://doi.org/10.1111/1745-9133.12249.
[162] Conway, "Terrorism and the Internet: New Media—New Threat?," 290.
[163] Yanina Golburt, "An In-depth Look at the Jemaah Islamiyah Network," *The Fletcher School Online Journal* 2 (2004): 2 – 3.

Next, the terrorist organisations spend money on wages and compensation to members. They reward members financially in proportion to the commitment they show to the organisation's objectives and beliefs. For example, ISIS reportedly pays its members in the range of 50 euros per month for unskilled voluntary fighters, up to 1,500 euros per month for more skilled members. The payment is based on skills and also on the nationality of the member.[164] Another public report reveals that an Indonesian pro-ISIS supporter – the student of a prominent terrorist offender, Aman Abdurrahman – received $200 per month as compensation for being a member of the group. The payment consisted of a salary of $50, with another $50 as an allowance for his wife and $25 for each child.[165]

The last category of expenditure is social services. In some cases, terrorist groups establish non-profit organisations or religious charities that provide social, health and educational services. They do this to increase their legitimacy among local populations and stimulate recruitment. In 2005, for instance, JI was involved in humanitarian work following the tsunami disaster, which killed more than 165,000 Indonesians. They participated as part of the group known as Majelis Mujahidin Indonesia and provided spiritual support to victims, mosque reconstruction assistance and other forms of help.[166]

So far, the study on terrorist financing methods has discussed diverse financing sources and methods of moving funds that are abused by terrorist groups eager to improve their operational and organisational capabilities. The literature review covers three critical aspects of terrorist financing, including the nature of terrorist financing, the definition and types of terrorist financial management. Notwithstanding the relatively limited sample, this work offers valuable insights through a more in-depth explanation of the characteristics of funding used by terrorist groups.

[164] UN Security Council, "The Islamic State in Iraq and the Levant and the Al-Nusrah Front for the People of the Levant: Report and Recommendations Submitted Pursuant to Resolution 2170," vol. 39208, 2014, 26.
[165] IPAC, "The Evolution of ISIS in Indonesia," 2014, 15.
[166] Zachary Abuza, "Jemaah Islamiyah Adopts the Hezbollah Model | Middle East Forum," *Middle East Quarterly Winter* 16, no. 1 (2009).

Before examining the terrorist financing typologies, the following section will traverse selected studies discussing terrorist financing and money laundering because, in most cases, the nature of terrorist financing appears similar to money laundering crime. Also, as indicated in the previous sections, the shifting mechanisms of funding from one to another in raising and moving the money shows that terrorists tend to keep their funding resources confidential. Money laundering is one of the options used by terrorists to disguise their financial flow from diverse sources to front line workers. Therefore, the next part explores the nexus between terrorist financing and money laundering. For the purpose of this research, this part will demonstrate that money laundering is an important element to consider in formulating CFT policy, as presented in the later chapters.

1.2 The Nexus between Terrorist Financing and Money Laundering

While it is essential to understand terrorist groups' need for financial resources for their operations and survival, it is also important to note that the money may be obtained in legitimate or illegitimate ways. Hamed Tofangsaz[167] examines the nexus between money laundering and terrorist financing where there is an assumption that the illegal money raised by terrorists might involve money laundering activities. There is a continuing debate as to whether countermeasures to money laundering contribute significantly to countering terrorist financing as formulated by the FATF in its recommendations.

This section reviews selected studies that have contributed to understanding the relationship between money laundering and terrorist financing. There are several key arguments discussed

[167] Hamed Tofangsaz, "Rethinking Terrorist Financing; Where Does All This Lead?," *Journal of Money Laundering Control* 18, no. 1 (January 2015): 112 – 130.

by scholars,[168] such as differences between process and goals, disparities in techniques and the legitimisation concept.

First, Gauri Sinha highlights the insight of money laundering and terrorist financing in terms of process and goals. Money laundering is defined as the process of concealing the origin of illegal money, which was obtained from unlawful acts, in order to make as much of a profit as possible. On the other hand, the funding of terrorism might involve illegal activities and legal ones that have been used to commit terrorism. Therefore, the actions contributing to terrorist financing may be entirely legitimate, with the intended use of resources for supporting violent operations the only hidden aspect.[169]

Second, with regard to goals, money laundering activities are aimed at chasing profits which tends to encourage expansion into new areas of criminal activity. The proceeds of crime can be used either for personal gain or to support further criminal activities.[170] In contrast to money laundering, terrorist financing is mostly not a profit-oriented crime.[171] For terrorist groups, money is an instrument to pursue the execution of violent attacks and an ideological campaign against society. Terrorist financing focuses on the act of terrorism rather than monetary gains. Terrorists endeavour to use their resources effectively, whether their budgets are large or small.[172]

[168] Michael Freeman, *Terrorism Financing: Case Study* (Ashgate Publishing Limited, 2012); Gauri Sinha, "AML-CTF: A Forced Marriage Post 9/11 and Its Effect on Financial Institutions," *Journal of Money Laundering Control* 16, no. 2 (May 3, 2013): 142 – 158; Marieke. De Goede, *Speculative Security : The Politics of Pursuing Terrorist Monies.* (University of Minnesota Press, 2012); Joseph Wheeler, "Understanding and Attacking the Money Laundering Target Focus: Terrorist Financing," 2010; M. Simpson, A. Srivastava, and N. Smith, *International Guide to Money Laundering Law and Practice* (London: Bloomsbury Professional, 2010); Michael Levi, "Combating the Financing of TerrorismA History and Assessment of the Control of 'Threat Finance'','" *The British Journal of Criminology* 50, no. 4 (July 2010): 650 – 669; Zaiton Hamin Rohana Othman Normah Omar Hayyum Suleikha Selamat, "Conceptualizing Terrorist Financing in the Age of Uncertainty," *Journal of Money Laundering Control* 19, no. 4 (October 3, 2016): 397 – 406; Armand Kersten, "Financing of Terrorism — A Predicate Offence to Money Laundering?," in *Financing Terrorism* (Dordrecht: Kluwer Academic Publishers, 2002), 49 – 56; Tofangsaz, "Rethinking Terrorist Financing; Where Does All This Lead?," January 2015.
[169] Sinha, "AML-CTF: A Forced Marriage Post 9/11 and Its Effect on Financial Institutions," 144.
[170] Simpson, Srivastava, and Smith, *International Guide to Money Laundering Law and Practice*, 1.
[171] Wheeler, "Understanding and Attacking the Money Laundering Target Focus: Terrorist Financing," 2.
[172] Sinha, "AML-CTF: A Forced Marriage Post 9/11 and Its Effect on Financial Institutions," 145; Levi, "Combating the Financing of TerrorismA History and Assessment of the Control of 'Threat Finance''"; Levitt, "Low Cost, High Impact: Combatting the Financing of Lone-Wolf and Small-Scale Terrorist Attacks."

As indicated when discussing discrepancies in the process and goals, discussion of the nexus between money laundering and terrorist financing often turns to the argument of 'legitimatisation-oriented concept', described by Jae-myong Koh.[173] According to Koh's concept, the money from money laundering activities is obtained from legal activities, while in terrorist financing, both legal and illicit actions play an important role in producing funds for violent activities.[174] The primary objective in money laundering is to conceal the illicit money trail, while with regard to terrorist funding, terrorist groups are only concerned with concealment insofar as it is necessary for raising and distributing money to its final destination, namely terrorist cells.[175]

The last point to make on the relationship between money laundering and terrorist financing is the differences in the techniques used by the offenders. While money launderers are likely to conceal the money within the formal financial system, terrorist financiers often use informal financial channels to move funds, including *hawala* and currency exchange companies. In terrorist financing, criminals also involve as many people as they can recruit to hide the origin of the funds and the end-users. The money trail in the money-laundering scheme, on the other hand, tends to be circular. The funds finally return to the persons who generated the money.[176] Previous studies of money laundering and terrorist financing have not designated terrorist financing as a money laundering offence. It is identified as a separate category in which, as Kersten (2002) concludes,

> This is not to say that, in legislating for the consequences of cases involving the financing of terrorism, one should not draw upon inferences taken and developed from the classical money-laundering apparatus.[177]

[173] Koh, *Suppressing Terrorist Financing and Money Laundering*, 26 – 27.
[174] Ibid.
[175] Vittori, *Terrorist Financing and Resourcing*, 26.
[176] Selamat, "Conceptualizing Terrorist Financing in the Age of Uncertainty," 5.
[177] Kersten, "Financing of Terrorism — A Predicate Offence to Money Laundering?," 56.

The details of how terrorist organisations manage their affairs in raising, moving and using funds are canvassed in the next section of this chapter, covering terrorist financing typologies.

1.3 Terrorist Financing Typologies

As pointed out in a previous section, terrorists need a budget to cover their operational costs and require money to function.[178] Jeffrey Simser notes that since Al Qaeda existed in the 2000 era, money has become critical to terrorist organisations where they need it to develop strategies to overcome hurdles in resourcing. Money nurtures an organisation and provides for executing specific attacks. Simser agrees that 'at least money is the lifeblood of a terrorist operation.'[179]

Besides that, for terrorist groups, financial techniques are also required to avoid being detected by authorities and to overcome other potential hindrances of moving funds to the terrorist front-liners.[180] Michael Freeman identifies six criteria considered by terrorists before selecting the best methods of funding. These include legitimacy, reliability, quantity, control, simplicity, and security.[181] Transnational flows would leave a trail in electronic financial records; therefore, in most cases, quantity and security are essential for terrorist groups to ensure the sustainability of money resourcing.

Experts, such as Freeman and Keene, have explored the range of terrorist financing source options and facilitation in order to observe how terrorist groups apply dispersed funding channels and how they prioritise them among the different methods to address the security

[178] Freeman, "The Sources of Terrorist Financing: Theory and Typology," 462.
[179] Jeffrey Simser, "Terrorism Financing and the Threat to Financial Institutions," *Journal of Money Laundering Control* 14, no. 4 (October 11, 2011): 335 – 336.
[180] Ibid.
[181] Freeman, "The Sources of Terrorist Financing: Theory and Typology," 463.

risks presented by the authorities.[182] This section draws on the literature to demonstrate the complexity of financial transaction flows and social interactions among persons of interest involved in terrorist financing cases. A more detailed account of terrorist financing modus operandi is discussed in the following section, including terrorists' options for raising, moving and using money by several typologies such as the abuses of virtual currency, informal money remittance services, charities, internet payment methods, and prepaid cards.

This latter point arises in two contexts. First, the study of terrorist financing typologies below is relevant to Indonesian cases. The research scrutinises terrorist financing cases in Indonesia, considering how terrorists raise money and deliver it to those who use the money to fund violent operations and for organisational purposes. Second, terrorist financing trends indicate the preferences of terrorist financiers for concealing money, either by using cash or by misusing financial institutions. The study of terrorist financing typologies shows the magnitude of the terrorist financing problem and identifies trends and threats. The literature is a valuable contribution to the later chapter that analyses government policies in countering terrorist financing.

1.3.1 Virtual Currency

In recent years, technological developments and the increased use of the internet have driven a proliferation of financial services, including more sophisticated online payment systems. By far, the most advanced of these is virtual currency. There are several benefits to the use of virtual currency. It is an alternative method to move and store money that is faster, more anonymous and with global reach. This section discusses virtual currencies and why this

[182] Freeman, "The Sources of Terrorist Financing: Theory and Typology"; Simser, "Terrorism Financing and the Threat to Financial Institutions"; Keene, *Threat Finance : Disconnecting the Lifeline of Organised Crime and Terrorism*; Clarke, *Terrorism, Inc.: The Financing of Terrorism, Insurgency, and Irregular Warfare*.

payment method has become so popular and therefore subject to strict financial controls and reporting requirements.

Much of the current literature on virtual currency focuses on those characteristics which attract criminals.[183] Experts use the definition of virtual currency provided by the FATF. Virtual currency is 'a digital representation of value' that can be used as 'a medium of exchange and also as a store of value.'[184] A further refinement is proposed by William Hett, who argues that the reason people use virtual currencies is its universal character as an online exchange medium without using fiat currency or electronic bank channels.[185]

The FATF definition attributes four characteristics to virtual currency. The first characteristic is convertibility. A convertible virtual currency means that the currency has equal value to fiat currency and can be exchanged for real currency. This currency type operates within an open virtual platform—for example, Bitcoin, e-Gold, Liberty Reserve, Second Life Linden Dollars, and WebMoney.[186]

Second, virtual currency is attractive to criminals because it is decentralised. Although it functions globally[187], the system is distributed with no central administrating authority and no

[183] Zachary K Goldman et al., "Terrorist Use of Virtual Currencies: Containing the Potential Threat," 2009; FATF, "Virtual Currencies Key Definitions and Potential AML/CFT Risks," 2014, http://www.fatf-gafi.org/media/fatf/documents/reports/Virtual-currency-key-definitions-and-potential-aml-cft-risks.pdf; Alicja Mikołajewicz-Woźniak and Anna Scheibe, "Virtual Currency Schemes – the Future of Financial Services," ed. Ms. Deborah Cox, Dr. Lawrence Green, and Dr. Krzysztof Borodako, *Foresight* 17, no. 4 (August 10, 2015): 365 – 377; Sarah Meiklejohn et al., "A Fistful of Bitcoins: Characterizing Payments Among Men with No Names" (Barcelona, 2013); Victor Dostov and Pavel Shust, "Cryptocurrencies: An Unconventional Challenge to the AML/CFT Regulators?," *Journal of Financial Crime* 21, no. 3 (July 14, 2014): 249 – 263; Kim-Kwang Raymond Choo, "Cryptocurrency and Virtual Currency," in *Handbook of Digital Currency* (Elsevier, 2015), 283 – 307; Iwa Salami, "Terrorism Financing with Virtual Currencies: Can Regulatory Technology Solutions Combat This?," *Studies in Conflict & Terrorism*, August 11, 2017, 1 – 22; Cristina Carata, "Redefining Community in Intercultural Context Modern Methods of Financing Terrorism in a Global and Intercultural Society: Crypto-Currency," *International Conference RCIC'17* (Bari, 2017); Phil Williams and Roy Godson, "Anticipating Organized and Transnational Crime," *Crime, Law & Social Change* 37 (2002): 311 – 355; Leanne Stuhlmiller, "Mitigating Virtual Money Laundering : An Analysis of Virtual Worlds and Virtual Currencies" (2013).

[184] FATF, "Virtual Currencies Key Definitions and Potential AML/CFT Risks," 4.

[185] William Hett, "Digital Currencies And The Financing Of Terrorism," *Richmond Journal of Law and Technology J.L. & Tech Richmond Journal of Law & Technology* 15, no. 2 (2008): 6.

[186] FATF, "Virtual Currencies Key Definitions and Potential AML/CFT Risks," 4.

[187] Alan Brill and Lonnie Keene, "Cryptocurrencies: The Next Generation of Terrorist Financing?," *Defence Against Terrorism Review* 6, no. 1 (2014): 7 – 30; Mikołajewicz-Woźniak and Scheibe, "Virtual Currency Schemes – the Future of Financial Services."

central monitoring or controlling agency.[188] The system used is only protected by private cryptography keys used for executing transaction flows.[189]

Third, virtual currency enables customers to conduct anonymous transactions.[190] Customers can transfer funds without face-to-face contact. Clients are even able to mask their identities by using pseudonyms or multiple accounts. No identity verification is required before transferring or receiving money in a virtual currency.[191]

The fourth feature of virtual currency is the ease, speed and low cost of transactions. The transaction fees are lower than those of traditional payment systems because virtual currency does not use intermediaries.[192] The system works quickly, normally within seconds. Transferring money is easy, even for people who are not technically-minded. The transactions are almost instantaneous and can be accessed through all internet platforms virtually, including computers, tablets and smartphones at any time regardless of borders. These characteristics make it the favourite payment method for terrorists to avoid detection by authorities.[193]

Having discussed how virtual currency works, the next section investigates three risks of virtual currency as a payment system. The first risk is anonymity. Virtual currency can be accessed on the internet anonymously through a non-face-to-face customer relationship. The system allows customers to conduct transfers to a third party without identification and verification.[194]

[188] FATF, "Virtual Currencies Key Definitions and Potential AML/CFT Risks," 4.
[189] Carata, "Redefining Community in Intercultural Context Modern Methods of Financing Terrorism in a Global and Intercultural Society: Crypto-Currency," 195; Meiklejohn et al., "A Fistful of Bitcoins: Characterizing Payments Among Men with No Names"; Dostov and Shust, "Cryptocurrencies: An Unconventional Challenge to the AML/CFT Regulators?," 259.
[190] Goldman et al., "Terrorist Use of Virtual Currencies: Containing the Potential Threat"; FATF, "Virtual Currencies Key Definitions and Potential AML/CFT Risks"; Brill and Keene, "Cryptocurrencies: The Next Generation of Terrorist Financing?"
[191] Robert Stokes, "Virtual Money Laundering: The Case of Bitcoin and the Linden Dollar," *Information & Communications Technology Law* 21, no. 3 (October 2012): 225.
[192] Mikołajewicz-Woźniak and Scheibe, "Virtual Currency Schemes – the Future of Financial Services," 369.
[193] Brill and Keene, "Cryptocurrencies: The Next Generation of Terrorist Financing?," 13 – 14.
[194] FATF, "Virtual Currencies Key Definitions and Potential AML/CFT Risks," 9.

This method then benefits terrorists, enabling them to move and layer the funds easily and safely without being flagged as suspicious by the financial system.[195]

Furthermore, as a medium of exchange, Ogunbadewa notes that the anonymity of a virtual currency like Bitcoin differentiates it from other electronic payment systems due to the unique character of peer-to-peer networking and the cryptography entrenched in its networks.[196] Thus, the virtual currency exchangers as the endpoint of virtual currency do not have the capacity to validate their users, monitor their customer's transaction activities, or apply the right tools to detect suspicious transaction behaviour and report it to a law enforcement agency.[197] This caveat leads to the issue of anonymity in the virtual currency environment, which was identified as the key risk in creating a fertile ground for criminals dealing with illegal drugs and money laundering.[198]

The second risk identified is the decentralised nature of a virtual currency. This is because the system enables individuals to conduct financial transactions under a pseudonym. Furthermore, there is no central server or authority capable of monitoring and identifying the peer-to-peer connection structure.[199] Therefore, as emphasised by Woźniak and Schelbe, 'the virtual currency schemes are hard to control, but leaving them unregulated poses a much higher risk on financial markets.'[200]

Finally, there are regulatory risks in the use of virtual currency schemes. Iwa Salami discusses the main challenge that governments face. The growth of the financial technology industry offers a tremendous opportunity for business activities. However, a new challenge has emerged in the form of virtual currencies and mitigating the potential risk of misuse by

[195] Choo, "Cryptocurrency and Virtual Currency," 303.
[196] Ajibola Ogunbadewa, "The Virtues and Risks Inherent in the 'Bitcoin' Virtual Currency," *SSRN Electronic Journal*, April 15, 2014, 5 – 6.
[197] Stuhlmiller, "Mitigating Virtual Money Laundering : An Analysis of Virtual Worlds and Virtual Currencies."
[198] Mikołajewicz-Woźniak and Scheibe, "Virtual Currency Schemes – the Future of Financial Services," 370.
[199] FATF, "Virtual Currencies Key Definitions and Potential AML/CFT Risks," 4.
[200] Mikołajewicz-Woźniak and Scheibe, "Virtual Currency Schemes – the Future of Financial Services," 370.

terrorists.[201] Bitcoin, for example, poses problems for regulatory frameworks because the nature of bitcoin excludes the implementation of banking statutes and regulation.[202] Because there is no central authority to monitor potential illicit financial flows of virtual currency users, Leanne Stuhlmiller suggests that governments should apply an electronic know your customer (KYC) approach that focuses on obtaining personal information and verifying the account holders. The approach was used as a suitable method for operators in the virtual environment.[203]

In conclusion, several experts[204] have examined the growing risk of virtual currencies being abused for terrorist financing purposes and provided some examples of the use of cryptocurrency by terrorist groups. There is also evidence that virtual currencies have been used by terrorists, for example, in the bombing attack in 2015 by a lone-wolf terrorist inspired by ISIS in a shopping mall in Jakarta, Indonesia. The bomber demanded 100 bitcoins that were worth approximately $30,000 from the mall's management.[205] In November 2015, terrorists conducted attacks in France. It was suspected that the attackers had a Bitcoin wallet of $3 million.[206]

[201] Salami, "Terrorism Financing with Virtual Currencies: Can Regulatory Technology Solutions Combat This?," 5.
[202] Ogunbadewa, "The Virtues and Risks Inherent in the 'Bitcoin' Virtual Currency," 8.
[203] Stuhlmiller, "Mitigating Virtual Money Laundering : An Analysis of Virtual Worlds and Virtual Currencies," 32.
[204] David Carlisle, "Virtual Currencies and Financial Crime: Challenges and Opportunities," London, March 2017, www.rusi.org; Paul Carroll and James Windle, "Cyber as an Enabler of Terrorism Financing, Now and in the Future," *Journal of Policing, Intelligence and Counter Terrorism* 13, no. 3 (September 2, 2018): 285 – 300; Alastair Smith, "To Identify the Challenges and Opportunities Associated with Virtual Currency," *International Journal of Innovative Science and Research Technology*, vol. 3, 2018, www.ijisrt.com538; Angela S.M. Irwin et al., "Money Laundering and Terrorism Financing in Virtual Environments: A Feasibility Study," *Journal of Money Laundering Control* 17, no. 1 (January 7, 2014): 50 – 75; Angela S.M. Irwin and George Milad, "The Use of Crypto-Currencies in Funding Violent Jihad," *Journal of Money Laundering Control* 19, no. 4 (October 3, 2016): 407 – 425.
[205] Leon Pick, "Jakarta 'Toilet Bomber' Demanded 100 Bitcoins, Inspired by ISIS ," *Finance Magnates*, November 1, 2015, https://www.financemagnates.com/cryptocurrency/news/jakarta-toilet-bomber-demanded-100-bitcoins-inspired-by-isis/.
[206] Irwin and Milad, "The Use of Crypto-Currencies in Funding Violent Jihad," 3.

1.3.2 Informal Money Remittance Services

Recent developments in the study of terrorist financing have revived interest in demystifying alternative money remittance services as another payment method susceptible to misuse by terrorists. Alternative remittance systems are financial systems that function outside conventional financial businesses by moving value or money from one geographic location to another.[207] This part reviews studies of informal money remittance systems that have raised important issues for this research, such as the workings of alternative money remittance services and the potential misuse of hawala for terrorist financing. These studies offer an understanding of various payment methods which are options for terrorist groups.

Scholars recognise an alternative form of money remittance or "underground banking" known as hawala, which is vulnerable to misuse by criminals.[208] Hawala means 'transfer' in Arabic and has long been central to trade in India and the Middle East, where people acknowledge it as an alternative remittance service. It is used to develop financial services, especially for migrant workers overseas sending money home to their families. They refer to the service as an Indigenous Banking System.[209]

[207] FATF, "Combating the Abuse of Alternative Remittance Systems: International Best Practices" (Paris, 2003), 1, http://www.fatf-gafi.org/media/fatf/BPP SRVI June 2003 2012.pdf.
[208] Marina B.V. Martin, "Hundi/Hawala: The Problem of Definition," *Modern Asian Studies* 43, no. 4 (2009): 909 – 937; Éva Ladányi and István Kobolka, "The Hawala System," accessed June 14, 2018, http://www.efos.unios.hr/repec/osi/journl/PDF/InterdisciplinaryManagementResearchX/IMR10a30; Matthias Schramm and Markus Taube, "Evolution and Institutional Foundation of the Hawala Financial System," *International Review of Financial Analysis (IRFA)* 12 (2003): 405 – 420; Abdirashid A Ismail, "Lawlessness and Economic Governance: The Case of Hawala System in Somalia," *International Journal of Development Issues* 6, no. 2 (2007): 168 – 185; David C Faith, "The Hawala System," *Global Security Studies* 2, no. 1 (2011); Viles, "Hawala, Hysteria and Hegemony"; Marieke de Goede, "Hawala Discourses and the War on Terrorist Finance," *Environment and Planning D: Society and Space* 21, no. 5 (October 1, 2003): 513 – 532; Samuel Munzele Maimbo and Nikos Passas, "The Design, Development, and Implementation of Regulatory and Supervisory Frameworks for Informal Funds Transfer Systems," 2003; Henk van de Bunt, "The Role of Hawala Bankers in the Transfer of Proceeds from Organised Crime" (Springer, New York, NY, 2008), 113 – 126; Walter Perkel, "Money Laundering and Terrorism: Informal Value Transfer System," *The American Criminal Law Review Winter* 41, no. 1 (2004); Nikos Passas, "Informal Value Transfer Systems and Criminal Organizations; A Study into So-Called Underground Banking Networks," *SSRN Electronic Journal*, December 14, 1999; Rob Mccusker, "Underground Banking : Legitimate Remittance Network or Money Laundering System?," 2005, http://www.aic.gov.au; N. Passas, "Informal Value Transfer Systems and Criminal Activities," 2005, https://repository.tudelft.nl/view/wodc/uuid:3eb3b43d-a2e0-4cba-bed4-8eab4a7dd9c3/.
[209] Martin, "Hundi/Hawala: The Problem of Definition," 927 – 928.

Almost every paper that has been written on hawala or informal money remittance has found that this method is effective for transferring funds. The initiators are mostly emigrant workers who live in developing countries.[210] However, experts acknowledge that hawala is not only a funds transfer system; it also provides a service for moving values among multiple users, known as an "informal value-transfer system" (IVTS).[211]

Maimbo and Passas, experts on money remittances, divide hawala into two categorisations to explain how IVTS works as a transfer conduit. The first category refers to the transfer of the money, known as an informal fund transfer system (IFTS), including hawala. The second category relates to the physical transfer of goods between countries as another meaning of IVTS. The transfer denotes the movement of the monetary value of the goods from one jurisdiction to another through IVTS. This transfer method is also acknowledged as a legitimate or legitimate-looking trade transaction. It often involves the use of the formal financial system but is largely untraceable because there is no authority for monitoring or controlling the transaction flow.[212]

Several experts identify three main components of hawala style or money services. These include customer identification, the role of intermediaries and hawala brokers called *hawaladars*, and the transaction mechanism. [213]

[210] N.S. Jamwal, "Hawala-the Invisible Financing System of Terrorism," *Strategic Analysis* 26, no. 2 (April 2002): 181 – 198; Faith, "The Hawala System."
[211] R. Cheran and Sharryn Aiken, "The Impact of International Informal Banking on Canada: A Case Study of Tamil Transnational Money Transfer Networks," 2005, http://publications.gc.ca/collections/collection_2007/lcc-cdc/JL3-1-2005E.pdf; Passas, "Informal Value Transfer Systems and Criminal Organizations; A Study into So-Called Underground Banking Networks"; Patrick M Jost and Harjit Singh Sandhu, "The Hawala Alternative Remittance System and Its Role in Money Laundering," 2000, http://www.nmta.us/assets/docs/hawala.pdf; Viles, "Hawala, Hysteria and Hegemony."
[212] Maimbo and Passas, "The Design, Development, and Implementation of Regulatory and Supervisory Frameworks for Informal Funds Transfer Systems," 4 – 5.
[213] Marieke De Goede, "Underground Money," *Cultural Critique* 65 (2007): 140 – 63; Viles, "Hawala, Hysteria and Hegemony"; Passas, "Informal Value Transfer Systems and Criminal Organizations; A Study into So-Called Underground Banking Networks"; Nikos Passas, *Informal Value Transfer Systems and Criminal Activities* (Den Haag: Bibliotheek WODC, 2005); Passas, "Informal Value Transfer Systems, Terrorism and Money Laundering"; Nikos Passas, "Demystifying Hawala: A Look into Its Social Organization and Mechanics," *Journal of Scandinavian Studies in Criminology and Crime Prevention* 7, no. sup1 (December 2006): 46 – 62; Schramm and Taube, "Evolution and Institutional Foundation of the Hawala Financial System"; Bruce Zagaris, "Problems Applying Traditional Anti-Money Laundering Procedures to Non-Financial Transactions," Parallel Banking Systems and

First, Bunt indicates hawala businesses require no client identification and no record-keeping procedures. Furthermore, hawala bypasses the legal reporting obligation of other systems to financial regulators concerning the disclosure of suspicious or unusual transactions. Instead, it consists of financial transactions in the absence of, or as complementary to, formal banking channels.[214] As a non-certified financial institution, hawala operates based on the customer's trust and the extensive use of family relationships or regional affiliations. The collective culture and belief system in certain societies is a powerful factor in the sustainability of hawala businesses.[215] This type of business does not involve a widespread network of society. The transaction agreement is mostly conducted between *hawaladars* or intermediaries operating by kinship affiliations, either on an ad hoc or regular basis. Such businesses also use formal financial services, but leave no financial record for authorities who would otherwise monitor or control the flows of unusual transactions.[216]

For the second component, Nikos Passas analyses hawala business by explaining the relationship between *hawaladars*, intermediaries, and clients. In the hawala business settlement process, *hawaladars* and intermediaries make payments on behalf of clients in each respective jurisdiction. The role of hawala business includes 'the pools of cash at both ends of transactions', so there will be no movement of funds across borders. Family connections influence the success of the settlement process.[217] Passas also notes the crucial role of

Islamic Financial Systems," *Journal of Money Laundering Control* 10, no. 2 (2007): 157 – 169; Henk Van De Bunt, "A Case Study on the Misuse of Hawala Banking," *International Journal of Social Economics* 35, no. 9 (2008): 691 – 702; Dulce M. Redín, Reyes Calderón, and Ignacio Ferrero, "Exploring the Ethical Dimension of Hawala," *Journal of Business Ethics* 124, no. 2 (October 3, 2014): 327 – 337; Jonathan M Dougherty, "Hawala: How Terrorists Move Funds Globally," *Corporate Finance Review* 10, no. 6 (2006): 28 – 36; Maimbo and Passas, "The Design, Development, and Implementation of Regulatory and Supervisory Frameworks for Informal Funds Transfer Systems"; Roger Ballard, "Coalitions of Reciprocity and the Maintenance of Financial Integrity," *Journal of Banking Regulation* 6, no. 4 (2005); Medea Group, "Internet Banking, Hawala and Terrorism," 2007, https://www.files.ethz.ch/isn/39286/Terrorist Money Laundering Networks_Paper1_FINAL.pdf; Linda Shuo Zhao, "Underground Banks in NYC, Their Main Clientele and Operators: The Perspective of Chinese Illegal Immigrants," *International Journal of Law, Crime and Justice* 41, (2013): 36 - 57; Gichuki Edwin Mugo, "The Role of Money Remittance Companies on Money Laundering and Channeling Money for Illegal Activities in Kenya on the Growth of Financial Sector in Kenya," *International Journal of Business* 1, no. 2105 (2015): 78 – 99; Mccusker, "Underground Banking : Legitimate Remittance Network or Money Laundering System?"

[214] Van De Bunt, "A Case Study on the Misuse of Hawala Banking," 691.

[215] Van De Bunt, "A Case Study on the Misuse of Hawala Banking"; Jost and Sandhu, "The Hawala Alternative Remittance System and Its Role in Money Laundering."

[216] Passas, "Demystifying Hawala: A Look into Its Social Organization and Mechanics," 48.

[217] Passas, "Informal Value Transfer Systems, Terrorism and Money Laundering," 40 – 46.

intermediaries in making contacts between hawala operators and clients who are not accustomed to the business mechanism. In general, intermediaries forge and maintain connections between persons of interest who are geographically separated. For this service, the intermediaries are paid a commission.[218]

The last component is the transaction system in hawala businesses. There are two core aspects of a hawala business: the family network and the financial settlement arrangements. As mentioned earlier, the extensive use of the family network enables hawala businesses to be managed without being legally incorporated. A hawala business needs only a small network, as simple as two individuals or a family. Passas adds that there may be no commercial activities underlying the transactions; for example, the funds may have been sent to a relative studying or touring abroad. Sometimes the transfer system does not involve money, relying instead on commodities or goods like gold, diamonds, electrical appliances, etc.[219] However, the funds transfer system includes information processing, value transmissions and the delivery of currency mechanisms related to the value distributions between senders, operators or intermediaries and recipients.[220]

Having discussed the component parts of informal money remittances, especially hawala, the following section addresses the benefits of this service. Scholars have examined three significant features of hawala as an attractive remittance service – one which is widely seen as better than the old traditional banking system. These benefits then suggest the likelihood of hawala being abused for criminal purposes, including money laundering and terrorist financing.[221]

[218] Passas, "Informal Value Transfer Systems and Criminal Activities," 2005, 11 – 12.
[219] Passas, *Informal Value Transfer Systems and Criminal Activities*, 2005, 3.
[220] Ballard, "Coalitions of Reciprocity and the Maintenance of Financial Integrity," 331.
[221] Marieke de Goede, "Hawala Discourses and the War on Terrorist Finance," *Environment and Planning D: Society and Space* 21, no. 5 (October 1, 2003): 513 – 532; Jost and Sandhu, "The Hawala Alternative Remittance System and Its Role in Money Laundering"; Maryam Razavy, "Hawala: An Underground Haven for Terrorists or Social Phenomenon?," *Crime, Law & Social Change* 44 (2005): 277 – 299; Redín, Calderón, and Ferrero, "Exploring the Ethical Dimension of Hawala"; Ladányi and Kobolka, "The Hawala System"; Maimbo and Passas, "The Design,

First, hawala offers a low-cost service, including advantageous rates for currency exchange.[222] Second, using hawala services is considered reliable because it works faster and more effectively in sending funds to the recipient than conventional wire transfers.[223] Last, hawala has a simple mechanism that eases the process of money or asset transfer among jurisdictions. This convenient attribute makes hawala accessible to migrant-worker communities[224] and the system is versatile and effective even when *hawaladars* and intermediaries are functioning 'under extreme economic and political circumstances.'[225] The word "simple" refers to the benefit of requiring no identity verification or just using a simple password between the sender and recipient; and the features of lack of bureaucracy and lack of an auditable paper trail.[226] However, the absence of recordkeeping procedures, anonymous transactions, and the possibility of conducting funds transfers using 'benami' (false name) or nominee relationships are recognised as the high-risk aspects of hawala, which make it susceptible to misuse by criminals, including money launderers and terrorists.[227]

1.3.3 Charities

Besides virtual currency and informal money remittance services, the link between charities and terrorism has been the centre of attention for the last decade. Evidence suggests that

Development, and Implementation of Regulatory and Supervisory Frameworks for Informal Funds Transfer Systems"; Medea Group, "Internet Banking, Hawala and Terrorism"; Perkel, "Money Laundering and Terrorism: Informal Value Transfer System"; Zhao, "Underground Banks in NYC, Their Main Clientele and Operators: The Perspective of Chinese Illegal Immigrants"; Mccusker, "Underground Banking : Legitimate Remittance Network or Money Laundering System?"

[222] Redín, Calderón, and Ferrero, "Exploring the Ethical Dimension of Hawala," 2; Ladányi and Kobolka, "The Hawala System," 417.

[223] Perkel, "Money Laundering and Terrorism: Informal Value Transfer System," 198.

[224] Marieke de Goede, "Hawala Discourses and the War on Terrorist Finance," October 1, 2003, 528; Perkel, "Money Laundering and Terrorism: Informal Value Transfer System," 198.

[225] Redín, Calderón, and Ferrero, "Exploring the Ethical Dimension of Hawala," 2; Mccusker, "Underground Banking : Legitimate Remittance Network or Money Laundering System?," 2.

[226] Jost and Sandhu, "The Hawala Alternative Remittance System and Its Role in Money Laundering," 6; Ladányi and Kobolka, "The Hawala System," 417; Mccusker, "Underground Banking : Legitimate Remittance Network or Money Laundering System?," 2.

[227] Passas, "Informal Value Transfer Systems, Terrorism and Money Laundering"; Perkel, "Money Laundering and Terrorism: Informal Value Transfer System"; Nikos Passas, "Law Enforcement Challenges in Hawala-Related Investigations," *Journal of Financial Crime* 12, no. 2 (2004): 112 – 119.

charities are essential support systems for terrorist groups.[228] FATF, an international regime on anti-money laundering and counter financing of terrorism, acknowledges the risk and vulnerabilities of charities to be misused by terrorists. Accordingly, it has made a specific recommendation about Non-Profit Organisations (NPOs), which work mainly in the charities and donations sectors of the economy.

The FATF Recommendation no. 8 is as follows :

> Countries should review the adequacy of laws and regulations that relate to non–profit organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them from terrorist financing abuse, including:
>
> by terrorist organisations posing as legitimate entities;
>
> by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and
>
> by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.[229]

This recommendation encourages countries to formulate and implement policies to protect charities and other NPOs as they are prone to abuse for terrorist financing purposes. Terrorist groups use NPOs not only as a conduit to raise money from the public but also as a key vehicle to conceal funds or assets intended for supporting their organisations. Experts also give other examples of the misuse of charities by terrorists. For example, Matthew Levitt cites certain

[228] Peter Romaniuk and Tom Keatinge, "Protecting Charities from Terrorists … and Counterterrorists: FATF and the Global Effort to Prevent Terrorist Financing through the Non-Profit Sector," *Crime Law Soc Change* 69 (2018): 265 – 282; Beverley Milton-Edwards, "Securitizing Charity: The Case of Palestinian Zakat Committees," *Global Change, Peace & Security* 29, no. 2 (May 4, 2017): 161 – 177; David G Duff, "Charities and Terrorist Financing," *The Peter A. Allard School of Law Allard Research Commons* 61, no. 1 (2010); Rodger Shanahan, "Charities and Terrorism : Lessons from the Syrian Crisis," *Lowy Institute Analysis*, no. March (2018); Shawn Teresa Flanigan, "Charity as Resistance: Connections between Charity, Contentious Politics, and Terror," *Studies in Conflict & Terrorism* 29 (2006): 641 – 655; Matthew Levitt, "Hamas from Cradle to Grave," *Middle East Quarterly*, 2004, 3 – 15; Daniel Byman, "Passive Sponsors of Terrorism," *Survival* 47, no. 4 (December 2005): 117 – 144; Shawn Teresa Flanigan, "Nonprofit Service Provision by Insurgent Organizations: The Cases of Hizballah and the Tamil Tigers," *Studies in Conflict & Terrorism* 31, no. 6 (June 13, 2008): 499 – 519.

[229] FATF, "The FATF Recommendations," Paris, 2012, 11.

terrorist activities of Hamas[230] that were suspected of being supported by Muslim donors in the Balkans.[231]

Shawn Teresa Flanigan, who conducted research on terrorist financing and charities, also notes the growing interest in links between charities and terrorism since the 9/11 attack. She documents two cases in which donations provided vital support for terrorist groups. The first case was the founding of charities to channel funds to terrorist groups, especially in, or from, the United States and Western Europe. Such groups have sent money to radical organisations and offered a legitimate disguise to donors. The second case was non-profit bodies supporting each other directly and indirectly in countries where terrorists were based. There are two reasons for this relationship. The first is as a response to political, social or even economic grievances issues and as an effort to address identical shared social and political concerns, such as the role of Hamas in Palestine, Hizballah in Lebanon, Islamic militants in Pakistan, and Shining Path in Peru.[232] The nexus between charities and terrorism or terrorist financing will be examined further in a later chapter in the context of the exploitation of NPOs due to the attractiveness of charities in the eyes of terrorist groups.

The extent to which charities contribute to terror groups is illustrated in the case of Al Qaeda's use of money from charities for violent operations, but also to pay for building mosques or schools, supporting orphanages and even feeding the poor. According to Evan F. Kohlmann, charities were among Al Qaeda's main sources of money for recruitment and network expansion. Al Qaeda misused the Non-Governmental Organisations (NGOs) to provide employment and travel documents for its personnel globally and also in moving funds for conducting violent operations. The 9/11 Commission revealed that those NGOs played a role as 'a secret laundry', disguising the organisation's financial structure and making the networks

[230] This covered-social institution provided a vast narrative in incitement, supported the recruitment, and even assisted logistics including fugitive shelters, illegal arms-trafficking, and suicide bombings. Please see: Levitt, "Hamas from Cradle to Grave," 2 – 3..
[231] Byman, "Passive Sponsors of Terrorism," 120.
[232] Flanigan, "Charity as Resistance: Connections between Charity, Contentious Politics, and Terror," 461 – 462.

virtually invisible. Al Qaeda used forged documents to deceive donors into believing their money had been spent for humanitarian purposes, including orphans and refugees. Instead, more than 50% of their total funding was covertly directed to Al-Qaeda and Usama bin Laden.[233]

The APG, one of FATF's regional bodies based in Australia, offers a way to test whether an organisation is being used as "cover" for terrorists and whether or not this misrepresentation is intentional, that is, whether or not its committee or members are involved in the deception.[234] A more detailed account of how terrorists misuse charities is given in the following section. The distinction is made as to whether the NPOs act as 'complicit' or 'exploited' entities. There has been an awareness of the misconduct of charities for some years. Researchers have observed that terrorists exploit charities in many ways, by misusing their assets, programming, internal resources, and the reputation and standing of the organisation itself.[235]

The first type of exploitation is the misuse of assets. Terrorist groups have hidden their fund-raising behind the façade of charity organisations. This has involved assets as well as money. First, the misuse of funding may involve money collected on behalf of a legitimate organisation but spent on terrorism. In some cases, the money is laundered before being sent to recipients in different locations.[236] The money laundering process saves the effort and risk of transporting the cash in bulk. Second, assets such as property and vehicles can easily be misused with or

[233] Evan F Kohlmann, "The Role of Islamic Charities in International Terrorist Recruitment and Financing," *DIIS Working Paper* (Copenhagen, 2006), 2 – 3.
[234] APG, "Typologies Report: NPO Sector Vulnerabilities," *Asia/Pacific Group on Money Laundering*, 2011, 15.
[235] FATF, "Combating the Abuse of Alternative Remittance Systems: International Best Practices"; Charity Commission for England and Wales, "How Might a Charity Be Abused for Terrorist Purposes ?," 2000; Samantha Bricknell, "Misuse of the Non-Profit Sector for Money Laundering and Terrorism Financing | Australian Institute of Criminology," *Trends and Issues in Crime and Criminal Justice* 424 (2011); Flanigan, "Nonprofit Service Provision by Insurgent Organizations: The Cases of Hizballah and the Tamil Tigers"; Matthew Levitt, "Terrorist Abuse of Charity in the Age of the Islamic State and the Syria War," *ABC*, 2017, http://www.abc.net.au/news/2015-07-03/australian-charity-investigated-for-alleged-is-links/6591174; Pierre-Emmanuel Ly, "The Charitable Activities of Terrorist Organizations," *Public Choice* 131 (2007): 177 – 195; Samantha Bricknell et al., "Money Laundering and Terrorism Financing Risks to Australian Non-Profit Organisations," 2011, https://www.publicsafety.gc.ca/lbrr/archives/cnmcs-plcng/cn2012358997-eng.pdf; FATF, "Risk of Terrorist Abuse in Non-Profit Organisations," 2014, www.fatf-gafi.org; Robert Looney, "The Mirage of Terrorist Financing : The Case of Islamic Charities," *Strategic Insights* V, no. 3 (2006); APG, "Typologies Report: NPO Sector Vulnerabilities."
[236] Bricknell, "Misuse of the Non-Profit Sector for Money Laundering and Terrorism Financing | Australian Institute of Criminology," 2.

without the knowledge of charity organisations. This kind of activity is becoming more common among terrorist groups as preparation for attacks needs more coordination and mobilisation to avoid detection by the authorities. Terrorists need transport for explosive materials and weapons and for themselves to attend military training camps.[237] Legitimate NPO's may unwittingly be providing shelter for terrorist fugitives and safe houses for terrorists to hold meetings.[238]

The second finding on the misuse of charities for terrorist financing concerns the abuse of NPO programming. This occurs at the point of delivery, which is generally in the context of charitable and humanitarian activities and involves both internal and external actors linked with the NPOs.[239] Most of the case studies presented by experts that analyse the risk types of NPOs are of charity services. Terrorists consider charitable activities as investments, not only in terms of money collected but also to promote their ideas to the public and to recruit new sympathisers and members. They share their goals with people in order to gain more contributions from the public. Besides creating charity programs, they engage with local charity organisations to improve their credibility in society.[240]

The third finding on the misuse of charities for terrorist financing is the abuse of internal resources to assist the execution of terrorist operations. FATF reports that at least some officials of NPOs and even directors or committee members were wittingly or unwittingly part of terrorist organisations or affiliated with terrorists as friends or relatives. They assist terrorists in preparing for violent attacks, including logistic support and providing refuge after attacks.[241]

[237] Bricknell et al., "Money Laundering and Terrorism Financing Risks to Australian Non-Profit Organisations," 13; Charity Commission for England and Wales, "How Might a Charity Be Abused for Terrorist Purposes ?"
[238] Bricknell, "Misuse of the Non-Profit Sector for Money Laundering and Terrorism Financing | Australian Institute of Criminology," 2.
[239] FATF, "Best Practices Combating the Abuse of Non-Profit Organisations (Recommendation 8)," 2015, 14, www.fatf-gafi.org; FATF, "Risk of Terrorist Abuse in Non-Profit Organisations," 44.
[240] Ly, "The Charitable Activities of Terrorist Organizations," 178.
[241] FATF, "Best Practices Combating the Abuse of Non-Profit Organisations (Recommendation 8)."

It is also possible that some NPOs are sham organisations. As mentioned before, the issue of 'complicit' NPOs arises when a civil society organisation presents itself as a charity rather than as part of a terrorist group. Bricknell et al. conclude that terrorists may decide to establish a sham NPO to disguise the activity of raising money, transferring funds and other resources, to assist them in recruiting more members or to act as a conduit for the intended terror activities.[242]

The case studies here have significant implications with regard to the misuse of charities. One is the misuse of the charity to benefit the terrorist organisation by increasing recruitment, gaining legitimacy, trust and political support,[243] and also protecting the terrorist organisation by using popular and successful social services to conceal its true purpose. The other important implication is for the operational environment in which the exploitation of charities fundamentally alters in order to create a new façade or cover for terrorist illicit activities, to protect terrorist fugitives and, sooner or later, to raise more money for further terrorist operations.

1.3.4 Internet Payment Methods

Terrorists invest enormous effort in engaging with the community, including through the internet. Maria Conway examines five major uses of the net by terrorists. Her findings indicate that the initial use of the net is for information gathering and dissemination, where terrorist groups use the internet for propaganda and publicity about their movements and ideology. In particular, it involves what is aptly described as psychological warfare on society, with the aim of increasing their chances of surviving and succeeding in it. Secondly, the internet is used as

[242] Bricknell et al., "Money Laundering and Terrorism Financing Risks to Australian Non-Profit Organisations," 14; FATF, "Risk of Terrorist Abuse in Non-Profit Organisations," 47.
[243] Flanigan, "Nonprofit Service Provision by Insurgent Organizations: The Cases of Hizballah and the Tamil Tigers," 503 – 504.

a vehicle for finance, which includes its use as a channel to raise and move money in support of terror activities. Numerous terrorist groups appeal for funds through websites and social media accounts such as Facebook, Instagram, Twitter, etc. They attract online visitors by spreading messages and inviting donations to bank accounts for humanitarian and religious activities. This is known as direct solicitation via websites.[244]

Besides using websites, some terrorist groups fraudulently manipulate e-commerce tools in order to steal money from the websites of businesses. This includes phishing and scamming activities to exploit customer accounts. Investigators have found that some groups operate both directly and indirectly, for example, by using terrorist-affiliated individuals who have established internet-related front businesses as a conduit for raising money to support their movements. The fourth internet use, according to Conway, is to enable terrorist groups to expand their networks by facilitating cross-border communications and inter-group connections. Finally, the main goal of terrorists using the internet is recruitment. Through the internet, leaders of a terrorist organisation can communicate with potential recruits. The internet allows them to establish interactive communication through online preaching, discussion forums, or chat groups.[245]

Considering a number of case studies involving the use of the internet for terrorist purposes, including financing, experts point out some risks posed by internet payment channels. The main risk is the anonymous function of internet payment products. There is no verification policy on the customers' identity when they register and purchase the products. Therefore, the details of the customer's profile are limited and not accessible upon request. Secondly, some products may be widely accepted, locally and internationally. Most products have anonymous funding resources, multiple sources of funds, and even third parties funding are permitted.

[244] Maura Conway, "Terrorist 'use' of the Internet and Fighting Back," *Cybersafety: Safety and Security in a Networked World: Balancing Cyber-Rights and Responsibilities,* Oxford Internet Institute (OII), Oxford University, UK, September, 8-10, 2005, 5 – 6.
[245] Conway, 6 – 10.

Furthermore, most transactions using internet payment methods can be carried out, withdrawn, or converted much faster than through more conventional channels.[246]

1.3.5 Prepaid Cards

Technological advances significantly affect financial payment industries, and one of the outcomes is prepaid cards, also known as stored-value cards, as an alternative payment method. Prepaid cards are known as:

> Cards that run on a payment card network and are not restricted for use only at a particular merchant or group of merchants, such as a shopping centre gift card. They provide access to funds that are paid in advance by the cardholder or a third party.[247]

The sophisticated technology embedded enables electronic transactions that are not connected to the cardholder's bank account. They also use virtual currency paid to a "prepaid payment product account" held with a financial entity. Four types of cards have been invented; open-loop, semi-open-loop, closed-loop and semi-closed-loop cards.[248]

[246] Camelia Popa, "Money Laundering Using the Internet and Electronic Payments," *Metalurgia International* XVII, no. 8 (2012): 221; FATF, "Money Laundering Using New Payment Methods," Paris, 2010, 21, http://www.ctif-cfi.be/website/images/EN/typo_fatf/46705859.pdf; Financial Conduct Authority (FCA), "Money Laundering and Terrorist Financing Risks in the E-Money Sector," London, 2018, 5, https://www.fca.org.uk/publication/thematic-reviews/tr18-3.pdf; Krzysztof Woda, "Money Laundering Techniques with Electronic Payment Systems," *An International Journal*, vol. 18, 2006, 36 – 38.

[247] Tracy Molino, "Proposed Inclusion of Prepaid Cards in Canada's Anti-Money Laundering Regime," *Dentons*, 2018, 1, https://www.dentons.com/en/insights/alerts/2018/june/26/proposed-inclusion-of-prepaid-cards-in-canadas-anti-money-laundering-regime.

[248] Juni Gurung, Marcell Wijaya, and Asha Rao, "AML/CTF Compliance and SMEs in Australia: A Case Study of the Prepaid Card Industry," *Journal of Money Laundering Control* 13, no. 3 (July 20, 2010): 184 – 201; UNODC, "Growing Threat of Electronic Money Laundering and Terrorism Financing," 2017, https://www.facebook.com/unodc.id/; Louis De Koker, "The 2012 Revised FATF Recommendations: Assessing and Mitigating Mobile Money Integrity Risks within the New Standards Framework," *Technology & Arts*, vol. 8, 2012; Kim-Kwang Raymond Choo, "New Payment Methods: A Review of 2010-2012 FATF Mutual Evaluation Reports," *Computer & Security* 36 (2013): 12 - 26; FATF, "Report on New Payment Methods," 2006, http://www.fatf-gafi.org/media/fatf/documents/reports/Report on New Payment Methods.pdf; Stanley Sienkiewicz, "Prepaid Cards: Vulnerable to Money Laundering?," 2007, http://www.fatf-gafi.org.; Courtney J. Linn, "Regulating the Cross-border Movement of Prepaid Cards," *Journal of Money Laundering Control* 11, no. 2 (May 9, 2008): 146 – 171; FATF, "Guidance for A Risk-Based Approach: Prepaid Cards, Mobile Payments and Internet-Based Payment Services," 2013, www.fatf-gafi.org; Molino, "Proposed Inclusion of Prepaid Cards in Canada's Anti-Money Laundering Regime."

As the most functional, open-loop cards are linked with global network branded card providers like VISA and MasterCard. Therefore, these prepaid cards are reloadable and accepted worldwide. They can even be used to withdraw cash from ATMs. This is slightly different from the functions of semi-open-loop cards, which cannot be used to withdraw money from ATMs. Some semi-open-loop cards are like gift cards, linked with certain retail companies and accepted by a limited number of merchants. However, significant differences have been found with the closed-loop cards, particularly the transaction's engagement with the merchants. These card types are tied to a specific merchant, while semi-closed-loop cards can be used in particular retail merchant groups.

Scholars[249] consider three key features of prepaid cards or stored value card products that make them vulnerable to financial crimes. First, customers can use the cards internationally. They can purchase the card in one country and use it to buy goods in another. Second, the reloadable system makes the card easy to use and reload at any time with a certain limited amount. The card providers offer this mechanism with particular merchants and stores. The customer enjoys the benefit of using the card anytime and anywhere. The anonymity function of prepaid cards also makes them attractive. The convenience offered by the providers is the absence of "Know Your Customer" policy. It is easy to hand over the cards as gifts to someone else. Because of these features, prepaid cards are vulnerable to use by criminals as their conduits of money movement, including terrorists.[250]

[249] AUSTRAC, "Stored Value Cards: Money Laundering and Terrorism Financing Key Statistics on Stored Value Cards (SVCs)," 2017; Jeremy M Simon, "The Credit Card-Terrorism Connection," https://www.creditcards.com/, 2008, https://www.creditcards.com/credit-card-news/credit-cards-terrorism-1282.php; The Wolfsberg Group, "Wolfsberg Guidance on Prepaid and Stored Value Cards," 2011, https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/wolfsberg-standards/11.
Wolfsberg_Guidance_on_Prepaid_and_Stored_Value_Cards_Oct_14%2C_2011.pdf; Sienkiewicz, "Prepaid Cards: Vulnerable to Money Laundering?"; Kim-Kwang Raymond Choo, "Money Laundering and Terrorism Financing Risks of Prepaid Cards Instruments?," *Asian Journal of Criminology* 4, no. 1 (June 8, 2009): 11 – 30.

[250] UNODC, "Growing Threat of Electronic Money Laundering and Terrorism Financing"; Linn, "Regulating the Cross-border Movement of Prepaid Cards"; AUSTRAC, "Stored Value Cards: Money Laundering and Terrorism Financing Key Statistics on Stored Value Cards (SVCs)"; David Malamed, "Money Laundering – Card Tricks," *The Journal of the Global Accounting Alliance*, (2011).

Conclusion

This chapter has reviewed selected literature on how terrorists organise their finances. It identifies three main stages of terrorist financing: raising funds, moving the money and using resources to support intended terror operations and the organisation. The fund-raising literature focuses on terrorists' strategies, both legal and illegal, for obtaining money and assets. The literature shows which means of fund-raising are preferred by terrorist organisations, and how this differentiates terrorist fund-raising from other financial or economic crimes. The analysis of fund-raising strategies is followed by an examination for moving the money. The literature also explains the importance of the financial networks of terrorist groups, which dictate the movement of resources and information. The discussion of the movement of money leads to an examination of how terrorist groups embed themselves in society and how they misuse financial and non-financial instruments to deliver money to the terrorist end-users. Lastly, the literature sheds light on terrorists' operational and structural expenditure. This includes preparations for terrorist attacks, developing propaganda, recruitments and wages, military training and social services for members and their families.

This chapter also revisited convergence literature to show a range of terrorist financing typologies. Several means of terrorist financing presented in this chapter provide an insight into how terrorist organisations use resources to meet their operational and organisational needs. The chapter also explored how terrorists collaborate in order to sustain their financial infrastructure and reviewed some of the ways terrorist groups seek to improve their finances. Technology was identified as an enabler for terrorists to improve their funding techniques through the new sophisticated payment systems offered by financial service providers.

The literature also discusses the common ground and differences between money laundering and terrorist financing, including the money laundering element in many terrorist financing schemes. Terrorist organisations, being clandestine, seek to conceal their financial activities

in order to survive. Terrorist groups use money laundering in a bid to give their financial activities, especially the channelling of money to final terrorist cells. Money laundering benefits terrorists by enabling them to use the proceeds of crime for terrorism while hiding both those crimes and the intention to undertake terrorist acts.[251] This information is relevant to the examination of CFT policy in later chapters, where the policymakers are seeking to criminalise money laundering.

All the studies reviewed here on the three stages of terrorist financing, the nexus with money laundering and the types of terrorist financing provide the necessary context and understanding for this thesis. The insight provided by the literature into how terrorist groups develop their funding mechanisms is directly relevant to the Indonesian case studies, addressing the first research question of how terrorist financing has evolved in Indonesia.

This argument is less specific than the propositions in the literature, but it is one that is worthwhile pursuing based on the literature. In this part, two broad propositions are articulated from the literature to guide analysis and data collection. First, that terrorist financing networks have vibrant and resilient structures involving collaboration on advanced financial techniques and the interaction of multiple agents. Second, the explanation of how terrorist funding networks begin, work and change provides an insight into evolving terrorist financing trends in Indonesia. This, in turn, adds to the knowledge base on terrorist finances and to the analysis of what constitutes an effective response by policymakers.

The next chapter elaborates on and refines the propositions in the above discussion. The CFT policy concepts are contextualised in the next chapter to examine how international policies are adopted by countries like Indonesia.

[251] Tofangsaz, “Rethinking Terrorist Financing; Where Does All This Lead?,” January 2015, 119.

Chapter 2

International Countering the Financing of Terrorism (CFT) Initiatives

> Financial intelligence can reveal the structure of terrorist groups, the activities of individual terrorists, and their logistics and facilitation networks. Financing is important for all terrorists—from large terrorist organisations which control territory to small terrorist cells.
>
> Financial Action Task Force[252]

Introduction

Chapter 1 examined the strategies used by terrorist organisations to make, transfer, and spend money for terrorism purposes. Generally, the funds are spent on either violent operations or maintaining the terrorist organisation. Next, attention was given to the conjunction between money laundering and terrorist financing crimes, an issue which will be revisited in our later consideration of CFT policy. There followed a discussion of types of terrorist financing and how terrorist financial networks begin, how they operate and change. These aspects contribute to the analysis of what is required to formulate the most effective possible countermeasures to the financing of terrorism.

This chapter considers the response to the ever-changing trends in terrorist financing and how authorities formulate policy to counter the threat. Law enforcement, financial regulatory supervision, intelligence community involvement, inter-agency collaboration and other countermeasures should be used against terrorism financing. Nicholas Ridley and Dean C. Alexander note that a ‘continuous and evolving governmentalities’ framework is necessary to

[252] FATF, “Consolidated FATF Strategy on Combatting Terrorist Financing,” February 19, 2016.

address the issue of terrorist financing effectively.[253] This chapter discusses two main aspects of policy on countering terrorist funding. These are the international CFT initiatives that criminalise money laundering, terrorist financing and other associated crimes and the scope of provisions in financial sectors that are intended to regulate those sectors in accordance with the FATF recommendations.

International initiatives to counter terrorist financing began in 1988 when countries adopted the landmark United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances as one of their policies for confiscating the proceeds of crime. This Paved the way for criminalising money laundering and, later, terrorist financing. This way of looking at policy development provides a conceptual framework for the analysis of policies formulated in Indonesia. If CFT policy is to become more effective, a true appreciation of the increasing threats posed by money laundering, terrorist financing, and the proliferation of weapons of mass destruction is essential.

To clarify further the Recommendations of FATF, the second part of this chapter identifies some particular regulations. FATF expanded its recommendations to cover certain financial sectors, such as cross-border cash transportation, financial and non-financial institutions, non-profit organisations, wire transfers, business on money remittances and new payment methods. This part draws together the various CFT measures that require member countries to take action against money laundering, terrorist financing and associated crimes, consistent with global FATF standards. This latter part of the chapter discusses the policy on financial regulation and supervision, best practices in operations and law enforcement, and finally, international cooperation.

[253] Nicholas Ridley and Dean C. Alexander, “Combating Terrorist Financing in the First Decade of the Twenty-First Century,” *Journal of Money Laundering Control* 15, no. 1 (2012): 52.

Central to this thesis is the evolving model of Indonesian CFT policy and its modification in accordance with FATF recommendations. This overview explains the policy framework adopted by Indonesia, which is explored further in later chapters. Existing CFT policies and their contribution to disrupting and combatting terrorist financing in Indonesia will be analysed. Global policy development phases and their role in interdicting and reducing terrorist financing flows in Indonesia is the focus of this research.

2.1 International Initiatives on Countering Terrorist Financing

The internationalisation of measures to combat terrorist financing began with the promulgation of offences relating to illicit drugs in 1988 and continued with the criminalisation of money laundering and terrorist financing.[254] This research focuses on literature concerning international initiatives to counter terrorist financing. One initiative that follows and shapes the evolution of CFT policies is the FATF model. FATF recommendations are important in the international regulatory framework that shapes national policy. This includes the criminalisation of terrorist financing as an essential element of the CFT policy of each jurisdiction. As Indonesia has complied with the FATF recommendations in formulating CFT policy, it is also necessary to examine the scope of the FATF recommendations on financial regulations and supervision, operations and law enforcement, and international collaboration.

Furthermore, to understand how CFT policies developed, this chapter investigates the policy evolution in eight phases, starting from the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in Vienna, 20 December 1988 (The 1988 Vienna Convention) to the latest modification of the FATF recommendations in 2012. The latter now includes financing of nuclear proliferation as a provision regulated by the FATF. The aims in

[254] "United Nations Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances," *UNODC Website*, accessed May 24, 2021, https://www.unodc.org/unodc/en/treaties/illicit-trafficking.html?ref=menuside.

this part of the chapter are threefold. The first is to demonstrate countries' obligations to ratify and implement the Vienna Convention. The second is to outline how financial secrecy laws should be applied. The third objective is to describe how multilateral cooperation and mutual legal assistance could address money laundering investigations, and effect prosecution and extradition.

The first phase of applying measures to confiscate crime proceeds was passed following the adoption of the 1988 Vienna Convention. The convention directs countries to adopt strategies for the seizure of proceeds from offences relating to narcotic drugs and psychotropic substances, including materials, equipment or other instruments used. According to Article 5 (2), government authorities should "identify, trace, and freeze or seize proceeds, property, instrumentalities or any other things referred to in paragraph 1 of this article, for the purpose of eventual confiscation."[255] Moreover, as Tatyana Gibbs notes, this instrument embodies the commitment of all parties to introduce measures on the laundering of drug proceeds (even though the term 'money laundering' was not used until a few years later).[256] It was at this point that money laundering was recognised as a crime by signatory nations.

The second phase of applying the 1988 Vienna Convention was the global response to criminalising money laundering. The Basel (Switzerland) Committee on Banking Supervision adopted the Convention. The committee delivered its "Statement of Principles on the Prevention of Criminal Use of the Banking System for the Purpose of Money Laundering." The Principles called upon banks to implement provisions on identifying customers, on reporting suspicious financial transactions and on the relationship between industry and law

[255] "The United Nations Conference for the Adoption of a Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances," Vienna, December 1988, 5.
[256] Tatyana Gibbs, "An Analysis of the Effectiveness of Anti-Money Laundering and Counter Terrorist Funding Legislation and Its Administration in the UAE," *Institute of Advanced Legal Studies*, 2017, 105.

enforcement agencies. The Principles included ways to prevent and eradicate the misuse of the financial system for money laundering.[257]

A year later, the fight against money laundering crime entered a new third phase. In 1989, the G7, the European Commission and eight other countries founded the above-mentioned Financial Action Task Force (FATF).[258] A Paris meeting resulted in a consensus to endorse the FATF as the intergovernmental body to standardise strategies to prevent and combat money laundering. By 1990, the FATF criminalised money laundering by invoking the Vienna Convention.

The FATF made 40 recommendations to set the pace globally for anti-money laundering measures, to address financial crime and to protect the integrity of the international financial system. Moreover, the FATF was responsible for assessing the degree of compliance among member jurisdictions and for reviewing the implementation of the recommendations at a national and international level.[259]

In the fourth phase, the FATF increased the scope of the 40 recommendations by extending drug money laundering offences to any crimes with a possible connection to narcotics. FATF criminalised money laundering related to all other serious crimes, including those involving a significant level of proceeds or particularly serious violations.[260]

The fifth phase was by way of a modification to the International Convention on the Suppression of the Financing of Terrorism, approved by the UN General Assembly on 9

[257] "Prevention of Criminal Use of the Banking System for the Purpose of Money-Laundering," Basel, December 1988.
[258] FATF, "History of the FATF," accessed August 12, 2020, https://www.fatf-gafi.org/about/historyofthefatf/.
[259] Georgios Pavlidis, "Financial Action Task Force and the Fight against Money Laundering and the Financing of Terrorism: Quo Vadimus?," *Journal of Financial Crime* 28, no. 3 (2020).
[260] "The Forty Recommendations of the Financial Action Task Force on Money Laundering 1990," Paris, 1990, 2; "Financial Action Task Force on Money Laundering: The Forty Recommendations," Paris, 1996, 2, http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF Recommendations 1996.pdf.

December 1999. The aim was to disrupt funding for terrorist activities. Twenty-eight articles defined the terrorist financing activities against which the provisions were targeted:

> Any act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.[261]

As stated in Article Eight, the convention called on all states to take appropriate action in conformity with its domestic legal standards regarding three major propositions. The propositions covered 'identification, detection and freezing or seizure of any funds used or allocated' not only for the purpose of committing a terrorism offence but also any proceeds generated from such crimes aimed at conceivably forfeiting the assets.[262]

In the sixth phase, in 2001, nine Special Recommendations on Terrorist Financing were issued. A new combination of the existing standards, the Special Recommendations established a broader understanding of criminalisation of the funding of terrorism and associated money laundering. The scope referred to money for terrorism purposes, terrorist acts and terrorist organisations. Countries were called upon to confirm that such crimes are predicated on money laundering.[263]

The seventh phase commenced in 2003 with an amendment to the Convention against Transnational Organised Crime. In this period, the FATF again increased the scope of offences related to all crimes and particular offences with a minimum penalty of more than a six-months imprisonment. The FATF encouraged participating countries to designate a range of offences

[261] "International Convention for the Suppression of the Financing of Terrorism," *United Nations Website*, December 1999.
[262] "International Convention for the Suppression of the Financing of Terrorism."
[263] FATF, "FATF IX Special Recommendations on Terrorist Financing," Paris, 2001, 2, http://www.fatf-gafi.org/media/fatf/documents/reports/FATF Standards - IX Special Recommendations and IN rc.pdf.

listed within certain categories covering 20 types of crimes, including terrorism and terrorist financing.[264]

Lastly, the eighth phase featured a review conducted from 2012 onwards. The FATF pressed on by requiring member jurisdictions to criminalise the funding of terrorist activities and the financing of terrorist organisations and individual terrorists, even without connecting these activities to a specific terrorist act or acts. In addition, FATF included additional terrorist financing offences linked to the financing of proliferation. This move was consistent with United Nations Security Council resolutions on the prevention, suppression and disruption of the proliferation of weapons of mass destruction and its financing.[265]

The FATF is a regulatory assembly with networks of Financial Intelligence Units (FIUs). It sets standards with which member countries must comply. As explained above, FATF recommendations change, adapting to emerging and dynamic threats, including drugs-linked money laundering, terrorist financing and the funding of proliferation of weapons of mass destruction. The FATF evolved in eight phases and focused on improving three key aspects of countering crime: financial regulation and supervision, operations and law enforcement, and international collaboration in tackling crime.

2.2 Scope of the FATF Recommendations

The gradual improvements by the FATF that led to the criminalisation of money laundering and terrorist financing have affected the way FATF developed the scope of its standards for member states. FATF has sought to ensure the effective implementation of countermeasures

[264] FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," Paris, 2003, 1, 12, http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF Recommendations 2003.pdf.
[265] FATF, "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations," Paris, 2019, 10 – 11.

for terrorist financing, money laundering and associated crimes by broadening its recommendations to cover policy on seven financial sectors, including cross-border cash-carrying, financial institutions, non-financial businesses and professions, non-profit organisations, wire transfers, money or value transfer providers, alternative money remittances and accommodating new technologies-based payment services. Those were essential in order to capture the greater range of crime that may arise as a result of new products and business practices. FATF's pre-emptive action also enabled financial institutions to detect and then manage and mitigate those risks.

The following explores how the FATF has increased its protection of the global financial integrity system by setting a standard and calling for compliance with its recommendations as outlined above. The review of the literature here will provide some answers to later questions about how Indonesia adopted international standards to improve its domestic strategies to counter terrorist financing. Context is also provided on the role of policy in addressing risks posed by payment instruments against terrorist financing, money laundering and other associated crimes.

The first FATF principle is to avoid currency laundering through physical, cross-border transportation. First, in 1990, Recommendation 23 encouraged state parties to introduce measures to detect and monitor important cross-border cash movements by mandatory reporting or other means, albeit without inhibiting freedom of capital flows.[266] Next, in 1996, the FATF amended the recommendation to include bearer negotiable instruments to be identified and supervised by authorities.[267] The enhancement of monitoring instruments continued in 2001 and 2012 by the publication of special recommendations on a declaration or disclosure system to supervise the physical cross-border transportation of currency and

[266] FATF, "The Forty Recommendations of the Financial Action Task Force on Money Laundering 1990," Paris, 1990, 4.
[267] FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," Paris, 1996, 5.

bearer negotiable instruments. Countries were to ensure the implementation of those recommendations, particularly those related to money laundering, terrorist financing and other predicate offences, including the imposition of sanctions.[268]

The second FATF principle concerns protecting the integrity of financial institutions, which the government confirms as subject to anti-money laundering laws or regulations. The recommendations also cover regulation of cross-border correspondent banking by a policy to identify and verify customers.[269] In 1996, FATF recommendations envisaged the application of FATF measures not only to banks and non-bank financial institutions but also to 'those non-bank financial institutions which are not subject to a formal prudential supervisory regime in all countries.' In addition, Recommendation 9 noted the application of measures to non-financial institutions which run a commercial business.[270] Countries were required to collaborate in implementing regulations that established a reporting system of domestic and international currency transactions, a computerised database, and guidelines for financial institutions.[271]

The third principle concerns FATF's strategy to improve standards for the designated non-financial businesses and professions (DNFBPs) that present a money laundering or terrorist financing risk. Legal provisions were set out for casinos, precious metals and stones dealers, real estate agents, trust and company service providers, lawyers, notaries, other independent legal professionals and accountants.[272] For institutions, the DNFBP recommendations

[268] FATF, "The FATF Recommendations," Paris, 2012; FATF, "FATF IX Special Recommendations on Terrorist Financing."
[269] FATF, "The Forty Recommendations of the Financial Action Task Force on Money Laundering 1990"; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 1996; FATF, "FATF IX Special Recommendations on Terrorist Financing"; FATF, "The FATF Recommendations"; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003.
[270] FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 1996, 3.
[271] FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003, 7.
[272] FATF, 12.

included reporting suspicious transactions involving clients when they engaged in any cash transaction conducted with a customer equal to or above the designated threshold.[273]

The fourth principle to highlight concerns NPOs established after the publication of the nine special recommendations in 2001. In Recommendation 8, FATF added NPOs as a vulnerable area and countries were encouraged to enforce adequate measures to prevent any misuse of them by terrorists for financing purposes. Measures were to be introduced to detect exploitation of NPOs as conduits for terrorist funding, including efforts to disburse money for terrorist organisations.[274]

Another set of recommendations by FATF concerns laws and regulations on wire transfers. These required companies or money remitters to provide accurate details on customers, beneficiary information, fund transfers and messages through the payment chain. These provisions urged states to adhere to robust standards of reporting and monitoring of suspicious financial activities for money laundering and/or terrorist financing purposes.[275] In 2012, FATF expanded the recommendation by requiring countries to regulate the freezing of assets, related to designated persons and entities as stated in the relevant United Nations Security Council resolutions (UNSC) 1267 (1999) and 1373 (2001) on the prevention and suppression of terrorism and terrorist financing.[276]

Next, the FATF turned to obligations for alternative remittance businesses. These pertained to include individuals or legal entities, such as agents, who offer a service of transferring money or value through an informal channel. The FATF stipulated the need to verify a company's legality with a license through registration. Companies would be obliged to produce

[273] The designated thresholds for transactions involving DNFBPs as set forth under Recommendations 22 and 23 are USD/EUR 3,000 for casinos, and USD/EUR 15,000 for precious metals and stones dealers. FATF, "The FATF Recommendations," 20,88.
[274] FATF, "FATF IX Special Recommendations on Terrorist Financing," 3; FATF, "The FATF Recommendations," 11.
[275] FATF, "FATF IX Special Recommendations on Terrorist Financing," 3.
[276] FATF, "The FATF Recommendations," 15.

identification when entering into financial transactions with banks and non-bank financial institutions.[277]

Later, between 2012 and 2019, the FATF continued to enlarge the scope of its recommendations to include the development of anti-money laundering and terrorist financing regulations for money or value transfer services (MVTS) and new technologies based payment services.[278] As in the case of alternative money remittance providers, the FATF calls upon state parties to legalise companies carrying out MVTS business and ensure they are subject to anti-money laundering and terrorist financing laws. Authorities are required to supervise and assess compliance of MVTS activities with the law and to penalise those which are unlicensed or unregistered. FATF also urges countries to ensure that new payment methods using developing technologies take steps to mitigate risks of money laundering and terrorist financing. Involving financial institutions in the risk assessment is a prudent way to protect businesses from money launderers and abuse by terrorists.[279]

Notwithstanding the aforementioned scope of FATF recommendations in seven sectors, there are still three main areas of concern for member countries. These include protecting the financial system through regulation and supervision, devising strategies for operations and law enforcement, and building cooperation among member countries. A fuller account of these areas and the need for authorities to use appropriate measures against money laundering and terrorist funding follows.

[277] FATF, “FATF IX Special Recommendations on Terrorist Financing,” 3.
[278] FATF, “The FATF Recommendations.”
[279] FATF, 15.

2.2.1 Financial Regulation and Supervision

As mentioned previously, controls and supervision are vital to implementing anti-money laundering and counter-terrorist financing measures. The FATF requires countries to monitor and supervise the indicators of misuse by criminals or their associates in controlling, holding or being the beneficial owner of financial institutions. Countries are expected to apply regulatory and supervisory measures for prudential purposes. This section addresses the elements of strengthening financial systems against crime, including strategies for conducting anti-money laundering and/or counter-terrorist financing programs, developing customer identification and record-keeping policies, and reporting suspicious transactions.

The first focus of FATF recommendations is the responsibility of states parties to establish robust anti-money laundering and countering terrorist financing programs. The programs develop internal policies, procedures and controls to ensure compliance by officers at the management and operations level and to corroborate the implementation of standards.[280] The programs apply not only to central offices but also to foreign branches and subsidiaries, which should comply and be consistent with the home country requirements.[281]

FATF's second focus is customer identification and record-keeping. Consistent with KYC strategies, states parties' policies must ensure that financial institutions verify that customers are not keeping anonymous accounts when making business arrangements or conducting transactions. Financial institutions must record and confirm the identity of legal entities opening new accounts or passbooks, performing fiduciary transactions, renting safe deposit boxes and

[280] FATF, "The Forty Recommendations of the Financial Action Task Force on Money Laundering 1990"; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 1996; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003; FATF, "The FATF Recommendations."
[281] FATF, "The FATF Recommendations," 16 – 17.

executing large cash transactions. This validation includes the verification of a client's name, legal existence, address, the beneficial owner or power of attorney bonded to the entities.[282]

In 2003, the FATF amended its provisions by introducing a form of verification of customers' profiles, called Customer Due Diligence (CDD). CDD guides financial institutions in establishing business relations with customers. According to the FATF recommendations, CDD directs financial institutions to take the following steps:[283]

> (a) Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information.
>
> (b) Identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner, such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this should include financial institutions understanding the ownership and control structure of the customer.
>
> (c) Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship.
>
> (d) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.

All information recorded under CDD measures would assist authorities conducting criminal investigations and prosecutions.[284]

Record-keeping is also essential to the implementation of anti-money laundering and counter-terrorist financing laws and regulations. Financial institutions must keep records on customer

[282] FATF, "The Forty Recommendations of the Financial Action Task Force on Money Laundering 1990," 2; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 1996, 3 – 4.
[283] FATF, "The FATF Recommendations," 12.
[284] FATF, "The Forty Recommendations of the Financial Action Task Force on Money Laundering 1990," 2; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 1996, 3 – 4; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003, 4 – 5; FATF, "The FATF Recommendations," 13.

identification, including copies of official documents, account files, business correspondence and essential transactions conducted domestically or internationally.

Equally important from FATF's perspective is the reporting of suspicious transactions with the indication of money laundering and terrorist financing. The reporting requires an initial identification of financial activities, followed by the reporting itself to the FIU. All reporting parties mentioned in the recommendations, including Financial Institutions and DNFBPs, must take note of unusually large transactions and unusual patterns of transactions that have no legal purpose. A suspected criminal activity or terrorist financing must be reported promptly to the FIU. By law, the reporting parties and their organisations are protected from criminal and civil liability. Even if they are unable to identify or prove a particular criminal activity, they may still refer suspicious activities to the FIU on the basis of some other illegal activity that they have been able to identify. Reporting parties must treat the information disclosed to the FIU as highly confidential.[285]

2.2.2 Operations and Law Enforcement

FATF views effective investigations and law enforcement as key to a robust Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regime. FATF's objective is to enable the effective prosecution of criminals and confiscation of laundered money and other proceeds as well as instrumentalities used in or intended for use in any money laundering and terrorist financing. FATF has supported operations and law enforcement by establishing an FIU as a centre for analysing suspicious financial transactions reports and other information indicating of money laundering, associated predicate crimes and terrorist financing. The FIU

[285] FATF, "The FATF Recommendations," 5 – 6.

investigations by law enforcement and investigative authorities are in accordance with AML/CFT policies.[286]

In accordance with the 1988 Vienna Convention, four main areas in the FATF Recommendations concern operations and law enforcement. These are the strategy for identifying and tracking suspicious financial transactions related to money laundering and terrorist financing, the freezing and seizure of terrorist funds, extradition, and the risk-based approach to coordinating, preventing and combating of money laundering and terrorist financing.[287] These are considered below.

First, states must ensure their authorities have the capability to identify, trace and evaluate properties suspected of being linked to money laundering, associated predicate crimes and terrorist financing offences. This includes ensuring the effectiveness of asset investigations and adequate systems for monitoring and supervising the financial behaviour of particular targets. Countries are encouraged to develop methods of obtaining documents and information for the purposes of investigations and prosecutions.[288]

Second, countries are responsible for freezing and seizing properties that are subjected to confiscation or which are indicated as being proceeds of crime. As stated in the recommendations, this strategy is intended to prevent, in a timely manner, any movement or removal of such property, for example, through trade or transfer or some other form of disposal.[289]

Furthermore, in the most recent versions of the FATF Recommendations, countries must adopt more comprehensive policies on the freezing and confiscation of terrorist assets in accordance

[286] FATF, 22.
[287] FATF, “The FATF Recommendations.”
[288] FATF, “Financial Action Task Force on Money Laundering: The Forty Recommendations,” 2003, 8.
[289] FATF, 10; FATF, “The FATF Recommendations,” 22.

with UNSC 1267 (1999) and its successor resolutions[290] and pursuant to UNSCR 1373 (2001), which calls on the Member States to freeze without delay funds or other terrorist assets of those who fund terrorism and terrorist organisations.[291] In 2013, the FATF published an additional recommendation to apply targeted financial sanctions conforming with UNSC resolutions on the prevention, suppression and disruption of the proliferation of weapons of mass destruction and its financing.[292]

Countries are obliged to establish effective mechanisms to propose entities and persons to the UNSC for designation under the freezing without delay provisions. This strategy envisages targeted financial sanctions for terrorist financing and the financing of the proliferation of weapons of mass destruction. The FATF set out measures to guide authorities responsible for identifying persons or entities that meet the designation criteria in the resolutions, including the need for sufficient evidence to support the designation. When proposing persons or entities for designation, countries are expected to apply their own legal standards and to consider human rights, the rule of law and the rights of innocent third parties. FATF also urges the authorities to freeze funds and other assets without delay or prior notice. This applies not only to funds linked to a particular act or plot but also to funds that are wholly or jointly owned or controlled, directly or indirectly, or derived assets owned or controlled by the designated person or entities.[293]

Third, countries are encouraged to make provision for the extradition of persons charged with money laundering, terrorist financing or other related offences without unnecessary delay. By referring to its national legal system, each state should acknowledge money laundering and

[290] The successor resolutions to the UN resolution 1267 (1999) are resolutions: 1333 (2000), 1363 (2001), 1390 (2002), 1452 (2002), 1455 (2003), 1526 (2004), 1617 (2005), 1730 (2006), 1735 (2006), 1822 (2008), 1904 (2009), 1988 (2011), and 1989 (2011).
[291] FATF, "FATF IX Special Recommendations on Terrorist Financing," 2.
[292] FATF, "The FATF Recommendations."
[293] FATF, 46 – 48.

terrorist financing as extraditable crimes. In addition, to extradite in a timely manner, all countries should simplify the handling of extradition requests.[294]

Finally, the latest amendment improvement to the FATF recommendations notes countries' responsibility to recognise, assess and comprehend the money laundering and terrorist financing risks for society. To mitigate the risks, particular steps must be taken to ensure there are measures in place that are consistent with the risk-based approach. The FATF examines countries' compliance regarding these countermeasures with a view to determining whether it also contributes to strategies for resource allocation and risk management. FATF's requirement to set out risk mitigation policies applies not only to competent authorities but also to financial institutions and DNFBPs. They are obliged to establish robust and effective measures to assess and mitigate money laundering and terrorist financing threats.[295] Risk assessment also applies to business relationships with higher-risk countries, that is, those that do not comply sufficiently with the FATF recommendations. Appropriate measures must be undertaken effectively and proportionately to the level of risk.[296]

2.2.3 International Cooperation

The last area for which FATF attempts to make provision is the commitment of member countries to international cooperation. FATF requires countries to improve international cooperation. This includes two main focus areas: administrative collaboration in the exchange of information and mutual legal assistance.

[294] FATF, "The Forty Recommendations of the Financial Action Task Force on Money Laundering 1990," 5 – 6; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 1996, 7; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003, 11; FATF, "The FATF Recommendations," 7.
[295] FATF, "The FATF Recommendations," 9.
[296] FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003, 7; FATF, "The FATF Recommendations," 17.

First, as relations with foreign counterparts is fundamental to the implementation of AML/CFT measures, countries are encouraged to manage administrative cooperation by establishing a 'prompt and constructive' information exchange. The competent authorities should acquire the capability to request information, respond in turn to request for assistance and provide essential data regarding suspicious transactions that involve persons and corporations, as well as developing a spontaneous international information exchange as an element of cooperation between competent authorities. Moreover, in the case of a request from non-counterparts, FATF also emphasises the possibility of information exchanges among countries by enabling competent authorities to manage requests and initiate contact with foreign counterparts for support. Notwithstanding collaboration, each country must have controls to protect information and ensure privacy and confidentiality. Overall, countries are urged to take steps to develop relationships with a view to investigations, both civil and criminal, through inquiries and proceedings regarding terrorist funding, terrorist acts and terrorist organisations.[297]

Second, FATF encourages countries to advance mutual legal assistance on money laundering, associated predicate crimes and terrorist financing investigations, prosecutions, and related proceedings. FATF encourages the establishment of an adequate legal basis to respond and not refuse to promptly accomplish mutual requests from foreign jurisdictions and law enforcement authorities, including in relation to the fair and just prosecutions. The provisions set forth by the competent authorities must respect domestic frameworks and contexts. This includes responding to requests for tracing, freezing, seizing and confiscating property laundered, money laundering or predicate crimes proceeds, 'instrumentalities used in or intended for use in the commission of these offences, or property of corresponding

[297] FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003, 11; FATF, "The FATF Recommendations," 9; FATF, "FATF IX Special Recommendations on Terrorist Financing," 2.

value.'[298] The competent authorities responsible for mutual requests must protect the confidentiality of the information exchanged, including the integrity of the investigation.[299]

Conclusion

An understanding of the provisions agreed by FATF to combat money laundering and terrorist financing and their evolution is essential to the implementation of effective CFT policies by member states, including Indonesia. As demonstrated by the introduction of a new model for combatting terrorist financing that began with the 1988 Vienna Convention and continued with the adaptive countermeasures, this section has outlined the importance of a global regulatory framework for shaping CFT policies in the national context. The framework encompasses three major areas of policy: financial regulation and supervision, operations and law enforcement and international cooperation.

Introducing provisions regarded as best practice by the FATF, this chapter ties together common concerns about the role and authority of financial institutions and law enforcement agencies to pursue robust transnational institutional innovations in the name of fighting effectively against terrorist financing. The FATF has endeavoured to adjust its principles to address transnational terrorist threats, and thus, to build standards against terrorist financing.[300]

When policy principles are well understood, accepted and adopted by member countries, the policy is likely to achieve its aims of interdicting and reducing terrorist financing networks. To assess compliance with the FATF recommendations as a model for combatting terrorist financing, this research points to the need for a further evaluation of the effectiveness of the

[298] FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003, 10 – 11.
[299] FATF, "The FATF Recommendations," 25 – 26.
[300] Kathryn L Gardner, "Fighting Terrorism the FATF Way," *Global Governance* 13, no. 3 (2007): 341.

policy, as examined in Chapter 3. The purpose is to reflect on the extent to which Indonesian policy affects the efforts to counter the growing threats of terrorist financing.

Chapter 3

Policy Evaluation Model

> Assessments have been plentiful but have overwhelmingly been performed with the objective to identify gaps in the implementation of laws and agreements. They have focused on outcome and output of internationally agreed CTF policies. There has been less consideration of impact, whether measures actually reduced terrorism.
>
> Michael Brzoska[301]

Introduction

For decades, scholars have been studying policy evaluation and its significance to the governance system. Allan McConnell, for instance, describes the importance of assessing policy implementation in relation to its effect on problems in the community. He examines the concept of "policy success and policy failure" as the result of evaluating the relevance of policy to issues within the governance system. This chapter outlines the arguments in the literature on policy evaluation, yet the literature rarely goes beyond the narrative that success or failure equals achieving policy aims and constructing 'better' policy or not.[302]

[301] Michael Brzoska, "The Role of Effectiveness and Efficiency in the European Union's Counterterrorism Policy: The Case of Terrorist Financing." *Economics of Security Working Paper*, no. 51, (2011).
[302] Allan McConnell, "Policy Success, Policy Failure and Grey Areas In-Between," *Journal of Public Policy* 30, no. 03 (December 4, 2010): 345 – 362; Evert Vedung, "Six Models of Evaluation," in *Routledge Handbook of Public Policy*, ed. Eduardo Araral Jr. et al., First (New York: Routledge, 2013), 387 – 400; E. Jane Davidson, *Evaluation Methodology Basics: The Nuts and Bolts of Sound Evaluation* (2455 Teller Road, Thousand Oaks California 91320 United States: SAGE Publications, Inc., 2012); Ian Sanderson, "Evaluation, Policy Learning and Evidence-Based Policy Making," *Public Administration* 80, no. 1 (January 1, 2002): 1 – 22; Diana Perche, "Dialogue Between Past and Present: Policy Evaluation and History," *Australian Journal of Politics & History* 57, no. 3 (September 1, 2011): 403 – 419; M. A. P. Bovens, Paul 't. Hart, and B. Guy. Peters, *Success and Failure in Public Governance : A Comparative Analysis* (Edward Elgar, 2001); Allan Mcconnell, "Overview: Crisis Management, Influences, Responses and Evaluation," *Parliamentary Affairs* 56 (2003): 393 – 409; Kathleen Mackie, "Success and Failure in Environment Policy: The Role of Policy Officials," *Australian Journal of Public Administration* 75, no. 3 (September 1, 2016): 291 – 304.

The first part of this chapter defines policy evaluation, drawing on the works of some scholars who assess the meaning of successful policy in a particular way. The chapter goes on to consider selected literature on policy impact studies. This literature is relevant to the impact of policies and is necessary to clarify the success or otherwise of Indonesian CFT strategies from 2002 to 2019. Some scholars identify and gauge the policy dynamic in terms of its intended and unintended consequences. Finally, the chapter also investigates previous research on policy evaluation that measures the effectiveness of counterterrorism or counter-financing of terrorism policies. Thus, policy impact is important to the analysis offered in Chapter 12. The argument is based on the limited success of Indonesian CFT policies in disrupting, interdicting, and combating terrorist financing networks.

3.1 Definition of Policy Evaluation

As mentioned earlier, in defining policy evaluation, this research draws on concepts developed by scholars such as Evert Vedung whose work underpins the theoretical framework of this study. Vedung defines evaluation as an activity or mechanism to monitor, systemise, and grade government interventions. This includes assessing organisations, policies, programs, projects, or activities with reference to their future work. This assessment guides decision-makers to act as responsibly, productively, correctly and economically as possible. Vedung further describes evaluation as a specific review of the quality of an organisation. The quality review includes the content, administration, output, and impacts of ongoing or previous policies, which play an essential role in future conditions.[303]

The evaluation process examines the adequacy of policy performance. This includes whether or not and the extent to which programs and policies are well organised, effectively operated,

[303] Vedung, “Six Models of Evaluation,” 387.

and address the problem, which is the subject of the policy. Increasing knowledge of policy implementation and its impact on the problem is essential to shape arguments and improve future policy design. Vedung categorises the examination process into six evaluation models. These classifications were based on assessing the policy against goals, goals plus side effects, client needs, views of multiple stakeholders, and the judgement of independent peer reviewers. From those models, this study identifies three which are applicable to this research analysis. An examination of Vedung's models is essential to this research in order to analyse the extent to which Vedung's models are relevant to the evaluation of the implementation of Indonesian CFT policies, which have been in place since 2002.

The first example of the three models is goal-attainment. This measures policy effectiveness by goal-attainment and intervention impact assessment. The method uses some key questions exploring the association between programs or activities and the policy goals. The examination identifies unintended side effects. Those side-effects might be known or unknown if they were not foreseen when the decision was made.[304]

The second model of policy evaluation is a side-effect model. In contrast to goal-attainment, it focuses on the side-effects, including unanticipated and anticipated effects encountered during the evaluation. This model is designed to highlight how some policies may have detrimental effects on the operations that were not intended when the policy was formulated.[305]

The third model concerns relevance. The purposes of this model are similar to the goal-attainment model. However, this model explores aspects of the policy that might achieve its goal, but without necessarily addressing the underlying problem. Vedung gives the example of an information campaign about an alcohol-related issue. The campaign may lead to a

[304] Ibid.
[305] Ibid.

reduction in the purchase of alcohol but without resolving the problem of the frequency of incidents of alcohol-related illness.[306]

Another academic, E. Jane Davidson develops further Vedung's definition of policy evaluation. She emphasises the importance of the purposes of the evaluation. The evaluation design should incorporate both areas for improvement and the primary policy priorities. She argues that this could clarify questions about the relative merit or worth of the evaluation.[307] Davidson identifies two kinds of assessment of the purposes of policy evaluation. The first is a summative evaluation for reporting and determining the overall quality or value of the programs or activities for decision-making purposes. The second type is to identify areas for future improvement. The evaluation aims to provide insights into the effects of the programs or activities on the problems the policy is intended to address.[308]

David Marsh and Allan McConnell also highlight the narrow focus of evaluation studies. They note the vast number of evidence-based policy studies that strengthen the argument of evaluation as a means for policy improvement. The evaluation examines success and failure in meeting policy objectives or producing 'better policy.'[309] To produce robust policy evaluation, it is necessary to base it upon 'sound evidence-based policies.' The evaluation refers to the theory and focuses on defining and describing how policies are intended to result in desired effects. Evidence can demonstrate the degree of success of the policy implementation. It can also indicate what policy action should be taken and how to modify and develop policy. The evidence analysis approach is essential to future consideration of policy options as outlined in this study.

[306] Vedung.
[307] Davidson, *Evaluation Methodology Basics: The Nuts and Bolts of Sound Evaluation*, 7.
[308] Davidson, 13 – 22.
[309] David Marsh and Allan McConnell, "Towards a Framework for Establishing Policy Success: A Reply to Bovens," *Public Administration* 88, no. 2 (April 5, 2010): 2.

Yet another researcher, Ian Sanderson stresses the importance of evidence in the assessment process. Evidence demonstrates the anticipated effectiveness of policy. It also informs decisions for the next round of policy responses and confirms whether to develop, alter, or continue existing policies.[310] Sanderson remarks, *'if policy is goal-driven, then evaluation is goal-oriented.'*[311] Finally, measuring the implementation and impact of policy is essential in framing policy arguments.

Sanderson's perspective is supported by Diana Perche's study, which emphasises *'evaluation is widely recognised as a vital stage of the policy process.'*[312] Therefore, by observing the impact of the past on the present situation, policymakers are able to identify the positives and continue the work into the future. This evidence-based policy movement is called path dependency, a portrait of constancy and continuity between past and present and into the future.

The definition of policy evaluation and its objectives outlined so far lays the foundation for the analysis in the following chapters, which are concerned with the impact of Indonesian CFT policies on efforts to combat terrorist financing networks. The aim of this study is to gauge whether the implementation of such policies has met their intended objectives or not. Therefore, this research combines the measurement of policy success and policy failure and the policy impact model of analysis. For the purpose of this thesis, observing the policy process and programs is critical to assessing the impact of policy on the problems it seeks to address.

Furthermore, in measuring policy performance, scholars should also understand the policy capacity of states. X. Wu et al. define policy capacity as the capability of governments to use knowledge in the policy-making process, to probe environmental factors and encourage

[310] Sanderson, "Evaluation, Policy Learning and Evidence-Based Policy Making," 3.
[311] Sanderson, 4.
[312] Perche, "Dialogue Between Past and Present: Policy Evaluation and History," 405.

intelligent choices in the way issues are handled.[313] They identify three dimensions of policy capacity, namely competencies and capabilities in analytical, operational, and political skills. These dimensions are linked to policy outputs and outcomes at three levels: individual, organisational, and systemic.

Those three dimensions of policy capacity are considered to be a function of the competencies and skills employed at three particular levels of resources. First, analytical capacities are the skills to adjust analytical techniques in an efficient and cost-effective manner.[314] Second, operational capacity is a factor determining organisational competencies, where the performance of policy managers and workers are demonstrated. This capacity encompasses legislative and executive institutions, actors, and also training programs, as well as the aspirations of public servants participating in the programs.[315] Third, political capacity is defined by the degree of confidence in policy action within the various political, social, economic, and security spheres of society. The government endeavours to gain public trust during the policy implementation process.[316] The interactions among the three dimensions of policy capacity are illustrated in Figure 3.1.

[313] X Wu et al., "Policy Capacity: A Conceptual Framework for Understanding Policy Competences and Capabilities," *Policy and Society* 34, no. 3-4 (2015): 165.
[314] Wu et al., 168.
[315] Wu et al., 169.
[316] Wu et al., 170.

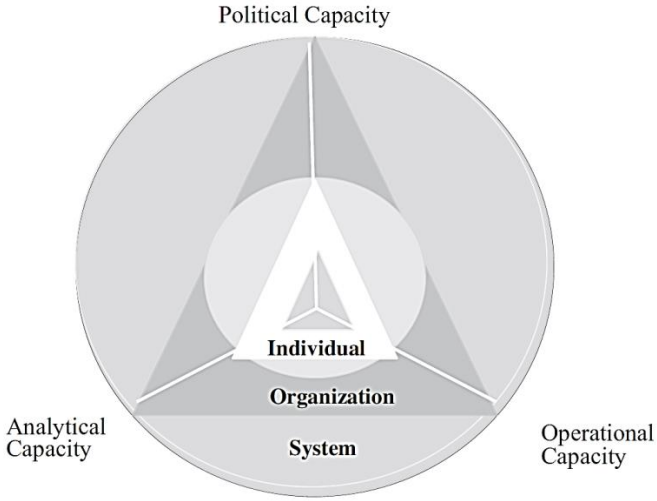

Figure 3.1 A Nested Model of Policy Capacity[317]

Returning to the question posed at the beginning of this study regarding the extent to which Indonesian CFT policies have had an impact on terrorist financing networks, it is now possible to state that this study embodies a new evaluation model that helps explain policy success and failure. The study investigates policy capacity and competence as elements to consider in policy impact assessment. The assessment justifies the shift in the evaluation from focusing on policy output to its impact. Three main procedures are employed, namely performance, adequacy of performance, and efficiency. These refer to the relationship between the program activity as output and the measured effect of the impact of the program.[318]

Next, this chapter examines how to measure policy impact and relate it to the achievement of policy objectives. This chapter then explores the policy impact assessment. Allan McConnel et al. discuss the importance of analysing such concepts and acknowledging primary-secondary impacts and intended-unintended consequences of policy performance. Finally, this chapter ends with a literature review examining previous studies on counterterrorism and CFT policies. This is an important foundation for the following chapters, which assess the

[317] Wu et al., 168.
[318] Thomas J. Cook and Frank P. Scioli Jr., "A Research Strategy for Analyzing the Impacts of Public Policy," *Administrative Science Quarterly* 17, no. 3 (1972): 330.

effectiveness of CFT policies in Indonesia in countering terrorist financing networks. The literature review canvasses the limitations of the policy evaluation approach, the problems with measuring policy outputs, outcomes and impacts, and awareness of intended and unintended consequences caused by policy implementation, which, in the case of this study, focuses on CFT policy implementation.

3.2 Policy Impact

This chapter defines policy impact. The policy impact refers to whether the strategy formulated has been effective or not in overcoming the issues of concern which generated the policies in the first place. Thomas J. Cook and Frank P. Scioli Jr. argue that a fundamental notion in policy impact analysis should be the question: 'Does a public policy achieve the desired objectives for which it was designed.'[319] Cook and Scioli offer a basic model of analysing policy impact, as seen below. This is relevant to the performance of Indonesian CFT policies and for identifying the positive effects of these policies during the period of 2002 – 2019.

[319] Cook and Scioli Jr., 328.

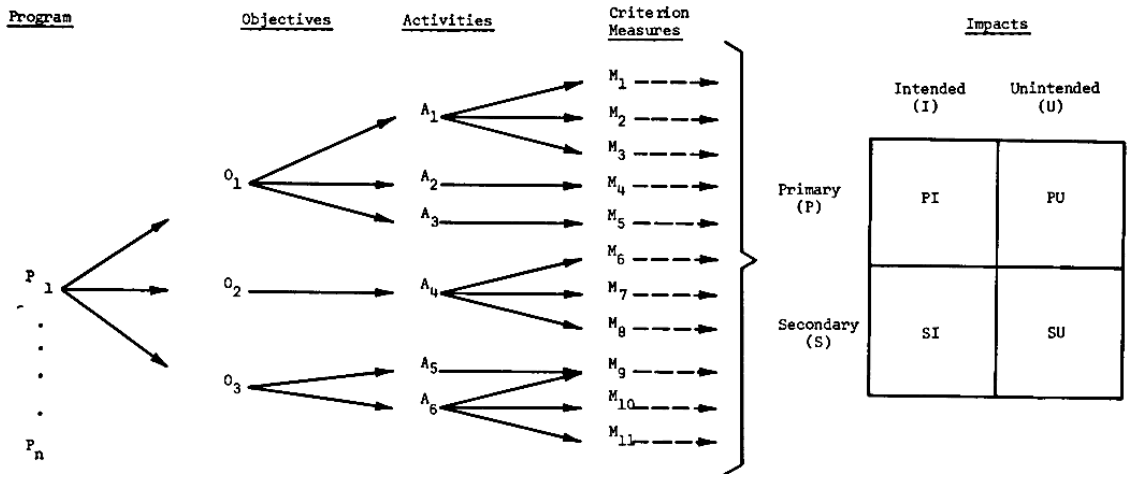

Figure 3.2 Policy Impact Model[320]

Instead of evaluating policy outputs and outcomes, Cook et al. examine the policy impact with a view to improving results. Their examination focuses on performance, adequacy of performance, and efficiency. These three aspects are essential in explaining relationships between the government's policy design, implementation and the intended objectives achieved. Furthermore, performance refers to the relationship between the program activity derived from the policy design and the measured impact. The second step involves assessing whether the policy is adequate or not. This is done by the analysis of the policy performance and the dimensions of the program target. Finally, a calculation based on the performance and programs reveals the level of efficiency as the result of policy evaluation.[321]

[320] Cook and Scioli Jr., 330.
[321] Ibid.

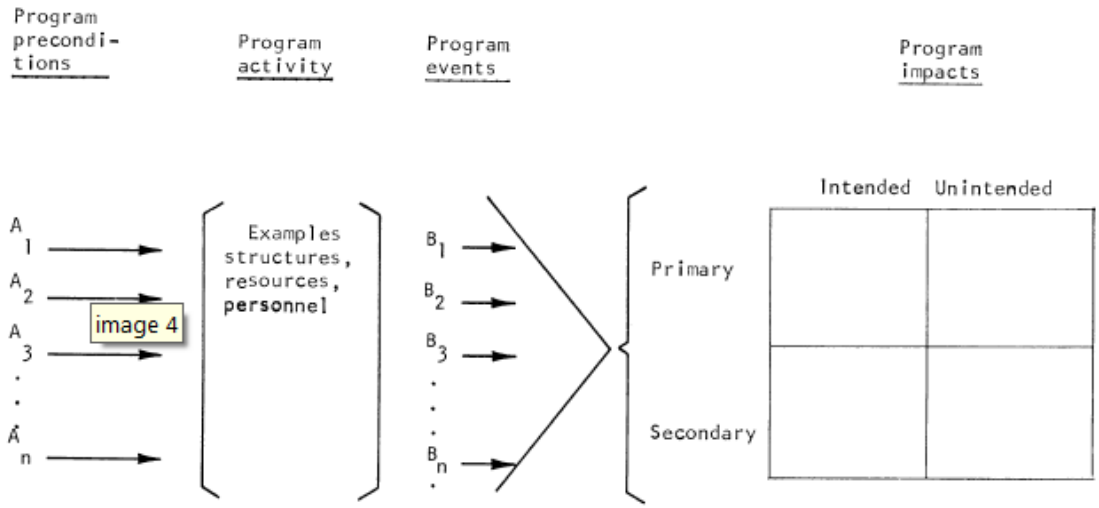

Figure 3.3 Research Strategy for Impact Analysis[322]

To conduct the impact analysis, Cook et al. describe their data strategy for analysing policy performance. They focus on program activities, as they impact policy objectives. The evaluation also recognises particular conditions as factors supporting the likelihood of program success. Figure 3.2 shows four concepts used in investigating policy impact: program objective, program environment, program activity, program events, and finally, the program impacts.

First, to examine the measurement gaps between policy objectives and applications, the assessor needs to gather information about why the policy was designed and how it was implemented. This shows how the policymaker interpreted the type of changes intended to be achieved and therefore proposed a particular program in line with the policy goals.[323]

The second step of impact analysis involves an examination of the environment. This refers to the conditions under which a program is implemented. The analysis covers the targeted

[322] Cook and Scioli Jr., 331.
[323] Ibid.

population, including constraints found when evaluating the program impacts. The framework of analysis then is intertwined with the responsiveness of the program service recipients.[324]

Next, the policy analysis examines program activity as direct outputs of the program involving personnel, equipment, research, and development. By observing the program activity, the evaluator can determine desired impacts from the program. This information helps explain how resources have been used to operate particular programs in the social or physical environment.[325]

Program activity is constantly linked with the program event. In policy analysis terms, this is called internal aspects of validity and may be associated with political, social, and economic factors that affect the program activity. The critical component of the evaluation is the approach to analysing the program by measuring its impact on the targets.[326]

As shown in Figure 3.3, critical elements of the policy evaluation framework are the policy impacts and their consequences. Cook et al. distinguish between primary-secondary program impacts as well as the intended-unintended impacts. Classifying primary and secondary impact depends on how the researcher justifies 'immediate and secondary consequences' of the program aligned with program rationales. Furthermore, there is also a requirement to investigate whether the program has positive and negative consequences. Cook et al. describe this as intended-unintended impacts.[327]

Besides adopting the policy impact analysis framework of Cook et al., this research also develops the argument concluded by Karel van den Bosch and Bea Cantillon. Bosch and Cantillon examine policy impacts in order to see how specific policies work in addressing the targeted problems. Among their six impact analysis approaches, the before-after method

[324] Cook and Scioli Jr., 332.
[325] Ibid.
[326] Ibid.
[327] Ibid.

explains the comparisons used in this research to analyse government efforts in implementing CFT policies to combat terrorist financing. The before-after approach examines the data available for certain periods, such as the analysis of changes identified before and after the application or delivery of a policy or the enactment of a regulation. However, to ensure data quality, setting up controls is essential as variables in one set of conditions might not directly result from the prior situation of the given intervention.[328]

The key message from the above explanation is that policy evaluation studies require a strong framework to assess the impact of policy implementation. The framework emphasises three important aspects to consider and analyse, including policy objectives, programs or activities, and changes observed before and after policy interventions. The policy evaluation model followed here shows the categories of impact, including primary-secondary impacts and intended-unintended impacts. This classification model is essential for the research conducted in this study. It is used to conclude the likelihood of success for the implementation of CFT policies in Indonesia.

3.3 Policy Success and Policy Failure

The following section discusses academic discourse on policy assessment. These studies have not yet been complemented by a heuristic framework exploring the nature of policy success or policy failure. The following explains the concepts of policy success and policy failure of David Marsh and Allan McConnell, which are used for analysing the implementation of CFT policies in Indonesia, as further explained in Chapter 12.

[328] Karel van den Bosch and Bea Cantillon, "Policy Impact," in *The Oxford Handbook of Public Policy*, ed. Michael Moran, Martin Rein, and Robert E. Goodin (New York: Oxford University Press, 2006), 299.

Marsh and McConnell define policy evaluation by examining programmatic, process and political dimensions. However, their examination is influenced by time, space and culture. As policy evaluation depends on time and the environment in which the policy is implemented, there is an opportunity to identify unintended consequences springing from both, which could undermine the original policy goals or bring about positive change.[329]

The concept of policy success is based on the recognition of goals. Alan McConnell assesses success from a public policy perspective and provides the following definition of policy success:

> A policy is successful if it achieves the goals that proponents set out to achieve and attracts no criticism of any significance and/or support is virtually universal.[330]

Another academic, Boyne, relates policy success to public sector improvement. He begins his analysis by distinguishing between effectiveness and improvement, where effectiveness applies to a single organisation's performance, while the term improvement implies the presence of a series of linked organisations. Moreover, improvement is a dynamic concept that applies more to service delivery and emphasises the aim of achieving a goal.[331]

As mentioned earlier, the policy assessment process incorporates the following indicators of observation: process success, programmatic success, and political success. These indicators vary across time, space, culture and methodology.

The first dimension is process success. McConnell and Marsh define the process as 'the stages of policy-making in which issues emerged and are framed, options are explored, interests are consulted and decisions made.'[332] In evaluating the policy, they apply four indicators in observing the process. These are legitimacy in making choices, legislation,

[329] David Marsh and Allan McConnell, "Towards a Framework for Establishing Policy Success," *Public Administration* 88, no. 2 (April 2010): 579.
[330] McConnell, "Policy Success, Policy Failure and Grey Areas In-Between," 359.
[331] Marsh and McConnell, "Towards a Framework for Establishing Policy Success," 566.
[332] Marsh and McConnell, 572.

political sustainability and innovation, and influence. They examine legislative records, processes, elite supports, and government reports and statements. In addition, innovation and influence are two measures of process success that may produce advanced strategies to tackle issues.[333]

The second dimension is programmatic success. McConnell defines a program as a tangible form of policy statement, combining essential resources and tools of government.[334] There are four indicators to assess the programmatic: operational, outcome, resources, and actors/interests. In examining the programs' activities and objectives, the evaluator analyses the effectiveness of the program and the achievement of program implementation. Some elements to consider are whether the implementation results in intended outcomes, the efficient use of resources, and benefits to a particular class, interest group, and also the community. The evaluation covers how policy operates even in complex governance systems and how it affects society.[335]

The third dimension is political success. Marsh and McConnel define this as 'the final benchmark for policy success' by examining policies and policymakers in the political arena. The indicators applied in this assessment are political turmoil and political legitimacy.[336] Policymakers claim policy success if there is a political impact and if it improves electoral prospects or the government's reputation. Therefore, during the policy formulation process, support from governing parties and elites is important. Using opinion polls, election results, and media commentary, the examination emphasises popularity as a key element of political success.[337]

[333] Marsh and McConnell, 571.
[334] McConnell, "Policy Success, Policy Failure and Grey Areas In-Between," 350.
[335] Marsh and McConnell, "Towards a Framework for Establishing Policy Success," 571 – 574.
[336] Ibid.
[337] Ibid.

McConnell and others also analyse the meaning of policy failure in the evaluation of the implementation of public policy.[338] Rationalists and pluralists offer alternate ways of assessing policy failure.[339] Rationalists assess policy outcomes by examining original objectives. These consist of cost-benefit analysis, multi-attribute value functions, and statistical methods, like regression and multivariate time series modelling. The rationalist evaluation aims to understand the policy fiascos against program goals. Pluralists, by contrast, underline the role of perceptions in the concept of failure as a political act. 'Failure' is a moveable feast for those who create the narratives. Some might argue that failure depends on the policymaker who designs the policy, or, in other words, the insight of 'failure for whom.'[340]

McConnell elaborates on policy failure by examining some indicators. He examines indicators as to whether policy outcomes failed to meet the original goals or were not applied as intended. Other indicators include the assessment of policy outcomes in terms of benefits to intended targets, balancing the budget, meeting highly valued criteria in the policy sector, satisfying legal, moral or ethical standards, winning stronger support from key stakeholders, consolidating and building upon previous related policies, and performing well compared with similar jurisdictions.[341]

Despite the different criteria for failure, McConnell finally concludes that policy fiascos indicate a 'breaching' of a goal line. The term policy failure is used when policy outcomes no longer accomplish the political and program goals. Therefore, assessing the failure means evaluating

[338] Allan McConnell, "What Is Policy Failure? A Primer to Help Navigate the Maze," *Public Policy and Administration* 30 (2015): 221 - 242; ClaireA. Dunlop, "Policy Learning and Policy Failure: Definitions, Dimensions and Intersections," *Policy & Politics* 45, no. 1 (January 2017): 3 – 18; Michael Howlett, M Ramesh, and Xun Wu, "Understanding the Persistence of Policy Failures: The Role of Politics, Governance and Uncertainty Introduction: The Persistence of Policy Failures," *Public Policy and Administration* 30 (2015): 209 - 220; Michael Howlett, "The Lessons of Failure: Learning and Blame Avoidance in Public Policy- Making Introduction: Policy Knowledge and Policy Failure," *International Political Science Review* 33, no. 5 (2012): 539 – 555; Joshua Newman and Brian W Head, "Categories of Failure in Climate Change Mitigation Policy in Australia," *Public Policy and Administration* 30, no. 3–4 (July 22, 2015): 342 – 358.
[339] McConnell, "What Is Policy Failure? A Primer to Help Navigate the Maze," 223 – 229.
[340] Ibid.
[341] McConnell, 227; Allan McConnell, "A Public Policy Approach to Understanding the Nature and Causes of Foreign Policy Failure," *Journal of European Public Policy 23,* no. 5 (2016): 671.

the policy by rational, scientific measures, including process, program, and politics. By examining these categories and understanding the methods, tools, and techniques, the evaluator is able to provide an assessment of whether or not the policy works.

First, process failure is the opposite of goal attainment, winning public legitimacy, establishing a justifiable interest, and attracting broad support during the policy-making process. Second, another aspect of policy fiascos concerns the program. Some programs are implemented as intended, but failures can occur in the implementation stage, such as failures to pursue the anticipated outcomes, to support the target group(s), to meet all the necessary criteria, and to attract broader support from the public. Lastly, there can be a failure to gain political capital.[342]

Like McConnell, Joshua Newman finds that a policy can be seen as a failure when it does not pursue its intended objectives. This is what he calls the first mode of policy fiascos, objective attainment. He also offers another three modes of failure, including the distributional, political and implementation aspects.

Mode of failure	Observers interpret failure when…
Objective attainment	Policy objectives are not met
Distributional	Some stakeholder groups are significantly negatively affected by the policy
Political/Electoral	A government, opposition, or political party is negatively affected by the policy
Implementation	Because of organisational or other obstacles, the policy cannot be effectively implemented

Figure 3.4 The Common Modes of Policy Failure[343]

Second, policy failure is related to the analysis of policy production in distributional outcomes, including financial or material losses, access to public services, etc. If they tend to result in negative consequences, observers would see them as policy failures. Newman's third

[342] McConnell, "A Public Policy Approach to Understanding the Nature and Causes of Foreign Policy Failure," 673 – 675.
[343] Newman and Head, "Categories of Failure in Climate Change Mitigation Policy in Australia," 345.

conclusion is about finding the policy impact upon the political atmosphere. If the policy contributes negatively to the political party, electoral credibility and government, observers might consider it a failure. Last, assessment of policy failures raises the issue of how to implement the policy in practice. This is to see whether the policy has been effectively applied or not. Observers would take into account the fact that external causes may influence policy implementation.[344]

Furthermore, some scholars argue that findings of failure strongly depend on how different elites, political actors, or those with social power articulate the narratives.[345] Their contribution to the body of knowledge is to divide failure into four main subframes: 'severity, causes, motivations, and blame.' These are essential in understanding the nature of policy failure.[346] The measurement of failure requires the evaluator to revisit the questions of intentionality and consider the dynamic array of factors contributing to failure. Dunlop identifies challenges in policy evaluation. These include analysis of policy origins, depth, and measurement. He then differentiates between different kinds of policy failure. Dunlop examines whether the policy is doomed to fail because of crimes committed by the state and political corruption among the elites or whether the reasons for failure are unanticipated and unintentional.[347]

To conclude, the examination of policy success and failure provides this study with a more comprehensive background to policy implementation, including the one discussed in the next section. Experts have argued the importance of assessing counterterrorism interventions to monitor whether the policies developed over time effectively reduce the threat and prevent further fatal attacks in the future. In the next part of this research, I present previous research on the evaluation of counterterrorism and counter-financing of terrorism policies. The analysis

[344] Newman and Head, 345.
[345] Bovens, Hart, and Peters, *Success and Failure in Public Governance : A Comparative Analysis*.
[346] McConnell, "What Is Policy Failure? A Primer to Help Navigate the Maze," 225.
[347] Dunlop, "Policy Learning and Policy Failure: Definitions, Dimensions and Intersections," 6.

is relevant to the analysis of the evidence of crime evolution and policy development against terrorist financing in Chapter 12.

3.4 The Study of Evidence-based Policy in Counter-terrorism Interventions

Recent developments in the study of CT and CFT strategies have led to a renewed interest in assessing policy effectiveness against crimes. Scholars have been focusing on evaluating CT policy from the perspectives of the rationalist approach, the risk and cost-benefit analysis, and the evidence-based framework. However, this approach shows that states focus on developing the strategy's infrastructure rather than its effect on terrorism problems.

First, the rationalist approach: Government officials generally use this approach to evaluate their CT policies. The number of fatalities, the absence of attacks and intelligence, indicate whether the government succeeds or fails in countering terrorism. T. W. van Dongen, notes three measures of CT policy effectiveness, including (1) numbers of attacks, victims and material damage as direct consequences, (2) the economic environment as an indirect indicator, and (3) government action to arrest and prosecute as additional significant aspect.[348] He acknowledged the difficulty of interpreting those measures, including considering them as indicators of success.[349]

However, scholars like Spencer and Hegemann and Kahl add that as terrorists are rational, there are many different reasons why the number of incidents decreases or increases. If terror

[348] T. W. Van Dongen, "Break It Down: An Alternative Approach to Measuring Effectiveness in Counterterrorism," *Journal of Applied Security Research Journal of Applied Security Research Journal of Applied Security Research* 63, no. 6 (2011): 358 – 361.
[349] Alexander Spencer, "The Problems of Evaluating Counter-Terrorism," *UNISCI Discussion Papers; Madrid* 12, no. 12 (2006): 192.

attacks decrease, it is plausible that the terrorists are conserving their resources because of financial constraints and are saving up for a bigger result later. Measuring terrorism by numbers and statistics is, to a certain extent, contradictory.[350] The diversity of indicators and contexts, the challenge of selecting the right forms of measurement and of linking discernible effects to distinct causes are all limitations in evaluating the effectiveness of CT policy.[351] An important finding of the rationalist approach is figuring out that there is a necessity to achieve a better assessment of the efficacy of counterterrorism policy. This thesis fills the gap by examining policy indicators to understand effectiveness in counter-terrorism policy.

The second perspective in gauging the efficacy of CT policy is a risk and cost-benefit analysis. John Mueller and Mark G. Stewart suggest using the persistence of public fear as evidence for the implementation of counter-terrorism strategies. However, this study has found that their view was based on public opinion polls which require further examination. Although they point out that cost-benefit analysis quantifies expenditures over time and links effort with the political bureaucracy,[352] it is difficult to measure its effectiveness accurately because empirical evidence adhering to appropriate indicators would be required.

Furthermore, Cynthia Lum et al. note the requirements of an evidence-based assessment of CT policy and necessitate a third approach. By using the Campbell systematic review, they find almost no research that assesses the efficacy of CT policy.[353] Only a few empirical studies have investigated policy questions or assessed specific outcomes. Therefore, the measures

[350] Spencer, 186.
[351] Hendrik Hegemann and Martin Kahl, "Constructions of Effectiveness and the Rationalization of Counterterrorism Policy: The Case of Biometric Passports," *Studies in Conflict & Terrorism*, (2015): 201 – 203.
[352] John Mueller and Mark G Stewart, *Terror, Security, and Money: Balancing the Risks, Benefits, and Costs of Homeland Security* (Oxford University Press, 2011), 251.
[353] Cynthia Lum, Christopher S. Koper, and Cody W. Telep, "The Evidence-Based Policing Matrix," *Journal of Experimental Criminology* 7, no. 1 (March 2011): 3 – 26; Cynthia Lum et al., "Police Activities to Counter Terrorism: What We Know and What We Need to Know," 2009, 101–141; Cynthia Lum, Leslie W. Kennedy, and Alison Sherley, "Is counter-terrorism policy evidence-based? What works, what harms, and what is unknown," *Psicothema* 20, no. 1 (December 2008): 35 – 42; Cynthia Lum, Leslie W. Kennedy, and Alison Sherley, "Are Counter-Terrorism Strategies Effective? The Results of the Campbell Systematic Review on Counter-Terrorism Evaluation Research," *Journal of Experimental Criminology* 2, no. 4 (November 2006): 489 – 516.

of policy effectiveness only focus on the outcome and the output, not the policy's impact.[354] Output refers to the broader understanding of the legal foundation or framework in countering the crimes. Outcome addresses how the framework is applied systematically. However, output and outcome results are under the control of policymakers implementing tactics and strategies, while, the policy's impact depends on the targeted policy and its intended and unintended consequences.[355]

Three findings emerge from evidence-based policy analysis. The first finding is the need of developing evidence-based research in counter-terrorism policy evaluation. The evaluation is aimed at a rational and effective program and addressing the severe threat of terrorism. By recognising that CT policies are not evidence-based, Lum et al. emphasise the importance of developing an evaluation framework in order to establish better scientific evaluations, including methodological exploration of the nature of focus matter.[356]

Secondly, reviews of previous studies find very few counterterrorism interventions have a visible impact on diminishing terrorism threats. Lum et al. indicate 'some programs were shown to either have no discernible effect on terrorism or lead to increases in terrorism.'[357] Although this means there is evidence some interventions have actually resulted in more terrorism, researchers have only evaluated a small subset of countermeasures, meaning these assessments are of modest quality. Based on these findings, Lum et al. then call for more research to evaluate counterterrorism interventions.[358]

[354] Linda M Merola, "Evaluating the Legal Challenges and Effects of Counterterrorism Policy," in *Evidence-Based Counterterrorism Policy* (Springer, 2012), 281 – 300; Hegemann and Kahl, "Constructions of Effectiveness and the Rationalization of Counterterrorism Policy: The Case of Biometric Passports."
[355] Hegemann and Kahl, "Constructions of Effectiveness and the Rationalization of Counterterrorism Policy: The Case of Biometric Passports," 213.
[356] Lum, Kennedy, and Sherley, "Is counter-terrorism policy evidence-based? What works, what harms, and what is unknown."
[357] Cynthia Lum, Leslie W. Kennedy, and Alison Sherley, "Is Counter-Terrorism Policy Evidence-Based? What Works, What Harms, and What Is Unknown," *Psicothema* 20, no. 1 (2008): 36.
[358] Lum, Kennedy, and Sherley, "Are Counter-Terrorism Strategies Effective? The Results of the Campbell Systematic Review on Counter-Terrorism Evaluation Research," 510.

Thirdly, other experts also call for the examination of counter-terrorism legislation. Legrand et al. note the aspect of impact measurement in evaluating CT policies. People want to know how costly programmes and institutions contribute to policy aims. According to best practice, it is necessary to establish a causal connection between countermeasures and the consequence in targeted behaviour, whether increased or decreased. Such an appraisal could be made through a particular calibrated framework. However, in the process of implementing the program, there are both intended and unintended consequences.[359]

With regard to the impact of counter-terrorism legislation on the targeted behaviour, there are three competing contentions to assess. The first is that counter-terrorism legislation is effective in reducing the threat of terrorism; the second is that counter-terrorism legislation has little or no impact on the incidence of terrorism; the third is that counter-terrorism legislation actually increases or expands the scale of the threat of terrorism.[360]

This approach notes that counter-terrorism legislation is intended to influence terrorism in two ways but is not always successful, according to Legrand et al. First, it is supposed to empower policing, intelligence and security agencies in carrying out initiatives and operations to interrupt terrorist incidents. Second, counter-terrorism legislation provides law enforcement with the power to criminalise the preparation of terrorist acts. The last element also includes the problem of detecting and disrupting terrorists' funds.[361]

The aforementioned literature review is essential to developing the policy evaluation framework presented in this research. It plays three roles. First, it points to a solid foundation on which to build the evidence-based analysis that will be undertaken in Chapter 12. The

[359] Tim Legrand, Simon Bronitt, and Mark Stewart, "Evidence of the Impact of Counter-Terrorism Legislation," in *Routledge Handbook of Law and Terrorism* (New York: Routledge, 2015), 302.
[360] Legrand, Bronitt, and Stewart, 309 – 311.
[361] Ibid.

analysis highlights linkages between researchers and practitioners in generating countermeasures with the purpose of meeting the primary goal of reducing threats.

Second, it draws attention to the lessons from previous studies examining efforts in evaluating the impact of CT measures. This examination reveals a knowledge gap that will be filled later in this research by focusing on a methodology of evaluating the policy's impact that covers multiple types of CFT policies. By exploring alternative methods of evaluating CT policies, the research perfects a rational and evidence-based policy assessment.

Finally, the literature demonstrates that CT policies should not only reshape legal, social, economic and political settings within countries but also counter the narrative of those espousing violent extremism. Therefore, this research addresses the limitations of the previous research, which lacks analysis of the policy impact. Furthermore, by acknowledging such limitations, the research later shows the importance of improving countermeasures and considering other indicators that might influence the effectiveness of criminalising terrorism and terrorist financing in Indonesia.

3.5 CFT Policies: Analytical Framework

Countermeasures against terrorist financing are one of the key means of combatting terrorism. An evaluation of how effectively government implements these policies is crucial to interpreting their impact on the targeted behaviour. However, there has been relatively little analysis published on the evaluation of CFT policies. The review of this limited literature highlights three dimensions to CFT policy evaluation: (1) the factors driving policy implementation, (2) outputs and outcomes as a focus of policy, and (3) data collection. By analysing CFT policy according to those three dimensions, this research contributes to the body of knowledge on CFT policy

effectiveness. The specific case of the relationship between CFT policy and terrorist financing networks in Indonesia can contribute to the evaluation of CFT policies in other jurisdictions.

The first area of policy evaluation is the background to the policymakers assessing the implementation of their policies. Based on the FATF and evaluation methods introduced by the International Monetary Fund (IMF), Brzoska considers four rationales for policy evaluation. The first is domestic and international pressures on policymakers which have become a political burden when attacks occur. Second, as political elites endeavour to allocate a budget to establish a robust strategy, they need an evidence-based policy. Third, after the 9/11 incidents, the United States has urged countries to comply with the FATF recommendations by insisting on a high standard of CFT policies. The last rationale for evaluating CFT policy is to observe the balance between the AML and CFT policy performance.[362]

The second area of policy evaluation is the outputs and outcomes of the policy. Previous studies of CFT policy assessment focus on the output, the adoption of agreed principles and best practices, and the outcome.[363] Brzoska has rightly written that:

> Assessments have been plentiful but have overwhelmingly been performed with the objective to identify gaps in the implementation of laws and agreements. They have focused on outcome and output of internationally agreed CTF policies. There has been less consideration of impact, whether measures actually reduced terrorism.[364]

Assessments are primarily conducted against best practice standards and regulations and not against empirical evidence of benefits in diminishing terrorist activity. Although there is a large body of existing and prospective CFT policy that can be analysed, an evaluation of it only reveals various methodological obstacles to obtaining reliable data hinders accurate

[362] M. Brzoska, "Consequences of Assessments of Effectiveness for Counterterrorist Financing Policy," *Administration & Society* 48, no. 8 (2014): 915 – 916.
[363] Brzoska, "Michael Brzoska The Role of Effectiveness and Efficiency in the European Union ' s Counterterrorism Policy : The Case of Terrorist Financing"; Sproat, "The Global System of Counter-Terrorist Finance: What Has It Achieved; What Can It Achieve," 237 – 250.
[364] Brzoska, "Michael Brzoska The Role of Effectiveness and Efficiency in the European Union ' s Counterterrorism Policy : The Case of Terrorist Financing."

measurement of the policy impact. The examination only evaluates international law and practice related to the UN 'asset-freezing' lists, national CFT law and reporting regime.[365]

Peter Sproat, a British CFT expert, researched the evaluation of CFT policy in the United Kingdom by reviewing the output, the adoption of agreed principles and best practices, and the outcome. However, this research did not consider the possibility that policy against terrorist attacks or terrorist financing could itself become a source of grievance and consequently fuel the security threat. As a result, the evaluation was biased in favour of expanding CFT measures. Sproat's work is similar to that of Legrand et al. on countermeasures legislation. Legrand et al. provide and account of the role the UN sanction list plays in financial regulatory mechanisms aimed at freezing terrorist assets. The UK reporting regime requires domestic laws to be brought into line with the obligation to identify financial transactions conducted by clients of financial institutions. Regulations also have to be issued to meet an obligation for every country to establish FIUs. Sproat notes in his assessment the requirement on financial institutions to compile STRs. These reports are resources for investigators in detecting and probing the financial flow of terrorists and their associates.[366]

Furthermore, scholars identify two limitations to outputs and outcomes in evaluating CFT policies. First, the assessment of imposing the Al Qaeda Sanction Lists shows it is ineffective because the lists lack detailed information. To implement the sanctions policy, central authorities and the private sector need to collaborate to monitor and freeze assets. However, in some countries, this strategy is difficult due to human rights considerations and the absence of regulations on freezing assets without delay. Sproat's study only observes the policy outcome of adopting international standards and fails to measure the effect on the criminal networks of terrorists and their money.

[365] Sproat, "The Global System of Counter-Terrorist Finance: What Has It Achieved; What Can It Achieve," 240 – 244.
[366] Sproat, 244 – 245.

Second, Sproat endeavoured to measure the social impact of CFT policies and found three contestable social criticisms of the policy centred on problems of financial exclusion, remittance behaviour, and Islamic charities. People have less access to the financial industry since there are more stringent KYC rules in account opening procedures and transactions. The bank or other non-bank institutions ask customers for more details and ask for more data than single identity information. Besides that, CFT policy encourages people to use more secure channels when sending or receiving money from overseas, which in turn drives significant payment system technology changes. Because of the cost, many people avoid high technology remittance companies with more sophisticated systems, preferring cash transactions instead. In addition, an unintended consequence of CFT policy is discrimination against Islamic charities. The monitoring of NPOs and previous case studies involving Islamic charities for terrorist financing purposes have inaccurately categorised these organisations as parts of terrorist groups. As a result, people hesitate to donate to these organisations.[367]

Other researchers have questioned Sproat's research on the grounds that it seeks to make a general argument based on a small sampling survey. Sproat refers to the claim of financial exclusion in Dr Koker's survey, which is aimed at a small group of clients. However, a critical point to evaluate is the perspective of financial industries. Bank and non-bank institutions should adjust to government's policies in order to mitigate further risks of being misused by terrorists. By following the rules, they are unlikely to face the reputational risk that can hamper economic development.

With regards to adverse effects on Islamic charities, Sproat's research seeks to stimulate debate by observing the structure and the significance of NPOs' legislation in the UK.[368] The government sets transparency and accountability standards for charities to allow people to

[367] Peter Sproat, "The Social Impact of Counter Terrorist Finance Policies in the UK," *Crime, Law and Social Change; Dordrecht* 44, no. 4 – 5 (December 2005): 456, https://doi.org/http://dx.doi.org.virtual.anu.edu.au/10.1007/s10611-006-9029-1.
[368] Sproat, 450.

donate to them. On the other hand, to mitigate the risk of terrorist abuse, the government obliges the public to comply with regulations on establishing foundations, assessing donors and receivers, and monitoring the activities of foundations. Sproat concludes his investigation by revealing limitations on CFT policy research, including a lack of credible evidence to justify discrimination in the application of CFT policy.

Therefore, the last area of policy evaluation analysis is the data collection used in this research. Reliable data is critical to a meaningful examination of the government's efforts to untangle CFT policy practice in Indonesia. Furthermore, evidence provided in the research affects the analysis of the relationship between the policy and the phenomenon. Passas affirms that 'We have seen that analyses of secondary sources are often misled and thus misleading.'[369] The use of secondary data may cause inaccurate descriptions, baseless assumptions and finally, mislead the analysis. The lack of valid information uncovers issues related to particular sectors such as non-profit organisations, informal value transfer systems and illicit fund-raising and transfer-activities.[370]

Research by David Chaikin discusses the value of STRs as a source of data for CFT policy research. As a focal point in countering money laundering and terrorist financing, FIUs ensure the quality of STRs submitted by Financial Service Providers (FSPs). STRs are used as intelligence information to produce high-quality intelligence reports before being disseminated to investigators and used as evidence for further examination. STRs are also assessed by FATF to assess the quality of the AML/CFT regime at the national level.[371]

Numerous studies have argued the importance of evaluating the STRs system. Research to date, however, has tended to measure effectiveness by the volume of reporting STRs, which

[369] Nikos Passas, "Terrorist Finance, Informal Markets, Trade and Regulation: Challenges of Evidence Regarding International Efforts," in *Evidence-Based Counterterrorism Policy* (New York: Springer, 2012), 274.
[370] Passas, 265.
[371] David Chaikin, "How Effective Are Suspicious Transaction Reporting Systems?," *Journal of Money Laundering Control* 12, no. 3 (2009): 240 – 241.

indicate high levels of unlawful activities, including terrorism and organised crime.[372] Existing research fails to confirm the efficiency of STR systems that depends on indicators, such as the quality and the organisational capacity to detect and indict illicit financial activities primarily related to terrorist financing. This is the reason why FIUs often receive a massive number of unfounded STRs, and it is still difficult to find leads for further investigation.

Braun et al. raise several factors that affect the reporting of STRs by FSPs. These include the scope of predicate crimes in national legislation and the level of criminal activities. Reporting is also affected by FATF mutual evaluation pressure, such as visits of assessors, the efficiency of AML/CFT frameworks, the exposure of reporting entities, and secrecy requirements in domestic law.[373] The main limitation of Braun et al.'s work is that the analysis does not examine clear indicators in the field of terrorist financing, primarily related to digital money, including bitcoins and new payment methods. Besides that, scholars only presume that the low number of STRs is attributable to the effectiveness of AML prevention measures. This is based on the number of STRs filed and a number of assets involved.[374] Surprisingly, those previous studies do not discuss the capacity of a regulatory and supervisory authority, which is also a key factor in the level of STRs.

Limitations should be acknowledged to the previous studies on evaluating CFT policies, such as the lack of clarity of indicators for detecting, deterring and disrupting terrorists' financial flows and the method used to review the policy. This research addresses those limitations and contributes to an understanding of the measurement of policy effectiveness. One striking gap is the focus of the assessment. In the past, several researchers focused on the output and outcome of measures rather than the impact of policy on terrorist financing activities. This only

[372] Braun et al., "Drivers of Suspicious Transaction Reporting Levels: Evidence from a Legal and Economic Perspective," 1 – 31; Chaikin, "How Effective Are Suspicious Transaction Reporting Systems?"
[373] Braun et al., "Drivers of Suspicious Transaction Reporting Levels: Evidence from a Legal and Economic Perspective," 100 – 105.
[374] Chaikin, "How Effective Are Suspicious Transaction Reporting Systems?," 250.

affects the improvement of financial sector integrity rather than to reducing the financial resources of terrorists and even preventing further potential attacks.

Finally, most scholars have been offering three facts on CFT policy assessment, including understanding terrorist financing as a country threat, the response to the threat and how to implement the policy in an effective way. However, no studies directly address the analytical work of how the CFT policy is implemented comprehensively and describe the impact of the policy on the terrorist financing networks, especially in Indonesia. As “the war on terror” continues, examining the impact of CFT policies is still an important area for further research.

Based on the aforementioned literature review, some key dimensions are relevant to the present study, which gauges the impact of CFT policies in reducing terrorist financing networks in Indonesia. As shown in Figure 3.5, the policy evaluation model includes some dimensions, such as the policy process analysis focusing on evidence of terrorist financing networks and the development of CFT policies. Examining the policy process is critical to observe the impact of the past and the continuation of policies at present. This evaluation framework, which will be applied in Chapter 12, identifies the dynamics of terrorist financing networks, policy limitations and consequences in countering the crime. In the end, this research completes the framework of measuring policy assessment and demonstrates the correlation between CFT policies and the change of terrorist financing networks in Indonesia.

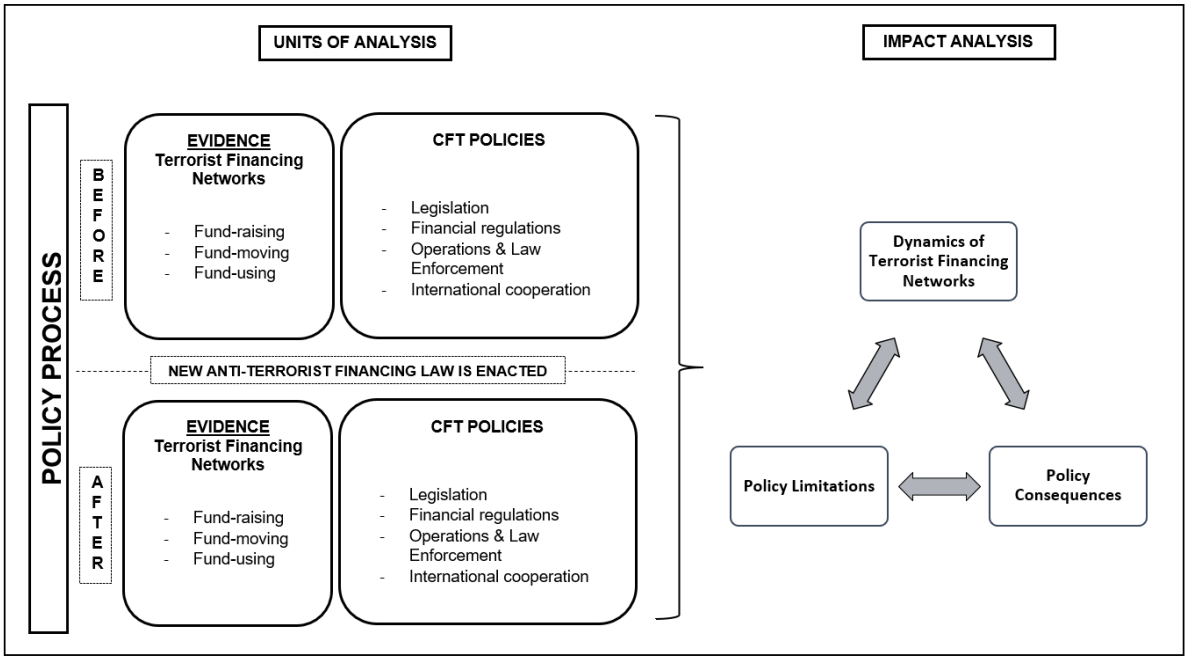

Figure 3.5 Policy Evaluation Model

Conclusion

At the beginning of this research, I emphasise the main question that my research seeks to answer: what impact does CFT policy have in combating the evolution of terrorist financing networks from 2002 through 2019? Therefore, reviewing the literature on policy evaluation frameworks is crucial to offer a nuanced framework for evaluating the impact of the policy and how effective it is in addressing crime. The rest of this chapter argues that further elaboration of this approach is required to establish a context to evaluate the impact of CFT policies on terrorist financing crime.

A valuable way to develop the framework used in this thesis is to revisit the question of 'how effectively' a policy was implemented, that is, assessing policy impacts on the problem. This question focuses on how effectively the policy which was in place for decades had significantly contributed to the elimination of crime such as terrorist financing. Therefore, the literature

review on policy evaluation, policy impact, and policy success-failure leads to a more rigorous conceptual framework to evaluating the impact of the policy as presented in the next chapter on empirical analysis.

Understanding the policy evaluation approach brings observers to the monitoring and measuring of government interventions involving organisations and policies, programs, projects, and activities as they relate to the policy. The investigation of the adequacy of policy implementation must be aligned with the intended objectives.[375] This may be a specific assessment, examining policy impact, a more in-depth analysis than merely deciphering policy outputs and outcomes. Performance, adequacy of performance, and efficiency are the key assessment criteria measuring the impact in terms of the desired objectives, resulting in intended and unintended impacts.[376] Finally, policy evaluation and policy impact analysis refers to the understanding of policy success and policy failure concepts, which examine three main aspects, namely process, program, and politics.[377]

The discussion on describing policy evaluation concepts continues with a literature review on previous studies of how counterterrorism and CFT policy work in countering the threat in different countries. I examine the universalities of establishing CFT policies as an essential part of counterterrorism strategy. The literature draws attention to governmental and transnational responses. These countermeasure narratives discuss the application of financial intelligence by FIUs and law enforcement based on international recommendations. The government generates a domestic strategy to comply with the FATF recommendations, not because of improving the policy based on the evidence analysis.

Aligned with the aforementioned issues, the literature of evidence-based policy is also valuable, as it sheds light on the correlation between the policy and the threat. It investigates

[375] Vedung, “Six Models of Evaluation.”
[376] Cook and Scioli Jr., “A Research Strategy for Analyzing the Impacts of Public Policy,” 332.
[377] Marsh and McConnell, “Towards a Framework for Establishing Policy Success,” 579.

evaluating present counterterrorism strategy and determines the importance of building causal links between the work of researchers and practitioners. This is an argument for a new approach to policy formulation that considers primary data sources and focuses on the impact of policy on reducing the threat posed by terrorist networks.

The policy effectiveness framework offers a superior analytical tool in general evaluation studies by FATF. There are three areas of evaluation that have been reviewed, including the driving factors of policy implementation, outputs, and outcomes as policy focus and data collection as major considerations in the evaluation process. However, no study demonstrates the impact of policy implementation in reducing the threat. Policymakers have overlooked the nature of the crime as a significant input to the decision-making process. Thus, the policy is insufficient in combating crime.

Hence, my research continues to analyse the development of policy evaluation frameworks and fills the knowledge gap on applying and evaluating CFT policy to counter terrorist financing as a threat. By applying the policy evaluation model as shown in Figure 3.5, the research investigates three realms, namely (i) the evaluation of policy outcomes, outputs and impacts; (ii) the dynamic evolution of the threat; and (iii) the dialogue between the policy and the threat. Finally, the findings contribute to establishing more rigorous policy indicators for terrorist financing countermeasures.

Chapter 4

Research Methods

> A case study copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result benefits from the prior development of theoretical propositions to guide design, data collection, and analysis, and as another result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion. The intention of case study research is generally proposed as to gain an "in-depth" understanding of the concerned phenomena in a "real-life" setting.
>
> Robert K. Yin[378]

Introduction

This chapter outlines the methodologies applied in this thesis for gathering and analysing data. The overall aim of the research is to answer the question: How Indonesian CFT policy on combating terrorist financing developed between 2002 and 2019, and what impact has it had? In doing so, I explore terrorist financing as the problem and how the policy responded to it. Thus, my study is of terrorist financing and its evolution, including fund-raising, fund-moving and fund-using. The analysis goes on to explain how the government has responded to the problem and how it has adapted and modified its combating of financial transactions for terrorism.

Chapter 1 presents terrorist financing and related issues to explain why analysis of terrorist financing is important to the research and how strategies to overcome the problem are, or should be, integral to overall counterterrorism strategies. Understanding the three stages of

[378] Robert K Yin, *Case Study Research: Design and Methods*, ed. Leah Fargotstein and Eliza Wells, 6th ed. (Los Angeles: SAGE Publications, Inc., 2018), 46.

terrorist financing, raising funds, moving the money, and spending it, advances our knowledge of terrorist financing and is relevant to the evidence in the empirical chapters. I discuss the government's responses to these issues in Chapter 2 to show how one country adopts a series of policies on anti-money laundering and counter-financing of terrorism based on the international recommendations of the FATF. I present arguments on how policies are so that the course of action is likely to meet the objectives set to combat terrorist financing. To analyse the policy implementation, I discuss a particular policy evaluation framework in Chapter 3 and the approach that guided my analysis.

My theoretical framework for the implementation of Indonesian CFT policies to counter-terrorist financing is based on Evert Vedung's definition of policy evaluation and Thomas J. Cook and Frank P. Scioli Jr.'s approach to measuring policy impact. Vedung emphasises the importance of assessing the adequacy of policy performance, including how programs and policies are applied in accordance with policy objectives. Vedung's three models of policy evaluation that are explained in Chapter 3 contribute to the analysis in Chapter 12 of areas for improvement and suggested priorities for the government to address the problems of terrorist financing networks in Indonesia.[379] Cook and Scioli's arguments on policy impact complement my analysis of the impact of CFT policies in Indonesia. Their three premises of performance, adequacy of performance and efficiency describe the relationship between policy design and policy implementation and whether or not the activities have met the intended objectives. In addition, the consideration of intended and unintended consequences of policy impact analysis is applicable to the implementation of the Indonesian CFT policies.[380] These factors determine the success or failure of a given policy. Marsh and McConnell contribute to the understanding of evidence-based policy studies, which strengthen the arguments of policy evaluation,

[379] Vedung, "Six Models of Evaluation," 387 – 400.
[380] Cook and Scioli Jr., "A Research Strategy for Analyzing the Impacts of Public Policy," 331.

focusing in particular on the use of evidence to demonstrate how the policy has been implemented.[381]

The aforementioned works also guided the collection of primary data to document the evolution of terrorist financing networks in Indonesia between 2002 – 2019 and the development of CFT policy responses. The policy impact approach recognises that a policy is developed at a particular time for particular reasons. The approach offers insights into whether the evidence of programs which are the result of Indonesia adopting international standards for its national CFT policies and sufficient to explain the effectiveness or otherwise of Indonesian CFT policies. Hence, I draw on documentation that provides information on terrorism and terrorist financing case studies and how the countermeasures were formulated and modified. The documents include extracts of court documents, case reports, laws and regulations, and policy of the government and international regulators. These written documents signpost the evolution of both crime and policies from 2002 to 2019. To complement this documentation, I conducted interviews with academics, experts, financial industry representatives, law enforcement officials, and policymakers. The interviews elicit a profound insight into terrorist financing is defined, how the government formulated its policies, and what impact they had in countering the threats and mitigating the risks. Gathering data from both interviews and written accounts enabled me to ascertain (a) the dynamic evolution of terrorist financing, including how funds raised, moved, and used; (b) the development of CFT policies; and (c) the correlation between policies and the threat. In conclusion, the findings offer options for improving policy aimed at combating terrorist financing, and thus, overall counterterrorism strategies.

[381] Marsh and McConnell, “Towards a Framework for Establishing Policy Success,” 564 – 583.

4.1 Approach to Answering Research Questions

In order to address the research questions, I use case studies to gather and analyse documentation on terrorism and terrorist financing, how CFT policies are formulated and adopted and how they affect terrorist financing networks in Indonesia. This section surveys my research method, including the case study approach, longitudinal analysis and the before-and-after case study.

As mentioned above, the research uses a case study approach, addressing "how" questions and "contextual conditions." The latter is the context in which the phenomenon occurred. Robert K. Yin defines case study research as "an empirical method that investigates a contemporary phenomenon ("the case") in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident."[382] The method is advantageous when the research goal is to explain the incidence of a phenomenon and track certain outcomes. Case studies do not require a minimum number of cases or a random selection of cases. According to Yin, "the researcher is called upon to work with the situation that presents itself in each case."[383] The case study method is relevant in this research because, as pointed out by Winston M. Tellis, case study evaluation can involve both process and outcomes. After all, it is able to use both qualitative and quantitative data.[384]

The research uses within-case analysis by using a single case as an individual unit. It is aimed at an in-depth understanding of the phenomenon under study.[385] The within-case analysis in this research can generate categorisation (typology) and theory development. According to Robert Yin, within-case analysis has two common modes, including pattern comparison and

[382] Yin, *Case Study Research: Design and Methods*, 45.
[383] Ibid.
[384] Winston M Tellis, "Introduction to Case Study," *The Qualitative Report* 3, no. 2 (1997): 4.
[385] Albert Mills, Gabrielle Durepos, and Elden Wiebe, *Encyclopedia of Case Study Research*, ed. Albert J. Mills, Gabrielle Durepos, and Elden Wiebe, vol. 1 (California: SAGE Publications, Inc., 2010).

within-case explanation style.[386] This research will demonstrate rational explanations within the case that can illuminate causal or interactive relationships within the phenomenon. As Alexander George and Andrew Bennett describe, process tracing will be applied to understand the interactional effects.[387] This research begins the within-case analysis with a preliminary understanding of CFT policy and terrorist financing networks in Indonesia, based on the review of relevant literature.

In detail, after the literature reviews and examining the unit of analysis, the research applies a single longitudinal case study with Indonesia as the focus. Christopher notes the importance of validity in longitudinal case studies, which applies to the timeline from the case data. Time validity involves time unit validity, time boundaries validity and time period validity. Therefore, designing a longitudinal case study should consider those three premises of validity.[388]

The longitudinal case study in this research examines the evolution of terrorist financing in Indonesia as a threat and the development of CFT policies, including the outcomes and outputs as preconditions of policy impact on terrorist financing networks. The time unit applied in this research is from 2002 to 2019, which collates events of terrorism, terrorist financing groups, incidents and modifications to countermeasures. This also reflects time boundaries as the total observation window to capture all significant events or changes.

The longitudinal case study identifies how the development of CFT policies changes over time and the time intervals will reveal the impacts on terrorist financing networks in Indonesia. This is the reason for using a single-country case study in this research. Thus, the approach enables the analysis to explain key findings on:

[386] Yin, *Case Study Research: Design and Methods*.
[387] Alexander L George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge: Belfer Centre for Science and International Affairs, 2005).
[388] Christopher T Street and Kerry W Ward, "Improving Validity and Reliability in Longitudinal Case Study Timelines," *European Journal of Information Systems* 21, no. 2 (2017): 167, https://doi.org/10.1057/ejis.2011.53.

1. The changing ways in which terrorist groups raise money, move the funds and use their resources for terrorism;

2. The development of CFT policies in Indonesia from adoption to implementation.

3. The correlation between policy implementation and the dynamic of terrorist financing networks.

As described earlier, the unit analysis of this research is terrorist financing networks and CFT policies at the state level. First, cases of terrorist financing in Indonesia are selected to demonstrate changes in how terrorists manage their financial resources. Second, the development of CFT policies is another important research subject. Finally, the research objective is to examine the relationship between those two elements and determine the impact of the policy in countering the threat.

Within the timeline of 2002-2019, this research covers two main subjects. First, the cases of terrorist financing networks refer to the operations of the JI group, then move on to other associates like the Jemaah Ansharut Tauhid (JAT) group, the Jama'ah Ansharud Daulah (JAD) group, the Mujahidin Indonesia Timur (MIT) group, and the growing number of JI members who pledge allegiance to international terrorist groups. Those groups are selected as significant examples of major terrorist networks that exist in Indonesia and have contributed to the threat of terrorism there. Second, in terms of the policy evaluation, the focus is on the early enactment of the Anti-Money Laundering regime in 2002 up until the CFT policies that were first introduced from 2013 onwards.

To make sense of events in the period of 2002 - 2019, the research uses a before-and-after model that includes chronological analysis, changing or dynamic sources of evidence, subsequent explanations and propositions. This design enables the researcher to determine

the case boundaries around the study focuses, scrutinise the issues, and discern the patterns in the data.[389]

Therefore, the analysis on how CFT policies disrupted or failed to disrupt terrorist financing networks is based on two timeframes, divided by the Anti-Terrorist Financing Law of 2013. Thus, the selection of cases compares the threat evolution and policy developments before and after 2013. Below is the list of terrorist financing cases involved in this research.

Period I (2002 - 2012)	Period II (2013 - 2019)
1. The Bali Bombing I 2. Hambali's Brotherhood Network 3. Jalin Jantho Military Training Network 4. The Abu Roban Network 5. The Cahya Fitrianta's Network	1. The Mujahidin Indonesia Timur (MIT) Group 2. The Khatibah Gonggong Rebus (KGR) Group 3. The Jama'ah Ansharud Daulah (JAD) Group 4. Financing of Narco-Terror Networks 5. The Solo Bombing Attack 6. The Adi Jihadi Group 7. Foreign Terrorist Fighters (FTFs) Networks

Table 4.1 List of Terrorism and Terrorist Financing Cases

Using the aforementioned significant cases in exploring terrorist financing networks in Indonesia, the research contributes to measuring the impact of CFT policies on the threats and later offers some recommendations to improve countermeasures in the future.

[389] Mills, Durepos, and Wiebe, *Encycl. Case Study Res.*, 1: 51.

4.2 Methods in Detail

This section describes sources of data that I use in this study and how I collected it. Methods applied in this research consist of documented studies and interviews, which are explained further as follows:

4.2.1 Documented Studies

Documentation used in this research was available publicly or upon request. I used primary and secondary resources. The primary resources are court documents, case reports, laws and regulations. I also used secondary data: reports issued by the international regulators, data from government agencies, information provided by the mass media, reports by international organisations, and data from published research.

To capture the evidence of terrorist financing cases in Indonesia within two timeframes, I used 87 documents obtained from investigations and prosecutions, including case interview reports, case resumes and court conviction documents. This documentation assists and supports the description of cases event patterns in the periods before and after period of 2013. The details of each type of documents are as follows.

Document Type	Period 1 (2002-2012)	Period 2 (2013-2019)	Grand Total
Case Interview Reports	2	23	25
Case Resumes	7	2	9
Court Conviction Documents	20	33	53
Grand Total	**29**	**58**	**87**

Table 4.2 List of Case Documentation

Another primary resource used in this research are documents containing laws and regulations related to countermeasures on countering money laundering and terrorist financing, as listed in **Appendix 1**, including national laws, regulations issued by the Indonesian FIU, and Financial regulations. National laws used in this research included laws related to countermeasures in preventing and combating terrorism, terrorist financing and money laundering. This research also draws upon regulations published by the Indonesian FIU for financial service providers on guidelines to identify financial transactions suspected of being terrorist financing, procedures to suspend suspicious financial transactions, and requirements to submit suspicious financial transaction and cash transaction reports. Finally, policies made by the Indonesian financial regulators, including the Central Bank of Indonesia and the Financial Service Authority (FSA), are also relevant as they provide information on how financial institutions are obliged to comply with the Anti-Money Laundering and Counter-Financing of Terrorism regimes in Indonesia.

Besides primary data resources, I also used secondary data resources, including reports by the EGMONT Group, the FATF and the APG. The EGMONT Group report includes principles for information exchange between financial intelligence units on money laundering cases. The FATF reports include international standards for preventing and combating money laundering and terrorist financing, general annual reports and detailed reviews which identify non-compliant countries and territories. Data from the APG concerns mutual evaluation reports on Indonesia that describe country rating levels in compliance with FATF recommendations, published in 2008 and 2018.

I gathered published material from the National Counter-Terrorism Agency (NCA), the Indonesian FIU (Pusat Pelaporan dan Analisis Transaksi Keuangan, PPATK) and the Australian FIU (Australian Transaction Reports and Analysis Centre, AUSTRAC). Information obtained from this institution was collected through its public website or by special request during fieldwork. This consisted of information regarding a white paper on terrorist financing,

national and regional risk assessment reports on countering terrorist financing, and data on mutual cooperation and collaboration between Indonesia and the region, including Australia.

Finally, other sources of data utilised in this research that provide insights into the development of terrorism and terrorist financing in Indonesia and the operations of its CFT policies were obtained through searching the media, particularly journals or academic papers, newspapers, and news networks, for articles related to terrorist financing. These documents may corroborate or call into question information that might have been obtained in an interview. We can draw inferences from documents and find clues worthy of further investigation.[390]

4.2.2 Interviews

Recruitment of Participants

This research uses in-depth interviews, which involves key respondents providing opinions about the phenomenon. The strategy for identifying interviewees was varied. I presented myself as an academic researcher at the beginning of my research when I interviewed each of the participants. My previous position as an official of the Indonesian FIU enabled me to establish contact with stakeholders in Indonesia and other countries and recruit them for my research.

Interviewees were from Indonesia, Australia, Malaysia, Singapore, and the Philippines, and included officials from policy departments, law enforcement agencies, the financial industry, academics and subject matter experts. They are people who had worked or been otherwise involved in the policymaking process, investigation, prosecution, and the study of terrorism and terrorist financing in Indonesia and the region. In recruiting interviewees, ensuring

[390] Yin, *Case Study Research: Design and Methods*.

representation from those five groups was critical for identifying the context of terrorism and terrorist financing and exploring the different understandings of the way in which CFT policies in Indonesia were introduced and developed and whether the policies had met their intended objectives or resulted in unintended consequences. They were selected strategically because of their expertise and experience; however, the limitation I had in the interviews was that I found a lack of representatives who had handled particular cases of terrorist financing in Indonesia and the region. Most interviewees had extensive knowledge of terrorism, but only a few had examined the financial flows involved in terrorism cases, including those who worked in the Indonesian FIU, investigators and prosecutors.

Selecting the Sample

As mentioned earlier, I interviewed 69 people in Indonesia and other countries who worked as policymakers, law enforcement agencies, the financial industry, academics and subject matter experts. Table 4.4 is a breakdown of the participants interviewed. Since the research is focused on Indonesia, 30 interviewees were from Indonesia, and the remaining 39 were from Malaysia, Singapore, the Philippines and Australia.

Representatives from Indonesia

First, in recruiting policymakers as interviewees, I selected those who worked in the NCA, the Indonesian FIU, financial regulators, and other government agencies. I interviewed an official from the NCA who had been working for the organisation and focusing on the works in the Special Task Force in countering terrorist financing and FTFs. I selected six officials from the Indonesian FIU were based on their experience in financial intelligence analysis and research related to terrorism and terrorist financing cases. Two middle managers from financial regulators, the Central Bank of Indonesia and the Financial Service Authority (FSA), provided

information on how the government regulated particular provisions in countering money laundering and terrorist financing. Last, I also interviewed five employees of other government agencies, including those who worked for the office of Coordinating Minister for Political, Legal and Security Affairs, the office of Minister of Foreign Affairs, Special Staff for Presidential Office, and the State Intelligence Agency. These people were able to offer perspectives concerning the Coordinatination Committee in preventing and combating money laundering and terrorist financing.

Second, I interviewed six middle-level officers who worked in law enforcement. Four investigators from Special Detachment 88 – the Indonesian National Police (Densus 88), contributed to my research by describing their five to ten years of experience in conducting intelligence operations and investigating terrorism and terrorist financing cases. I also interviewed two prosecutors, one who worked as a manager and the other as a senior prosecutor. They spoke of their experience over more than five years in prosecuting cases of terrorism and tracking down financial flows of terrorist groups to convict terrorists with terrorist financing convictions.

Third, I interviewed two officials from one of the private banks in Indonesia. They had more than ten years' experience in dealing with money laundering and terrorist financing issues, including detecting suspicious financial transactions and drafting regulations for the financial sector that complied with the law. Their views were essential to covering the implementation of national CFT policies from the stakeholder's perspective.

I also recruited two academics and six experts in terrorism studies. These participants confirmed themselves as terrorism experts, and none of them was terrorist financing experts. All of them had experience analysing terrorism issues in Indonesia, but they were uninformed on financial flows related to terrorist groups. They confirmed that public information was minimal, and therefore, the analysis of specific terrorist financing issues was also limited.

However, their opinions and perspectives contribute to understanding the problems of terrorism and how the government should develop policies to prevent and combat terrorist financing. They also provide valuable insight into how CFT policies have impacted the community.

Representatives from Other Countries

Besides those from Indonesia, I selected a sample of participants from Malaysia, Singapore, the Philippines and Australia. According to the table of categorisation of participants, the overseas participants differed. Most of the interviewees were academics, experts and policymakers. None were from the financial industry. However, I had an opportunity to interview officials from Filipino law enforcement and policymakers from Australia, including APG representatives. The information from overseas participants benefited my research in identifying terrorism and terrorist financing in the region, how regional cooperation was working, and obtaining their views on how the Indonesian government has worked with its counterparts to diminish terrorist financing flows.

Categories	Australia	Indonesia	Malaysia	Philippines	Singapore	Grand Total
Academics	-	2	3	2	7	**14**
Experts	1	6	6	4	1	**18**
Financial industry	-	2	-	-	-	**2**
Law enforcement	-	6	-	7	-	**13**
Policy makers	3	14	3	2	-	**22**
Grand Total	**4**	**30**	**12**	**15**	**8**	**69**

Table 4.3 Categorisation of Participants

Interview Process

In this research, I interviewed all participants face-to-face, which enabled me to engage directly with them. Contact was first made by letter, email, or phone to arrange the meeting. As pointed

out by Martyn Denscombe, face-to-face interviews are important for data validation. The researcher may be able to sense when an interviewee is giving false, unreliable or incomplete information and probe further. This is impossible when collecting the data through questionnaires or telephone surveys.[391] The purpose of the interviews is to interact with the respondents and obtain in-depth responses.

Almost all of the participants were interviewed individually. However, there were some interviews of groups or teams, such as representatives from a private Indonesian bank, the Indonesian FIU, the Indonesian investigators, the Malaysian FIU, the Malaysian Cyber Agency, the Southeast Asia Regional Centre for Counter-Terrorism (SEARCCT) Malaysia officials, the APG officials, and the Filipino journalists. The gender ratio of the interviewees was approximately 69.56% male, 28.98% female. One mixed group of male and female interviewees did not wish to be identified as individual representatives.

A total of 61 interviews were conducted in Indonesia, Malaysia, Singapore, the Philippines and Australia. The representative from the Australian FIU was interviewed in Indonesia and was living in Indonesia. This interview was important for the understanding of the relationship between Indonesia and Australia in countering terrorist financing in the region. Two interviewees were Indonesian Police Attachés in Malaysia and the Philippines respectively. The variation in the number of interviewees in each of those four countries did not detract from the quality of the research because the main research focus was Indonesia, a single case study. The difficulty with finding suitable interviewees outside Indonesia was the lack of experts on terrorist financing in the region. The availability of secondary data then informed the analysis to fill the information gap about the evolution of the threat and relationships between

[391] Martyn Denscombe, *The Good Research Guide: For Small-Scale Social Research Projects: (9780335241385).* 3rd ed. New York: Open University Press, 2007,10 – 11.

Indonesia and its counterparts. The secondary data from public documents had compensated for the lack of information from the interviewees.

I conducted the first interview in Indonesia on 16 August 2018 and the last in Singapore on 1 February 2019.

Country	Total Respondents	Timeframes (in between)
Australia	4	3 September 2018 and 4 December 2018
Indonesia	30	16 August 2018 – 18 October 2018
Malaysia	12	27 September 2018 – 11 October 2018
Philippines	15	15 November 2018 – 30 November 2018
Singapore	8	10 September 2018 – 20 September 2018 and 1 February 2019
Grand Total	**69**	

Table 4.4 Schedule of Interviews

All respondents were asked for permission to record their interviews, and they were required to sign the written consent form. However, one representative from the Philippines and a team from Malaysia gave oral consent. One interview with a Singaporean expert was not recorded, but I took short notes during the interview to help recall important evidence and useful quotes.

Almost all interviews were held in the participants' places of work; 24 interviews were conducted elsewhere, including coffee shops and restaurants. Respondents chose the interview locations.

In this research, I use the terms interviewee, informant, participant and respondent interchangeably. Table 4.5 is a snapshot of interviews in Indonesia and other countries.

	Australia	Indonesia	Malaysia	Philippines	Singapore	Grand Total
Number of interviews	2	28	9	14	8	**61**
Number of participants	4	30	12	15	8	**69**
Gender of participants						
Female	-	8	6	3	3	**20**
Male	4	22	5	12	5	**48**

	Australia	Indonesia	Malaysia	Philippines	Singapore	Grand Total
In a group	-	-	1	-	-	**1**
Place of interview						
Work place	2	13	7	8	7	**37**
Other places	1	14	2	6	1	**24**

Table 4.5 Summary of Interviews

Linguistic Considerations

Interviews in Indonesia, my home country, were in *Bahasa Indonesia.* This included interviews with two Indonesian Police Attachés in Malaysia and the Philippines respectively. However, direct quotations from interviews in *Bahasa* provided in this thesis are translated into English. I transcribed the interviews from Indonesian into English.

In other countries, including Malaysia, Singapore, the Philippines and Australia, all interviews were conducted in English. I taped the interviews and later transcribed the information to understand the content of those interviews. As English is not my first language, I note that while my transcription process might change the nuance of words, it has not changed the meaning of what was said.

The Semi-Structured Interview Schedule

My interviews were in-depth and semi-structured. By semi-structured, I mean that I prepared questions for the interviewee's guidance in order to elicit the information required to answer the research questions. Denscombe notes that in semi-structured interviews, the researcher asks open-ended questions allowing flexible answers so that respondents are able to express thoughts and views triggered by the researcher's questions.[392] This thesis required clear

[392] Denscombe, 176.

opinions from the respondents on threat perceptions on terrorism and terrorist financing and the implementation of existing CFT policies of the Indonesian government.

As explained earlier, the interviews were conducted with six groups. The interview questions differed from one group to another, but canvassed the respondents' comprehension of terrorism and terrorist financing as severe problems in the region and their analysis of how the Indonesian government performed in preventing and combating terrorist financing, including how such policies worked in law enforcement, financial regulations and international cooperation. Before and during the interviews, I also asked some questions to establish a rapport with the interviewees, depending on the situation and the time available. **Appendix 2** presents a list of questions I put to interviewees.

4.2.3 Data Analysis

The research uses complex time series analysis to analyse evidence. Yin notes that complex time series analysis is based on the understanding that certain trends will be followed by other trends within the same case.[393] While major issues may arise from the data collection process, this technique enables the discernment of more complexity in trends, which can strengthen the analysis. Commonalities or patterns examined in a definite time series will generate robust evidence for a preliminary theoretical intention.

This research also uses a qualitative method. The nature of the study is explanatory, showing the evolution of the terrorist financing threat and providing perspectives on policy implementation. This study draws on data from 87 court documents, 61 interviews and other public records.[394] The information is triangulated to test its reliability.

[393] Yin, *Case Study Research: Design and Methods*.
[394] N Gilbert, *Researching Social Life* (London: SAGE Publications, 1992).

In order to describe the evolution of the threat, I draw upon information from court and case documents and interviews. I have used analytical software, the IBM i2 Analyst's Notebook, to set out in chart form terrorist financing networks in the 2002-2019 period. The information consists of financial flow links revealing information about deposits, withdrawals and transfers in bank and non-bank institutions such as money service businesses and *hawala* remittances. Moreover, the financial information provided refers to the activities of terrorists who were convicted and those who were identified as recidivists according to documentation from the 2002 – 2018 period, including data on social networks of terrorists' families, relatives and members of terrorist organisations members who have direct and indirect connections with the main actors. By exploring the financial structure of terrorist networks and particular incidents, terrorist plots or organisation plans, the research provides an understanding of the networks and their evolution over time. The map demonstrates the performance of terrorist financing networks, which is central to the qualitative analysis.

In order to understand CFT policies, I used content analysis of policy documents and interview transcripts. Since the research collects information from documents studies and in-depth interviews, this technique enables me to draw valid conclusions from text interpretation and evaluation. Content analysis is a tool of qualitative research, used to define the manifestation and significance of concepts, terms, or words in one or more pieces of recorded communication.[395] The interviews were held to confirm and validate the relationship between CFT policies implementation and the reduction or otherwise of the threat and risk of terrorist financing networks in Indonesia and the region. This is the rationale of the triangulation method used in my research.

[395] Mills, Durepos, and Wiebe, *Encycl. Case Study Res.*

Conclusion

In analysing the Indonesian government's implementation of its CFT policies, it is important to obtain data not only on the policy but also the threat as the objective of the research is to assess how the policies have affected terrorist financing networks. The research collected information from documents and stakeholders who were directly or indirectly involved or handled terrorist financing issues. The researcher explains the absence of terrorist financing expertise in the region. Greater use is made of documentation to compensate for this. The interviews sought respondents' understanding of terrorism issues writ large in order to explore their perceptions as far as possible of the CFT threat and also their views on the Indonesian government's role regarding CFT strategy at the national and regional level.

The focus of this research is on Indonesia's best practices in implementing CFT policies. Therefore, there is a greater volume of interview data from Indonesia, and it is also more complex than data from other countries. Fortunately, access to interviewees in Indonesia and other countries was relatively straightforward, and this compensated for shortcomings in the availability of other data, including court documents and government reports.

I draw on information from 87 documents relating to five terrorist financing cases in the first period of 2002-2012 and seven cases in the second period of 2013-2019. The interviews provided additional information to develop those case studies as empirical evidence.

In addition to interviews, I corroborated information from other primary data sources, including legal documents and regulations to counter money laundering and terrorist financing issued by the national legislature, the Indonesian FIU, and the national financial regulators. Reports published by the EGMONT Group, the FATF and the APG also contributed to the analysis of the application of CFT policies, including information on international standards that Indonesia adopted.

My interviewees included academics, experts, financial industry representatives, law enforcement officers, and policymakers. Overall, between August 2018 to February 2019, I engaged 14 academics, 18 experts, two bank officials, 13 law enforcement officers and 22 policymakers in Indonesia, Malaysia, Singapore, the Philippines and Australia. In Indonesia, I conducted 28 interviews with 30 participants from all targeted groups. In Australia, I conducted two interviews involving four participants from the APG, a policymaker, and an expert. In Malaysia, I conducted nine interviews with twelve participants, including academics, experts and policymakers. I also interviewed 15 participants from the Philippines, again including academics, experts, law enforcement and policymakers. Finally, I conducted eight interviews in Singapore.

To conclude, data from interviews and documentation are the most significant sources of case study information. By applying data triangulation, the problems of validation may be overcome because the research includes multiple sources of evidence for the same phenomenon. Therefore, each source of evidence reveals facts, aspects of facts or insights that corroborate the phenomenon of terrorist financing networks and the implementation of CFT policies in Indonesia. In the next chapter, I discuss the development of terrorist financing networks and the evolution of Indonesia's CFT policies. This includes my evaluation of primary and secondary data which is required for Chapter 12's analysis of how the Indonesian CFT policies were set up, how they have worked in preventing and interdicting terrorist financing threats in the country and region and how far they succeeded in countering the problems.

Chapter 5

Terrorist Financing Networks in Indonesia (2002-2012)

> In the wake of the events of 9/11, Southeast Asia has achieved a dubious reputation as a major hotspot of transnational Islamist terrorism…
>
> John Gershman[396]

Introduction

This research presents twelve case studies which took place in two different periods. This chapter analyses the five case studies that took place in the first period, which was from 2002 until 2012. Chapters 7, 8 and 9 deal with the remaining seven that belong to the period between 2013 and 2019.

The first series of case studies show the development in how funds were raised, moved and used by terrorist groups to prepare or carry out attacks. Understanding these financial "footprints" of terrorist groups is important for the analysis of Indonesian terrorist financing networks in the earlier period, 2002 to 2012. We then turn to how the government developed its CFT policies over this period.

This chapter discusses the Bali bombing attack of 2002, Hambali's brotherhood network, the Abu Roban group, the Jalin Jantho military training group, and Cahya Fitrianta's network. These examples demonstrate that terrorist groups used funds for three purposes: first, to carry out attacks with explosives, which required significant preparation, such as the Bali bombing

[396] John Gershman, "Is Southeast Asia the Second Front," *Foreign Affairs*, July/August 2002, 60 – 74.

and JW Marriott Hotel attack in Jakarta. Second, in addition to staging suicide bombings, these terrorist groups provided financial support to local jihadist groups and terrorist networks; third, the groups in these case studies spent funds on military training in various locations.

The terrorist groups in these case studies raised or received money in the following ways:

The groups involved in Bali Bombing, Abdullah Sunata, and Jalin Jantho received significant sums from larger terrorist organisations like Al Qaeda and Jamaah Ansharut Tauhid (JAT). They also received donations from other organisations and from individuals in Indonesia, and from foreigners.

The groups also carried out robberies to obtain money, as seen in the lead-up to the Bali bombing attacks and the case of the Toni Togar team, who supported Hambali's network and the Abu Roban group.

Third, the Cahya Fitrianta's network provides an example of obtaining funds through cybercrime. This group hacked a multi-level marketing website which became one of the likely funding sources for a terrorist group in Poso.

Turning to moving funds, the groups used moved funds in three ways. First, cash couriers were very popular during this period. After the Bali bombing, cash-carrying became common among terrorist groups. They used their friends' networks or unknown third parties to hand over the money. The second channel is the use of domestic bank transfers to layer[397] the funds. In addition to maintaining banks accounts under their own names, they used accounts

[397] The term 'fund-layering' refers to the definition of one of money laundering stages offered by the FATF. In the fund-layering stage, the money launderer involves in "*a series of conversions of movements of the funds to distance them from their source. The funds might be channelled through the purchase and sales of investment instruments, or the launderer might simply wire the funds through a series of accounts at various banks across the globe. This use of widely scattered accounts for laundering is especially prevalent in those jurisdictions that do not co-operate in anti-money laundering investigations. In some instances, the launderer might disguise the transfers as payments for goods or services, thus giving them a legitimate appearance."* (FATF, "Money Laundering," FATF Website, accessed June 16, 2021, https://www.fatf-gafi.org/faq/moneylaundering/).

of family members to make transfers. Finally, the jihadist groups used money remittance services to make overseas funds transfers, as in the case of Hambali's brotherhood networks.

As for spending the money, there are four main expenses for the terrorists featured in these case studies. First, there are operational costs, such as purchase of explosives and chemicals, accommodation, transport, weapons, communication devices, etc. Second, the group led by Abdullah Sunata and its organisation KOMPAK demonstrated the use of money for propaganda and recruitment. Third, the Jalin Jantho and Abu Roban spent significant sums on military training, including the purchase of weapons, clothes, food, airline tickets, and compensation for group members. Finally, an increasing mount of money has been pledged to support the families and widows of imprisoned or dead terrorists.

This chapter outlines the changing pattern of terrorist financing in the first period of 2002-2012, described diagrammatically as follows:

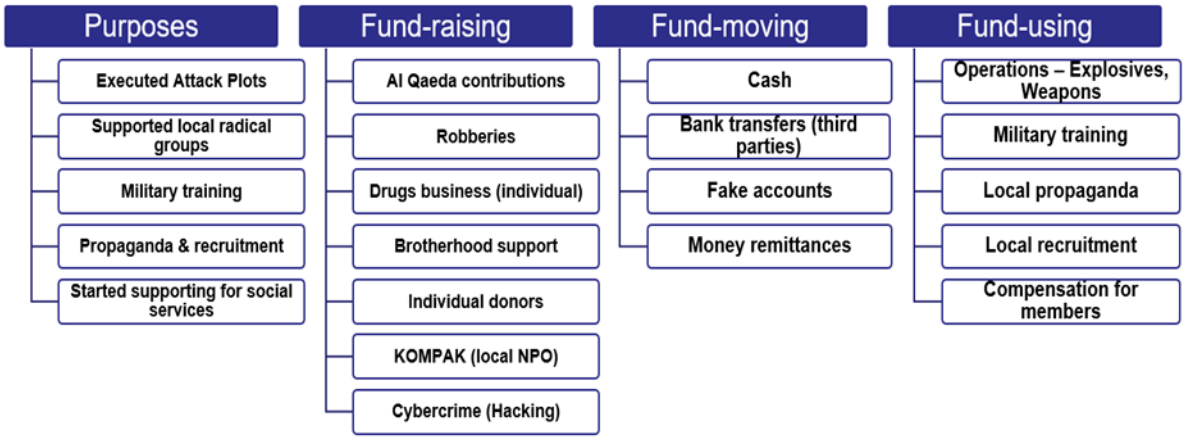

Figure 5.6 Summary of Terrorist Financing Patterns Between 2002 – 2012

(source: multiple resources)

5.1 Case study 1: The Bali Bombing I

The history of terrorism can be traced back to Sekarmadji Maridjan Kartosuwirjo's establishment of the Indonesian Islamic State (NII), the first radical group in Indonesia, on 7 August 1948. The organisation was later divided into Ajengan Masduki led by Abdullah Sungkar and JI, chaired by Abu Bakar Ba'asyir, and officially established in Malaysia, 1 January 1993. Its roots were in Darul Islam, an Islamic organisation from the 1950s, which aspired to the country being under Islamic law (*Shariah)*. The organisation committed violent acts in the name of jihad and seeking to promote Islam in Indonesia by preaching and carrying out jihad through *quwwatul aqidah* (strength of faith), *quwwatul ukhuwwah* (strength of brotherhood) and *quwwatul musallahah* (military strength).[398] However, the death of Abdullah Sungkar in 1999 was a turning point for JI, chaired by Abu Bakar Ba'asyir and Hambali, the mastermind of several church bombings in 2000, as the prominent head of JI operations. This was the beginning of the era of terrorist financing among jihadist groups, both domestic and international.

For its operations, JI had guidelines which were called Pedoman Umum Perjuangan Jama'ah Islamiyah (PUPJI). These set the level of organisational operations both centrally and regionally. There were four 'mantiqi', or regional tiers. The first 'mantiqi' consists of Malaysia and Singapore led by Hambali; the second covered the areas of Sumatera, Java and Nusa Tenggara, which Abu Fatih (alias Abdullah Ansori) led; the third 'mantiqi' stretched from Sulawesi to Sabah in Malaysia led by Mustopa; and the last 'mantiqi' was in Australia.[399]

Zachary Abuza, a terrorism expert, confirms that Al Qaeda was a financial contributor to terrorist networks in Southeast Asia, including JI. Hambali played an important role as the main

[398] Noor Huda Ismail, "Al Qaeda's Southeast Asia, Jamaah Islamiyah and Regional Terrorism: Kinship and Family Links," *The Asia-Pacific Journal* 5, no. 1 (2007): 4, https://apjjf.org/-Noor_Huda-Ismail/2318/article.pdf.
[399] "Jemaah Islamiyah in Southeast Asia: Damaged but Still Dangerous" (Jakarta/Brussels, 2003), 7, 8, 11, https://www.files.ethz.ch/isn/28377/063_jemaah_islamiyah_in_southeast_asia.pdf.

contact between JI and Al Qaeda.[400] Intelligence believed that Hambali had nearly US$500,000 in assets to use for operations. Possible sources of these funds are cash carried into the country by individuals, misuse of Islamic charities, corporate business, hawala shops, members contributions, and street crime.[401] Al Qaeda offered IDR1.35 billion to JI's networks from 1996 to the 2000s. After 2000, the Indonesian cell also received US$200,000, as testified by Omar al-Faruq. Osama bin Laden also allegedly provided US$74,000 to Omar al-Faruq for obtaining three tons of explosive materials for use in JI operations. The Bali bombing attack was funded by US$35,000 through Wan Min Wan Mat, a JI treasurer based in Malaysia, who handed over the money to Mukhlas and Imam Samudera, the perpetrators of the bombing.[402]

For JI, the Bali bombing was part of their violent strategy against what they saw as the infidel government. The group executed the plan on 12 October 2002. The bombs were placed to explode in a central area near Legian, one of the most crowded tourist spots in Bali. The exclusive Sari Club and Paddy's Irish Bar were popular destinations for Australian and western tourists, especially in October, as they flew to Bali for a vacation break. The suicide bombers detonated C4 high explosive and ammonium nitrate devices hidden in a backpack and drove a white Mitsubishi L300 minivan at around 11 pm. The third bomb near the United States and Australian Consulates was detonated by a mobile phone. This explosion was smaller than the other two and seemed to have been aimed at making a political point rather than causing multiple casualties.[403]

The case of the Bali bombing attack is a useful one for examining how terrorists operated their finances and how this changed. First, as the group behind the attack, JI used its international connections with Al Qaeda as a source of funds which they supplemented by robbing a

[400] Simon Elegant, "The Terrorist Talks," *Time Magazine*, 2003, 2, http://content.time.com/time/magazine/article/0,9171,493256,00.html.
[401] Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah," 171.
[402] Abuza, 172.
[403] Matt Cianflone et al., "Anatomy of a Terrorist Attack : An In-Depth Investigation Into The 2002 Bali , Indonesia , Bombings," *This Working Paper Is One of Several Outcomes of Professor William W. Keller's "Anatomy of a Terrorist Attack" Capstone Course*, (Pittsburgh, 2007), 9 – 10.

jewellery store in Serang. Second, the money from Al Qaeda and the heist was handed over in cash rather than using wire transfers. In the end, as arranged, the group used the money for executing the attack plan. This included paying for the accommodation, purchasing a car, offering compensation for the family of the suicide bomber, and buying chemical substances, explosive materials, and other expenses.

The preparation of the attack commenced when Imam Samudra, later known as the mastermind of the Bali attack, set up the attack and involved his friends in the plan. Samudra has several aliases, including Abdul Azis, Fatih, Kudama, Abu Umar, Fat, Hendri, and Faiz Yunshar. Imam Samudra, a young (i.e. at the time. He was born in 1970) high school graduate from Serang, explained why JI chose Bali as its target. He said that Bali is one of the world's most popular destinations for foreigners, with its reputation for narcotics and sex, although it is located in a Muslim majority country. Besides that, Samudra considered, the United States and its allies deserved to be confronted since they were guilty of attacking innocent Muslims in Afghanistan in 2001.[404] In justifying his selection of Bali, Imam Samudra declared:

> It is a gathering place for all the nations of imperialists, terrorists, oppressors, and destroyers of the virtue of Indonesian women. Are there Muslims who do not know that Bali is a centre for dealing in narcotics? Bali is one of the world's largest and most popular places for sex outside marriage, in a country where the majority of the population are Muslims, in a country with many Religious Scholars, Preachers, Proselytisers, and Islamic harakah activists. This is an irony which shames us in the presence of Allah, the Almighty, and most worthy of praise. Particularly in Jalan Legian Kuta, there are substantial gangs of Jews (May Allah curse them), who use Bali as an intelligence conduit and a place to rendezvous, [in their efforts] to destroy the Islamic community. It was a relatively soft target for striking against citizens of countries who proudly, arrogantly and grandiosely trample on the honour of Muslims by involving themselves in the crusade under the leadership of America (cursed by Allah alaihim), especially by raining thousands of tonnes of bombs on weak men, Moslem women, and innocent babies in Afghanistan.[405]

[404] Muhammad Haniff Bin Hassan, "Imam Samudra's Justification for Bali Bombing," *Studies in Conflict & Terrorism* 3012, no. 30 (2007): 1038.
[405] Cianflone et al., "Anatomy of a Terrorist Attack : An In-Depth Investigation Into The 2002 Bali, Indonesia, Bombings," 17.

The Denpasar District Court convicted Imam Samudra and sentenced him to death for four criminal acts, including planning, supporting finance, making bombs, and executing the terror plot. He was the one who designed the plan to conduct bomb attacks in Bali as part of the jihad narrative to defend Muslims oppressed by the United States and its coalition in Afghanistan, Palestine, Kashmir, Ambon (Indonesia) and Iraq. He allocated the tasks, appointing Amrozi to purchase explosive materials and a car, Idris (alias Jhoni Hendrawan) to organise the transport and accommodation, and Dulmatin to make the bombs. In addition, Imam Samudra directed the group to choose the target and manage the money of IDR74,950,000.00 to be used for the plot. He developed the attack strategy, which was in line with his group's ideology and interpretation of Islamic Law.

Furthermore, Matt Cianflone, et al. claim that a range of criminal activities, including fraud and heists, has been carried out in advance to obtain funds for the attacks. Imam Samudra committed credit card fraud as he encouraged his followers to "take the holy war into cyberspace by attacking U.S. computers, with the particular aim of committing credit card fraud called 'carding.'" To note, Al Qaeda provided approximately US$30,000 for the attacks and supplied a further US$100,000 to JI for future operations. Wan Min bin Wan Mat, a regional chief and key financier of JI's Malaysian cell, received US$ 30,500 in three instalments from Hambali and passed it on to Huda bin Abdul Haq who then handed over the money to Mukhlas.[406]

The financial links are as shown in the following figure:[407]

[406] Cianflone et al., 100.
[407] Cianflone et al., 134.

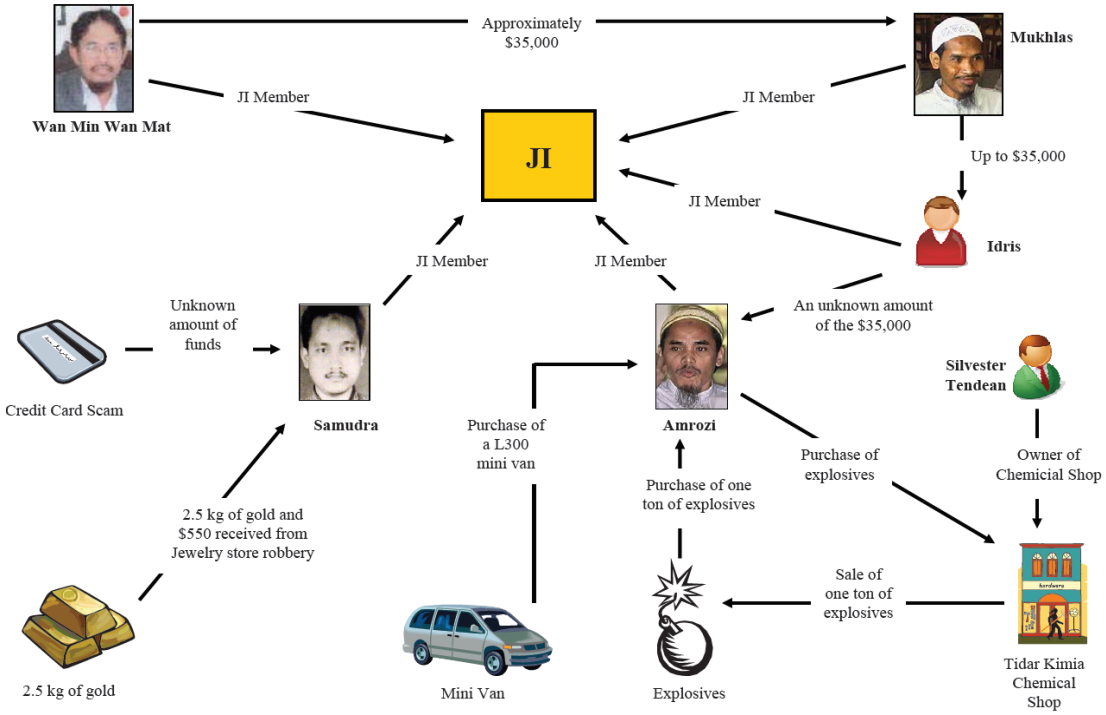

Figure 5.7 Financial Links of Jamaah Islamiyah Group

In the Imam Samudra court proceedings, Wan Min bin Wan Mat testified that he had been a colleague of Imam Samudra since the beginning of 1995. They had worked together conducting religious services and sermons in Kuala Lumpur. Wan Min bin Wan Mat acknowledged the meeting in February 2002, which involved Ali Ghufron (alias Muklas), Hambali, Nordin M Top, Azhari, and Zulkhefli. They had discussed several operational plans in Singapore and Indonesia. Wan Min bin Wan Mat then revealed that Muklas received money from JI members based in Malaysia. At the beginning of April 2002, Wan Min bin Wan Mat handed over USD15,500.00 to Muklas. The money was carried out by Azmi in cash. Afterwards, Hambali directed Wan Min bin Wan Mat to send another USD5,000.00 to Muklas in Indonesia. Wan Min bin Wan Mat arranged the delivery through an intermediary named Fadli (a JI member based in Malaysia). No further information was revealed regarding the use of the funds, but Wan Min bin Wan Mat admitted that all funds were intended to execute

operations in Indonesia.[408] Imam Samudra played an important role as a leader, managing preparations for the attack, meeting the team, organising the weapons, conducting a heist, purchasing chemical and explosive materials, crafting the bombs, providing accommodation and executing the plan.

Preparations for the bombing began as early as February 2002 when Imam Samudra attended meetings in Bangkok, together with his colleagues Ali Ghufron, Mukhlas, Zulkifli, Marjuki, Wan Min bin Wan Mat, Noordin M. Top, and Dr. Azahari. They were later known as prominent members of Jama'ah Islamiyah and involved in the Bali bombing plot. The meetings discussed operations to attack the United States and her allies. The development of strategies to raise funds for the operations was began in a meeting between Imam Samudra and some fellow terrorists, including Andi Hidayat, Andri Octavia, and Abdul Rauf. In June 2002, they discussed the jihadist movement's situation, persecution by the government and strategies to raise funds for the next jihad operations, including the robbery at a jewellery store, Elita Indah in Serang.[409]

The idea of conducting attacks was given substance by an arrangement for supplies of weapons in August 2002. Imam Samudra offered three firearms and IDR6,500,000 to purchase a motorcycle for his team, including Andri Octavia, Abdul Rauf, Andi Hidayat, Arnasan, and Junaedi. The team was also identified as a criminal group that robbed a jewellery store ELITA INDAH in Serang. Andri Octavia and Abdul Rauf handed over the sum of IDR 5,000,000, 2.5 kilos of jewellery, and a firearm type FN to Imam Samudra. Hereinafter, Imam Samudra brought the jewellery to Syahid Fuad in order to obtain IDR 30,000,000 from him. He ordered Andri Octavia to give all the funds to Abdul Rauf. Abdul Rauf would have them sent to

[408] Denpasar District Court, “Court Conviction No. 203/Pid. B/2003/PN. Dps on Behalf of Abdul Aziz Alias Imam Samudra Alias Fatih Alias Kudama Alias Abu Umar Alias Fat Alias Hendri Alias Faiz Yunshar,” Denpasar, 2003.
[409] Ibid.

Amrozi. They used the funds to buy chemical substances and other materials for the Bali bombing.[410]

One month before the attack, Imam Samudra finalised the plan. He ordered Idris (alias Jhoni Hendrawan) to send IDR23,000,000 to Amrozi to buy explosive materials and make a down payment of IDR10,000,000 for a car. Five days later, Imam Samudra ordered Idris (alias Jhoni Hendrawan0 to send IDR21,950,000 to Amrozi. This money was used to buy a white Mitsubishi L-300 vehicle. They changed the body and machine codes and modified them to be used for the bombing plot. On 18 September 2002, Imam Samudra directed Abdul Rauf to transfer IDR 20,000,000 to Amrozi's bank account to buy explosive materials and as additional money to ensure the car was prepared for transporting the bombs.[411]

Subsequently, as the head of operations, Amrozi took over the team to start the bomb-making process by using the money from Imam Samudra to buy chemical substances. On 18 September 2002, Amrozi spent IDR11,000,000 on 1 ton of Kalium Chloride, IDR3,250,000 to buy 40 kilos of aluminium powder, IDR200,000 for 100 kilos of sulphur, and IDR90,000 for 30 boxes on 23 September 2002. Then, on 25 September 2002, Amrozi arranged the delivery of chemical substances bought at Tidar Kimia Shop in Surabaya to Bali in five shipments.[412]

Meanwhile, another team, including Ali Imron bin Haji Nur Hasyim (alias Alik, alias Toha, alias Zaid, and alias Mulyadi), organised the accommodation and the vehicle to be used on the day of the attack. Ali Imron bought a motorcycle for IDR7,500,000, while Idris and Amrozi purchased another for IDR9,300,000. Those vehicles were used for carrying the bombs. Furthermore, Ali Imron also revealed that he spent IDR10,000,000 to rent a house in Denpasar (Pulau Menjangan No. 18) as a safe house for executing the bombing attack plan, while Imam

[410] Denpasar District Court, "Court Conviction No. 317/Pid. B/2003/PN. Dps on Behalf of Ali Imron Bin H. Nurhasyim Alias Alik Alias Toha Alias Mulyadi Alias Zaid," Denpasar, 2003.
[411] Denpasar District Court, "Court Conviction No. 203/Pid. B/2003/PN. Dps on Behalf of Abdul Aziz Alias Imam Samudra Alias Fatih Alias Kudama Alias Abu Umar Alias Fat Alias Hendri Alias Faiz Yunshar."
[412] Denpasar District Court, "Court Conviction No. 317/Pid. B/2003/PN. Dps on Behalf of Ali Imron Bin H. Nurhasyim Alias Alik Alias Toha Alias Mulyadi Alias Zaid."

Samudra spent IDR500,000.00 for a one-month room rental at another address (Pulau Pinang No. 8).[413]

Finally, a few days before the attack, Imam Samudra arranged for the team to travel to Denpasar. He also asked Idris (alias Jhoni Hendrawan) to fetch Amrozi and travelled with the team on 4 October 2002. Idris was requested to give IDR10,000,000 to Amrozi. They finalised the plot during those days, including the making of the bombs by Dr. Azahari, Ali Imron, Dulmatin, Abdul Goni, and Umar Patek.

Besides using funds for the operations, Ali Ghufron (alias Mukhlas) gave IDR30,000,000 to Idris. This money would have been used not only for the attack preparation but also as an incentive to the suicide bomber, Feri (alias Isa). After executing the plan, on 18 November 2002, a new website, Istimata.com, was created. Imam Samudra posted statements with photos on the website on the same day. He was responsible for the bombing incidents in Legian and the U.S. embassy, which occurred on the night of Saturday, 12 October 2002.[414]

With ongoing expenses for the attack, the financial scheme was extended after the attack, particularly for expenses associated with escaping. One of the networks, Utomo Pamungkas (alias Mubaroq alias Santoso bin Suhar), testified that he hid in East Kalimantan with Ali Imron. He admitted his involvement in the Bali bombing attack plan since 8 September 2002. He helped the team to prepare the attack, for example, as a driver for Amrozi, Dulmatin, Idris, Ali Imron, and Imam Samudra. In addition, Utomo Pamungkas offered his bank account to receive a sum of IDR35,000,000 from Amrozi without knowing the senders. After receiving money in his account, he withdrew the money in cash at an ATM and handed it to Amrozi.[415]

[413] Denpasar District Court, "Court Conviction No. 317/Pid. B/2003/PN. Dps on Behalf of Ali Imron Bin H. Nurhasyim Alias Alik Alias Toha Alias Mulyadi Alias Zaid."
[414] Denpasar District Court, "Court Conviction No. 203/Pid. B/2003/PN. Dps on Behalf of Abdul Aziz Alias Imam Samudra Alias Fatih Alias Kudama Alias Abu Umar Alias Fat Alias Hendri Alias Faiz Yunshar."
[415] Denpasar District Court, "Court Conviction No. 317/Pid. B/2003/PN. Dps on Behalf of Ali Imron Bin H. Nurhasyim Alias Alik Alias Toha Alias Mulyadi Alias Zaid."

Further, the investigation revealed that Ali Imron escaped to another city in East Kalimantan. Knowing he was wanted by investigators or involvement in the Bali bombing attack, he hid for approximately 18 days at Muhajir's place from 27 December 2002 to 13 January 2003. Ali Imron worked for Muhajir in a village. Muhajir provided him and his friend, Utomo Pamungkas, with a hut and some food supplies, including 25 kilos of rice, two boxes of instant noodles, cooking oil, and mineral water.[416]

In conclusion, the case study above explores the money collected by Imam Samudra, demonstrating how the team's funds were intentionally used for committing violence. The analysis then reaches four significant findings which contribute to an understanding of finance used for terrorism purposes. First, Imam Samudra and the team obtained significant funds from the international contribution by the Al Qaeda network and the proceeds from the robbery. Second, by using their global social networks, the money was carried in cash across and between countries. Also, they preferred to use a friends-to-friends connection to hand over the cash in Indonesia rather than using bank transfers. Third, most of the money was used only for operations, including accommodation, firearms, vehicles, but a smaller sum was allocated to the suicide bomber as compensation. Finally, the case examination also reveals that the financial flow continued after the strike was launched. This was the case because the terrorists needed money to escape from the investigators for transportation, safe houses, and daily needs.

The terrorist financing in this case study shows the significance of the international terrorist groups and their global networks channelling funds for JI for use in plotting bomb attacks.

The next case study features funding modifications by the Hambali brotherhood network and includes an examination of funds from domestic sources, including KOMPAK, as well as donations from individual terrorists and foreign nationals. The case study also provides insights

[416] Indonesian National Police, "Case Resume Report on Behalf of Muhajir Bin Amin," Denpasar, 2003.

into the group's cross border cash-carrying tactics and transfer of funds through banks and money remittances. The use of funds for expenses other than terror operations is also discussed in the next section, including money for propaganda and organisational management.

Below is the financial flow map of the Bali bombing 1:

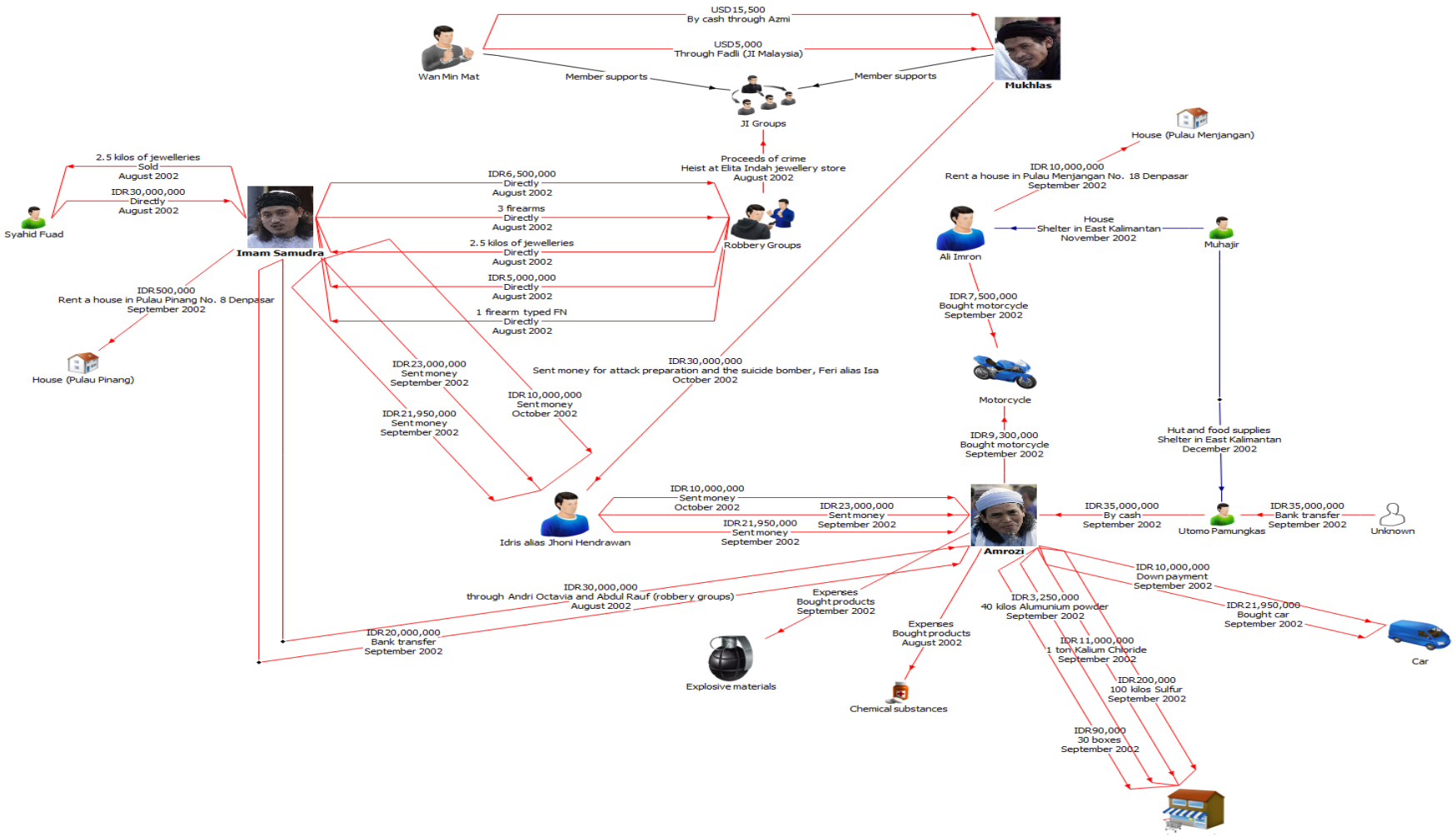

Figure 5.8 Financial Flow Map of Bali Bombing 1 (Source: Multiple Resources Summarised by the Author)

5.2 Case Study 2: The Hambali Brotherhood Network

The Bali bombing is the worst attack by JI. Until then, although JI had forced the authorities to develop a new counter-terrorism strategy which included terrorist financing, the investigation that followed revealed new names indirectly involved in the attacks besides those already mentioned in the first case study. Noordin M Top, Hambali, and Toni Togar were the main prominent suspects. They had played significant roles in planning the Bali attacks and were suspected of planning further attacks in Indonesia. The authorities discovered they had connections with some previous Christmas eve bombing incidents in 2000. The police also released the names of Abdullah Sunata, the KOMPAK organisation,[417] and Al Khelaiw Ali Abdullah A. as the next persons of interest who contributed to the bombing attacks on the JW Marriott and the Ritz Carlton hotels in Jakarta, in 2003 and 2009.

This part analyses the continuity of financial support offered by Hambali's network for violent activities. The support was not limited to the planning of terror attack, but extended to assistance for radical groups and military training. This case study is divided into a four-way analysis of those with connections to the violent group. There are the Toni Togar and Fadli Sadama robbery group, the Gun Gun Rusman Gunawan team, the Abdullah Sunata and KOMPAK connection, and finally, Noordin M. Top and the JW Marriott bombing plot.

The following shows how the group raised, moved, and used funds by presenting those four cases. Three important points are important in his case study. First, the money raised by the terrorist group was no longer directly offered by international organisations, but instead from bank robberies, self-funding, a domestic non-profit organisation (KOMPAK), individual terrorists, and foreign nationals. Second, although the cash courier and withdrawal types were still identified, the group developed another way of moving funds through bank transfers using

[417] KOMPAK stands for "Komite Penanggulangan Krisis" which was established in August 1998 as an armed wing of Dewan Dakwah Islam Indonesia (DDII). Please see: Abuza, “Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah,” 29.

third-party accounts and money remittance services. Third, the money was used primarly for operational expenses, including weapons, accommodation, transportation, and daily needs. It was also for training and propaganda, including videos for jihadist groups like Laskar Jundullah and Laskar Mujahidin. Financial and peer support were vital to the Hambali brotherhood network.

5.2.1 Toni Togar and Fadli Sadama Group

As mentioned above, this case study demonstrates the development of terrorist groups after the Bali attack. After the attack, investigators arrested those suspected of being involved. Toni Togar (alias Indra Warman) had been a key fundraiser for the group and was involved in planning the next 2003 JW Marriott bombing. The authorities discovered he had done the planning, raised money, and recruited the suicide bombers, along with Noordin M Top and Dr. Azhari, the masterminds of the JW Marriott bombing.[418]

According to the court proceedings, Toni Togar admitted he was close to Noordin M Top, the most wanted man in the country, because of his significant involvement in recruitment and handling of suicide bombers for the attacks on JW Marriott Hotel in Jakarta in 2003, three restaurants in Bali in 2003, and the Australian Embassy in Jakarta in 2004. Noordin had a strong tie with Ali Ghufron alias Mukhlas, the Bali bomber who was his mentor. Noordin admired Mukhlas as a preacher and a 'hafez,' someone capable of memorising the Koran. Mukhlas's teachings were often used in religious discussion groups, especially for recruitment and indoctrination. Noordin was a Malaysian national who directed the Luqmanul Hakiem school in Malaysia, later known as the headquarters of Mantiqi 1, a division under JI that covers Malaysia and Singapore. However, Noordin was acting independently when he carried out the

[418] "Polisi Beber Aktivitas Toni Togar di Penjara," *JPNN.com*, October 29, 2010, https://www.jpnn.com/news/polisi-beber-aktivitas-toni-togar-di-penjara.

2003 JW Marriott bombing and continued to operate on his own account after the Embassy bombing the following year.[419]

Furthermore, Noordin admitted he was the head of the working group based in Malaysia of *Tanzim Qoidatul Jihad*, the formal name of Al Qaeda. He justified suicide attacks as a legitimate part of Muslims' effort to attain martyrdom against infidels. Noordin's network changed as he distanced himself from JI, although he used Sumatra-based JI members for the JW Marriott bombing.[420]

His strong friendship with Noordin M Top encouraged Toni Togar to join JI's military training in Afghanistan in 1995. He collaborated with Noordin M Top and also a broader network of Hambali in carrying out some church bombings in 2000.[421] His arrest in June 2003 revealed that Toni Togar was the leader of a Mujahidin group in Medan.[422]

Toni Togar's group included had Fadli Sadama, who supported him during the heists in 2003. The 2011 investigation revealed that Fadli Sadama had ties with the Pattani United Liberation Organisation separatist group in Southern Thailand.[423] After taking part in robberies under Toni Togar's command, he moved to Malaysia and organised for illegal drug dealers to support terrorist groups in Indonesia. He then returned to Indonesia, where he robbed banks and money changers. The authorities estimated he had appropriated more than USD10,000 had been raised by him through heists and the narcotics business. He used the funds to purchase

[419] Sidney Jones, "Terrorism in Indonesia : Noordin's Networks," 1.
[420] Jones, 1 – 2.
[421] "Nama Toni Togar Terkuak dari Pemeriksaan Teroris yang Ditangkap," *Detik.com,* October 25, 2010, https://news.detik.com/berita/d-1474422/nama-toni-togar-terkuak-dari-pemeriksaan-teroris-yang-ditangkap.
[422] A. Wisnubrata, "Toni Kendalikan Teroris Dari Penjara," *Kompas.com,* October 25, 2010, https://nasional.kompas.com/read/2010/10/25/1342406/Toni.Kendalikan.Teroris.dari.Penjara-4.
[423] Yuliasri Perdani, "Escaped terrorist Fadli Sadama recaptured in Malaysia," *The Jakarta Post,* December 3, 2013, https://www.thejakartapost.com/news/2013/12/03/escaped-terrorist-fadli-sadama-recaptured-malaysia.html.

firearms from Southern Thailand and Aceh and to support JI's network, especially with those who were affiliated with Imam Samudra.[424]

The examination of the Toni Togar group's terrorist financing shows that robbery was the main funding source. The proceeds of the robberies were divided among members before being spent. They used in-house transfers between local banks and withdrew funds from ATMs. Investigators reported that while some funds were used to support radical groups, most of the money was spent on accommodation and the purchase of motorbikes.

The plan started when Toni Togar and Fadli Sadama robbed a bank in Medan on 6 May 2003. Fadli Sadama later testified that at least eight people were implicated in the heist of LIPPO Bank. On 5 May 2003, they met at a restaurant to discuss the job and go through the plan. As a leader, Toni Togar instructed his six fellows to carry out a robbery with Fadli Sadama in charge of the operation, Purwadi (alias Soni) to seize the safe deposit box containing the money, Ramli (alias Tono, alias Regar) to protect Syahruddin Harahap (alias Aan, alias Ramses), Ramli (alias Gogon, alias Agus) as the driver, Muhammad Aryo (alias Tatang, alias Jono), and Mustafa Harahap (alias Hendra). To carry out the heist, they used three firearms and three motorcycles.[425]

The next day, they robbed the Lippo Bank and successfully carried out a white aluminium safe deposit box containing IDR113,000,000. Toni Togar shared the money with his teammates. He took IDR30,000,000 for himself, offered IDR20,000,000 to Syahruddin Harahap, and handed over IDR63,000,000 to Fadli Sadama. The layering of the money takes place when Toni Togar orders Fadli Sadama to transfer the money as follows: (1) IDR15,000,000 to his account in Bank Mandiri and IDR10,000,000 to his account in Bank BNI Syariah, (2)

[424] Adi Suhendi, "Perjalanan Teroris Fadli Sadama: Bertemu Imam Samudra Hingga Bisnis Narkoba," *Tribunnews.com*, December 5, 2013, https://www.tribunnews.com/nasional/2013/12/05/perjalanan-teroris-fadli-sadama-bertemu-imam-samudra-hingga-bisnis-narkoba.
[425] Indonesian National Police, "Case Resume on Behalf of Indra Warman Alias Toni Togar Alias Tomi Alias Hasan Alias Abdul Rosid Alias Feri Kurniawan Alias Tomi Alias Hotman," Medan, 2003; Indonesian National Police, "Case Resume on Behalf of Fadli Sadama Alias Acin Alias Jhonattan Alias Zaid Dkk," Medan, 2003.

IDR15,000,000 to an account on behalf of Tono alias Ramli in BNI, (3) IDR15,000,000 to an account on behalf of Fadli Sadama in Lippo Bank, and (4) IDR5,500,000 to an account on behalf of Ahmad Mutaqim in Bank International Indonesia (BII). Ahmad Mutaqim was later identified as a car repair workshop employee. In addition, Fadli Sadama supplied IDR500,000 to Aan alias Ramses and Purwadi alias Soni, for their transport and accommodation expenses. Lastly, Fadli Sadama also gave IDR2,000,000 to Idris.[426]

The funds were used for the following: (1) Toni Togar transferred IDR9,000,000 in Bank Mandiri to another account of his in Bank Mandiri Syariah and used IDR6,000,000 for his daily expenses, including transport and accommodation for his travel from Medan to other cities and back; (2) Toni Togar also transferred IDR10,000,000 from his account in BNI Syariah to an account on behalf of Jonathan in BII. Most of the funds were used for his daily needs while on the run from investigators; (3) Tono alias Ramli used IDR6,400,000 to buy himself a motorcycle, Toni Togar admitted planning to use IDR13,100,000 to buy two motorcycles until the police seized the money when he was arrested on 12 June 2003.[427]

5.2.2 Gun Gun Rusman Gunawan Group

The second case study which was part of the broader Hambali's network is that of Gun Gun Rusman Gunawan and his friend, Muhammad Saifudin (alias Musáb, alias Ayyash bin Abu Ammar). Gun Gun Rusman Gunawan (alias Abdul Hadi, alias Abdul Karim, alias Bukhory), was born in Cianjur 6 July 1977. He lived in Pakistan Hostel Abu Bakar Islamic University. Gun Gun is the younger brother of Hambali, one of the prominent leaders in JI - Indonesia. He attended preachings by Abu Somad (alias Abu Bakar Baásyir), who later became the leader

[426] Indonesian National Police, “Case Resume on Behalf of Indra Warman Alias Toni Togar Alias Tomi Alias Hasan Alias Abdul Rosid Alias Feri Kurniawan Alias Tomi Alias Hotman.”
[427] Ibid.

of JI after the outbreak of NII. Between June and July 2000, Gun Gun Rusman Gunawan joined a 40-day military training program in Afghanistan. When the Pakistan Intelligence Service arrested him on 1 September 2003, he was with his friend, Muhammad Saifudin.[428]

The above demonstrates several kinds of terrorist financing. Most of the money held by Gun Gun Rusman Gunawan and Muhammad Saifudin was given to them by Hambali, and the two were also supported by Muhammad's family. KOMPAK organisation, an Indonesian non-profit organisation, was also found to have given a sum of money to Gun Gun Rusman Gunawan. Moving money was done by carrying it in cash on their journey to Pakistan; however, at the beginning of 2003, Hambali began to use a money remittance service to send funds to Gun Gun Rusman Gunawan through intermediaries. Lastly, the group planned to use funds to support Gun Gun Rusman Gunawan and Muhammad Saifuddin as trainers in the Al-Ghuraba group, which was founded by Abdulrohim in 2000.

Court documents reveal that the authorities detained Gun Gun Rusman Gunawan and Muhammad Saifudin for their participation in a military training camp with US$4,300 and Sin$1,000 in their possession. . Muhammad Saifuddin had received US$800 from his parents in July 2003 through Anwar before departing for Pakistan. Gun Gun Rusman Gunawan received US$800 labelled "KOMPAK" in Islamabad in 2002 through Aris Munandar, and the suspicion was that the source was the KOMPAK Solo branch. Besides that, Gun Gun Rusman Gunawan admitted that he received another US$2,700 and Sin$1,000 from his brother, Hambali, in Pakistan, just before 2002.[429]

The case study indicates that the money was used to support Gun Gun Rusman Gunawan and Muhammad Saifudin, who worked as trainers to the Al-Ghuraba group. They use the funds

[428] Indonesian National Police, “Case Resume Report on Behalf of Gun Gun Rusman Gunawan,” (Jakarta, 2004); Indonesian National Police, “Case Resume Report on Behalf of Muhammad Saifudin Alias Musáb Alias Ayyash Bin Abu Amar,” Jakarta, 2004.
[429] Indonesian National Police, “Case Resume Report on Behalf of Muhammad Saifudin Alias Musáb Alias Ayyash Bin Abu Amar.”

in the following ways: First, Gun Gun Rusman Gunawan and Muhammad Saifudin spent the money on educating youths about Islam, the Arabic language, etc. Besides self-funding, the group also had financial resources from members' contributions collected monthly, approximately 600-750 Pakistan Rupees. Secondly, Gun Gun Rusman Gunawan admitted that the funds were also primarily used for his daily living expenses when he commenced military training in Afghanistan. From June to July 2000, he received basic training at Al Faruq camp, including an introduction to shooting skills, military capabilities, topography skills, and bomb-making. Other incoming funds were detected and were mostly from Hambali. Gun Gun Rusman Gunawan received another US$200 when he was in Karachi (Pakistan) and US$300 for buying a scripture. Finally, both Gun Gun Rusman Gunawan mentioned that they also spent US$50,000 from Hambali through money remittance service of Amar (Arabian man) in January-February 2003 on supporting the families of those who had been arrested by the Malaysian Government.[430]

5.2.3 Abdullah Sunata and KOMPAK

The third part of this case study examines the contribution of Abdullah Sunata and KOMPAK to Hambali's networks.[431] Its headquarters were in Jakarta, and it had main branch offices in Solo and Poso. As the chairman of KOMPAK, Abdullah Sunata designated Aris Munandar (alias Abu Miqdad) to manage the Solo area. The organisation was established with the aim of providing humanitarian aid and addressing a crisis caused by political and sectarian conflicts in Maluku, a riot between Muslim and Christian communities.[432]

[430] Indonesian National Police, "Case Resume Report on Behalf of Gun Gun Rusman Gunawan."
[431] Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah," 29.
[432] Indonesian National Police, "Case Resume on Behalf of Dani Chandra Alias Yusuf," Jakarta, 2005, 7.

Through this organisation, Abdullah Sunata successfully raised a large amount of money which he used to support violence. Sources of the money included funds gathered from alms, donations, foreign nationals and organisations. Donations from the local community were the most important income for the organisation. People donated their money for humanitarian purposes as well as giving it as alms to the organisation. However, court documents also reveal the financial assistance given by individuals. Joko Sumanto, a terrorist who joined KOMPAK, provided IDR19,600,000 in September 2004 to Abdullah Sunata through the accounts of Usama (alias Usman) and Faiz, who transferred the money to Adrian Alamsyah's account. Abdullah Sunata also received a total of IDR110,000,000 and 100,000 SAR from Syek Abu Muhammad, a Saudi Arabian national.[433]

Like the other cases, Abdullah Sunata and his fellows in KOMPAK mostly used cash rather than wire transfers to move funds. They used 'friends to friends' contacts in handing over the money until received by the end-users. For example, because KOMPAK had close ties with JI, it used the networks to collect and channel the funds. However, they spent the money on operations, propaganda, recruitment, and social services.

The first call on the funds was to support operations. As mentioned above, the close connection with JI and KOMPAK supported the execution of JI's violent operations. When the sectarian conflict occurred in Maluku, JI communicated with its networks and donors in Sulawesi, Maluku, and Java by collaborating with KOMPAK affiliates to collect money. KOMPAK assisted JI with procuring weapons, money, and logistics for their followers, known as 'mujahid', and their young Muslim supporters in Maluku. Furthermore, Zachary Abuza notes that between 1998 and 2001, KOMPAK raised approximately US$800,000 which was sent to

[433] South Jakarta District Court, "Court Verdict No. 2616/Pid.B/2005/PN.JKT.Sel on Behalf of Abdullah Sunata Alias Arman Kristianto Alias Andri," Jakarta, 2006, 14, 36 – 39.

Maluku and Poso. Al Qaeda was suspected of funnelling some for KOMPAK on behalf of humanitarian works.[434]

KOMPAK expanded its network, supporting some persons of interest who were involved in major bombing incidents in Indonesia, including the Noordin M. Top personal network, Dul Matin, and Umar Patek (Bali bombers). The court documents recorded their meetings discussing offers of logistics and shelter. In 2004, Umar Patek sent seven firearms to Abdullah Sunata for use in Ambon. Four were handed over to Noordin M Top.[435] Furthermore, in October 2004, Abdullah Sunata transferred IDR15,000,000 to Umar Patek in the Philippines, entrusting the money to Arham (alias Arnold). The money was spent on two long-barrel weapons. Joko Sumanto, a terrorist who joined KOMPAK, provided IDR19,600,000 in September 2004 to Abdullah. Syek Abu Muhammad, a Saudi Arabian national, donated. IDR110,000,000 and SAR100,000. The court document revealed that those funds were used to cover operational expenses, including travel, vehicles, and accommodation for Abdullah's colleagues in the Philippines, Ambon, and Manado.[436]

Second, a significant amount of money was earmarked for propaganda and recruitment. Aris Munandar and Agus Dwikarna, two highly placed figures affiliated with KOMPAK, and listed by the U.S. Treasury and the United Nations as terrorists, produced recruitment videos. Even though KOMPAK never admitted its support for violent radical groups, it produced propaganda material for two groups: Laskar Jundullah and Laskar Mujahidin. The videos featured graphic portrayals of Muslim communities being victimised by particular groups which they considered to be Christian vigilantes. The videos showed scenes of brutality and provided justification for

[434] Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah," 29.
[435] South Jakarta District Court, "Court Verdict No. 2616/Pid.B/2005/PN.JKT.Sel on Behalf of Abdullah Sunata Alias Arman Kristianto Alias Andri," 10.
[436] South Jakarta District Court, "Court Verdict No. 2616/Pid.B/2005/PN.JKT.Sel on Behalf of Abdullah Sunata Alias Arman Kristianto Alias Andri," 14, 36–39.

the urge to fight back. A number of these videos were obviously made by KOMPAK, as its logo is on the screen, and Aris Munandar's name appears in the credits.[437]

The connection between KOMPAK and prominent Saudi charities was identified, such as the International Islamic Relief Organization (IIRO), Al Haramain Foundation and Medical Emergency Rescue Committee (MER-C). MER-C and the IIRO, enabled KOMPAK to undertake projects in Ambon and Poso, in particular the production of documentary. Their stated mission was to provide medical and humanitarian aid, but they also broadcasted horrifying videos that conveyed Muslim victimisation by Christian militants. Al Haramain had connections not only with KOMPAK but also with JI's networks in Southeast Asia. Agus Dwikarna was the local representative of the organisation based in Makassar, Al Qaeda funds were channelled to the region through the misuse of these charities.[438]

Third, the court document shows funds were spent on social activities. Besides collaborating with foreign non-profit organisations offering medical aid and other essentials for local Muslims, KOMPAK also directed funds to widows and children of terrorist suspects in the Bali bombing attacks.[439] The organisation also used money from individual donors like Joko Sumanto and Syek Abu Muhammad to cover daily costs for members being hunted by police and for any expenses during their escape. For example, the investigation found that Abdullah Sunata purchased a ticket for Enceng Kurnia, another terrorist, to escape to Moro Island, Philippines.[440]

[437] Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah," 29–30.
[438] Abuza, 31.
[439] Indonesian National Police, "Case Resume on Behalf of Dani Chandra Alias Yusuf," 7.
[440] South Jakarta District Court, "Court Verdict No. 2616/Pid.B/2005/PN.JKT.Sel on Behalf of Abdullah Sunata Alias Arman Kristianto Alias Andri," 39.

5.2.4 The JW Marriott Bombing

The last aspect of Hambali's brotherhood network is the personal networks established by Noordin M. Top. The Bali attacks caused an upheaval among JI members, including Noordin M. Top, with his private network as a new leadership hub. Support from Hambali through Gun Gun Rusman Gunawan and Abdullah Sunata through KOMPAK gave Noordin M Top the confidence to conduct a more significant attack in Jakarta. The 2003 JW Marriott bombing was the first example of Noordin M Top using his personal network. Noordin relied on people he trusted, including a classmate from the Luqmanul Hakim School in Johor, Malaysia.

The idea of another bomb attack came up at the end of 2002. As the Indonesian authorities, with the assistance of other countries, investigated and pursued all JI members potentially involved in the attacks, Toni Togar, a suspect who engaged indirectly with the network, stored all the leftover bombs from JI's Christmas Eve bombings in 2000 at his house. Hambali, Imam Samudra, and the 2002 Bali bombers were behind the Christmas Eve bombings. Toni Togar told Noordin M Top he intended to get rid of the explosives. Noordin argued against this as the material could still be used for other attacks.[441]

The first JW Marriott bombing on 5 August 2003, mostly used those leftover explosives stored by Toni Togar, which were then appropriated by Noordin M Top. Next, the second suicide bombing on 17 July 2009, was funded by a Saudi Arabian national, Al Khelaiw Ali Abdullah A (alias Ali). Noordin started to plan the first attack in June 2003 by forming a team consisting of Azhari, Ismail, Masrizal, Asmar Latin Sani, and Tohir. He was the chief commander, with Azhari the field coordinator and Ismail, his assistant. Noordin was also the financial manager and rented a house and bought vehicles. Noordin admitted discussing the plan with the secretary of JI's central command, Abu Dujanah and Abu Bakar Ba'asyir, a senior member of

[441] Jones, “Terrorism in Indonesia : Noordin’s Networks,” 3.

Mantiqi II who had been conducting post-Bali military training.[442] The rented car was used by Masrizal, and Ismail to transport the explosives from Riau, Bengkulu, Lampung, and finally to Jakarta at the end of 2002. Living in a rented house in Jakarta, they conducted surveys of the places designated as targets. However, Noordin M Top, as a leader, had decided that they would attack the JW Marriott Hotel on 5 August 2003. Dr. Azhari was the executor of the plan.[443]

A few years later, after the first bombing of the JW Marriott Hotel in 2003, Noordin M Top led some other bombing attacks, including the Australian embassy in 2004 and the 2nd Bali bombing in 2005, as well as the 2nd JW Marriott Hotel and Ritz Carlton attacks in 2009. There were at least eight people suspected of being involved in the bombing. As the mastermind, Noordin M Top managed the plot and delegated tasks. Saefudin Zuhri was the field coordinator who recruited the suicide bomber, surveyed the location, coordinated people's travel in executing the terror plan and organised shelters. Noordin was in touch with Saefudin Zuhri in 2006 and 2007. Saefudin was an intermediary for the Palembang group, which was more interested in fighting Christian missionaries than in attacking foreigners. He provided explosives, bomb-making training, and attack planning for the group.[444] Besides Saefudin, Noordin trusted Dayat and Tono and made them responsible for the handcrafted bombs; Ibrohim (alias Bo'im, alias Mansyur) was in charge of keeping watch of the hotel entrance so that hotel security could be avoided when the explosives were carried in; Amir Abdilah (alias Jal, alias Awan, alias Fery, and alias Ahmad Fery Ramdhani) prepared shelter for the team for after the attacks; and Dani Dwi Permana and Nana Ikhwan Maulana were the suicide bombers.[445]

[442] Jones, 4.
[443] Indonesian National Police, "Case Resume on Behalf of Lutfi Hudairoh Alias Ubaid," Jakarta, 2004, 11 – 15.
[444] "Indonesia: The Hotel Bombings," Jakarta/Brussels, 2009, 2.
[445] Indonesian Supreme Court, "Court Conviction No. 2524K/Pid.Sus/2010 on Behalf of Al Khelaiw Ali Abdullah A Alias Ali," Jakarta, 2011, 9.

As mentioned above, Al Khelaiw Ali Abdullah A (alias Ali) played a significant funding role. At the end of November 2008, Ali was introduced to Firman Kurniawan (alias Yusuf), the Thibun Nabawi Al-Iman Herbal Clinic owner, through Saefudin Zuhri. During the discussion, Ali offered to invest US$30,000 in the clinic business. In December 2008, Ali visited Indonesia via Malaysia sponsored by Saefudin Zuhri. A month later, Saefudin Zuhri introduced Ali to Iwan Herdiyansyah alias Iwan, a toy store owner in Kuningan. Ali promised to buy the store for IDR90,000,000 in cash. However, Iwan refused suggested Ali open a new business instead based on the computer and the internet. A few days later, Ali transferred a sum of money to Enjun Junari, the father in law of Iwan. IDR15,000,000 was transferred on 15 December 2008, IDR10,000,000 on 24 December 2008 and IDR34,000,000 on 5 January 2009. Iwan then withdrew the money in cash and handed it over to Saefudin Zuhri. After receiving funds from Ali, Saefudin Zuhri, Ibrahim, Noordin M Top, and Dani Dwi Permana met to discuss the plot to attack the JW Marriott Hotel. The attack plan included Noordin travelling from Cirebon to Jakarta and how they would carry the bombs into the hotel disguised as the florist service.[446]

This case study of the Hambali brotherhood network provides valuable insights into the development of JI after the Bali bombing. The dispersion of the original group into four parts triggered some changes as the terrorists had to regroup and find ways to survive. The Toni Togar and Fadli Sadama group used the proceeds of robberies to escape from intelligence and police detection. They used the funds for living expenses. The Gun Gun Rusman Gunawan group received financial support from domestic and international friendship networks. The group also had links with the local non-profit organisation, KOMPAK. Money was moved not only by cash-carrying, but the group also started using money remittances to transfer money internationally. Most of the funds were directed to support military and religious training rather than for planning terrorist operations.

[446] Indonesian Supreme Court, “Court Conviction No. 2524K/Pid.Sus/2010 on Behalf of Al Khelaiw Ali Abdullah A Alias Ali,” 5–7.

The case study also discusses the network of Abdullah Sunata and KOMPAK, whose main source of funds was alms and donations from both locals and foreign nationals. The financial practices developed by the Abdullah Sunata group were a new way of using funds, including supporting other local jihadists groups in Poso and Maluku (logistics and weapons) by using humanitarian aid as a cover. Last, the case study presents how foreign nationals contributed to financing a terrorist group carrying out bomb attacks in public places in Jakarta, including the JW Marriott Hotel in 2003, the Australian Embassy in 2004, and the second JW Marriott Hotel and Ritz Carlton incidents in 2009. Noordin M. Top's network used funds to organise the attacks, from renting a house, buying vehicles and explosives, conducting surveys, and preparing escapes and the shelters. In the next case study, I examine the use of the funds for military training, exemplified by Abu Bakar Ba'asyir and his followers.

The financial flow of the group is illustrated as below:

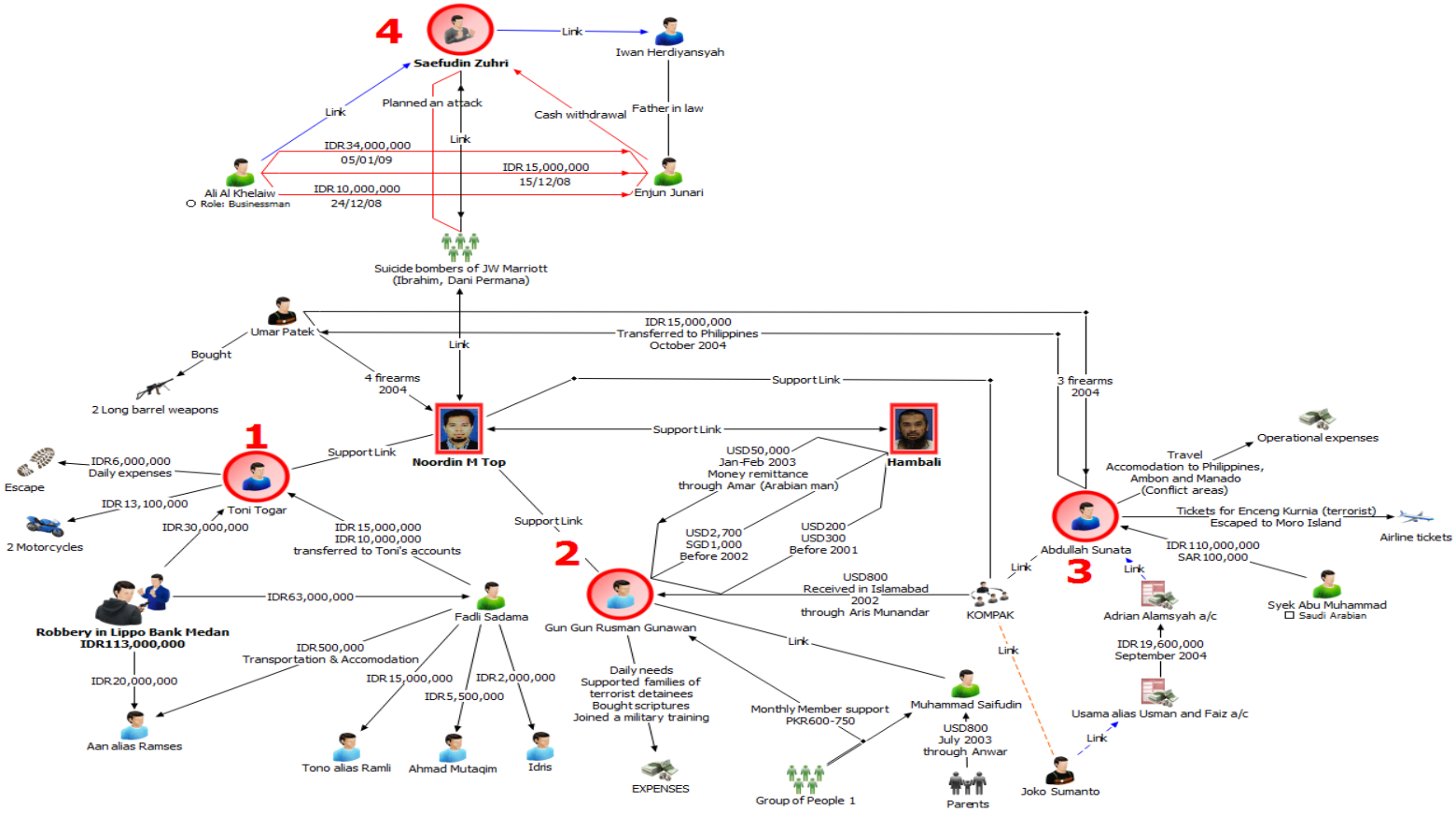

Figure 5.9 The Financial Flow of the Hambali Brotherhood Network (Source: Multiple Resources Summarised by the Author)

5.3 Case Study 3: Jalin Jantho Military Training Network

The third case study exemplifies the pattern of terrorist financing of the group led by Abu Bakar Ba'asyir. After a clash between Abu Bakar Ba'asyir and the Indonesian Mujahidin Council (Majelis Mujahidin Indonesia/MMI) in 2000, he established a new organisation called Jama'ah Ansharut Tauhid (JAT) with his colleagues, Afif Abdul Majid, Luthfi Haidaroh (alias Ubaid), Abdul Haris (alias Haris Amir Falah), Akhwan, Abdulrrahman, and Abdurrohim. The group retained Salafist Jihadism as its ideology. According to a report by Jane's World Insurgency and Terrorism, Salafist Jihadism is "…a belief in the need for armed struggle to forcibly return all Muslim lands to a perceived state of religious purity equivalent to that experienced by the first three generations after the Prophet Muhammad.."[447]

As a group operating primarily in the Indonesian region, JAT aimed at establishing an Islamic state which rejected democracy in favour of a single leadership. Those who refused to obey this 'sharia' principle would be considered apostates and designated as infidels (kafir). Abu Bakar Ba'asyir, the group's leader, launched JAT formally on 17 September 2008 in Bekasi. The event was attended by ex-MMI members who were loyal to Ba'asyir, teachers from Ba'asyir's al-Mukmin Islamic boarding school (pesantren) in Ngruki, and also some JI members from other areas. The group's members were to pledge loyalty to Abu Bakar Ba'asyir, who was considered the personification of God and the Apostles. However, he was arrested in 2016 for planning, obtaining, controlling, and possessing firearms, ammunition, and explosive materials intended to commit terrorist crimes.[448]

Abu Bakar Ba'asyir's group funded military training to prepare members for terrorist activities known as Tanzim Al Qaeda Serambi Mekkah in Jalin Jantho Aceh. The court document reveals the sources of funding for training, including funds provided by Abu Bakar Ba'asyir,

[447] "Jamaah Ansharut Tauhid (JAT)," *Jane's World Insurgency and Terrorism*, 2013, 2–3.
[448] Indonesian Supreme Court, "Court Conviction No. 93 PK/Pid.Sus/2016 on behalf of Abu Bakar bin Abud Baasyir alias Abu Bakar Baasyir," Jakarta, 2016; "Jamaah Ansharut Tauhid (JAT)," 2013)

money managed by Thoyib, the JAT financial manager, donations from the JAT Bima branch, and money donated by Aman Abdurrahman. As usual, they preferred to move money in cash and used friends to friends connections in preference to bank transfers.

Military training was initiated in February 2009, when Dulmatin, Ubaid and Abu Bakar Ba'asyir met to discuss preparations. IDR15,000,000 was required for accommodation expenses. Abu Bakar Ba'asyir gave IDR IDR5,000,000, and Thoyib, the financial manager of JAT, provided the rest. They bought airline tickets to conduct a survey of the training location in Aceh. While Ba'asyir continued teaching members and followers in an effort to recruit more people, in September 2009, the group received a voluntary donation from JAT Bima Branch, IDR60,000,000 through Thoyib and Abu Bakar Ba'asyir provided an additional IDR100,000,000 in the same month. Through Mahfud (alias Joko Sulistyo), another member of the JAT group, the money was directed to Dulmatin as a field coordinator for Jalin Jantho Aceh's training. Mahfud transferred the money by using his own account to Sus Hidayat Permana's account before Dulmatin withdrew the funds in cash at Surakarta Post Office. In November 2009, Dulmatin needed IDR325,000,000 to buy firearms and ammunition from Abdi Tunggal and Tatang Mulyadi. Therefore he collected IDR180,000,000 and US$5,000 from Abu Bakar Ba'asyir, IDR20,000,000, and US$100 from Aman Abdurrahman (Oman Rahman) and IDR115,000,000 from Ubaid through Abdullah Sunata. They purchased 24 firearms, 19,999 bullets, and 93 magazines.[449]

During the following month, the group received money from some other sources. Abu Bakar Ba'asyir provided an additional IDR100,000,000, JAT East Java branch donated IDR17,000,000, and Afif Abdul Madjid – a JAT member based in Central Java, provided IDR25,000,000. All these funds were received by Ubaid[450] before he addressed it to Dulmatin

[449] Magazine is the name for an item or place within which ammunition or other explosive material is stored. Please see: Indonesian Supreme Court, "Court Conviction No. 93 PK/Pid.Sus/2016 on Behalf of Abu Bakar Bin Abud Baasyir Alias Abu Bakar Baasyir," 9.
[450] Central Jakarta District Court, "Court Conviction No. 0193/Pid.Sus/2015/PN.Jkt.Pst on Behalf of Muhammad Aries Raharjo Alias Afief Abdul Madjid Alias Afief Alias Abu Ridhwan," Jakarta, 2015, 6 – 7.

for operations,[451] to Surya Achda of which he received IDR1,500,000, and to Laode Afif, IDR2,000,000. Both Surya and Laode were training participants, and they used the money to buy three backpacks, three long-sleeved shirts, three torches, and airline tickets.[452]

In December 2009, Abdul Hakim, the leader of JAT Bima branch, supplied IDR20,000,000 to Ubaid for travel expenses for Aman Abdurrahman's followers to join the training in Aceh.[453] Besides Abdul Hakim, the significant donors were Hariyadi Usman, Dr. Syarif Usman and an unknown donor. In January 2010, Hariyadi Usman handed over IDR150,000,000 to Abu Bakar Ba'asyir.[454] The money was used to finance the travel of the group to Aceh and to arrange the initial military training by allocating IDR13,000,000 for food and logistics during the training.[455]

In February 2010, Dr. Syarif Usman made two donations, totalling IDR200,000,000 to Ubaid through Abdul Harris. Ubaid gave IDR150,000,000 and some leftover ammunition to Dulmatin.[456] He also handed over IDR100,000,000 to Yudi Zulfahri for procuring firearms. However, the police caught them before they had purchased the guns.[457] Financial records also show incoming funds from an unknown sender to Ubaid using Sus Hidayat Permana's account. Ubaid withdrew IDR13,000,000 in cash and gave the funds to Mang Jaja (alias Slamet) and Handzolah for travel expenses to Surakarta to find donors.[458]

Further information revealed that most of the money was used for operations except for the money they needed to escape from the police. After training, the group used their firearms to

[451] Indonesian Supreme Court, "Court Conviction No. 93 PK/Pid.Sus/2016 on Behalf of Abu Bakar Bin Abud Baasyir Alias Abu Bakar Baasyir."
[452] Central Jakarta District Court, "Court Conviction No. 113/PID/2011/PT.DKI on Behalf of Surya Achda Alias Abu Semak Belukar Alias Abu Uten Alias Dek Gam Bin (Alm.) Subni Musa," Jakarta, 2011, 10.
[453] Indonesian Supreme Court, "Court Conviction No. 93 PK/Pid.Sus/2016 on Behalf of Abu Bakar Bin Abud Baasyir Alias Abu Bakar Baasyir."
[454] South Jakarta District Court, "Court Conviction No. 1434/Pid.B/2010/PN.Jkt.Sel on Behalf of Abdul Haris Alias Haris Amir Falah," Jakarta, 2011, 6 – 8.
[455] Indonesian Supreme Court, "Court Conviction No. 170PK/Pid.Sus/2013 on Behalf of Agam Fitriady Alias Syamil Alias Afit Bin Darwin," Jakarta, 2014, 5.
[456] South Jakarta District Court, "Court Conviction No. 1434/Pid.B/2010/PN.Jkt.Sel on Behalf of Abdul Haris Alias Haris Amir Falah," 10 – 11.
[457] Central Jakarta District Court, "Court Conviction No. 117/PID/2011/PT.DKI on Behalf of Yudi Zulfahri Alias Barro Bin M. Daud Basa'a," Jakarta, 2011, 19.
[458] Indonesian Supreme Court, "Court Conviction No. 93 PK/Pid.Sus/2016 on Behalf of Abu Bakar Bin Abud Baasyir Alias Abu Bakar Baasyir," 10–14.

attack locals, including police officers. Therefore, the intelligence and investigators arrested those at the military training camp and seized some weapons and bullets. Dulmatin and some prominent members including Ubaid and Abu Yusuf managed to escape. But unfortunately, they needed money while on the run. They asked Abdul Hamid, a member of their network in Surakarta, to transfer the money to Rozali's account at a local bank. Ubaid then received IDR82,500,000 from them. Ubaid and his group used the money for food, a mobile phone worth IDR250,000, and a Toyota car worth IDR43,000,000 during their escape from Aceh to Medan. One of the training participants, Pamriyanto, also successfully eluded police. He then joined the Aldian Rozak (alias Ajo) group and conducted an armed robbery of a local bank in Medan on 18 August 2010. They stole IDR340,000,000 from the safe deposit box.[459] Another investigation revealed that those funds were shared with the persons of interest who took part in the robbery. Jaja Miharja Fadilah (alias Ashim) admitted that he received IDR3,000,000.[460]

In conclusion, the case study of the Jalin Jantho group demonstrates how the group used the money for training and escaping from the authorities. Primary sources of funding were donations by individuals, prominent leaders or locals, and regional terrorist groups, including Abu Bakar Ba'asyir, Aman Abdurrahman, Hariyadi Usman, Dr. Syarif Usman, and JAT branch offices. Funds were mainly used for training with small amounts being spent on the run from police.

[459] Indonesian Supreme Court, “Court Conviction No. 93 PK/Pid.Sus/2016 on Behalf of Abu Bakar Bin Abud Baasyir Alias Abu Bakar Baasyir,” 16–22.
[460] Medan District Court, “Court Conviction No. 524/PID/2011/PT-MDN on Behalf of Jaja Miharja Fadilah Alias Ashim Alias Syafrizal,” Medan, 2011, 6.

Below is the money flow map of Jalin Jantho military training:

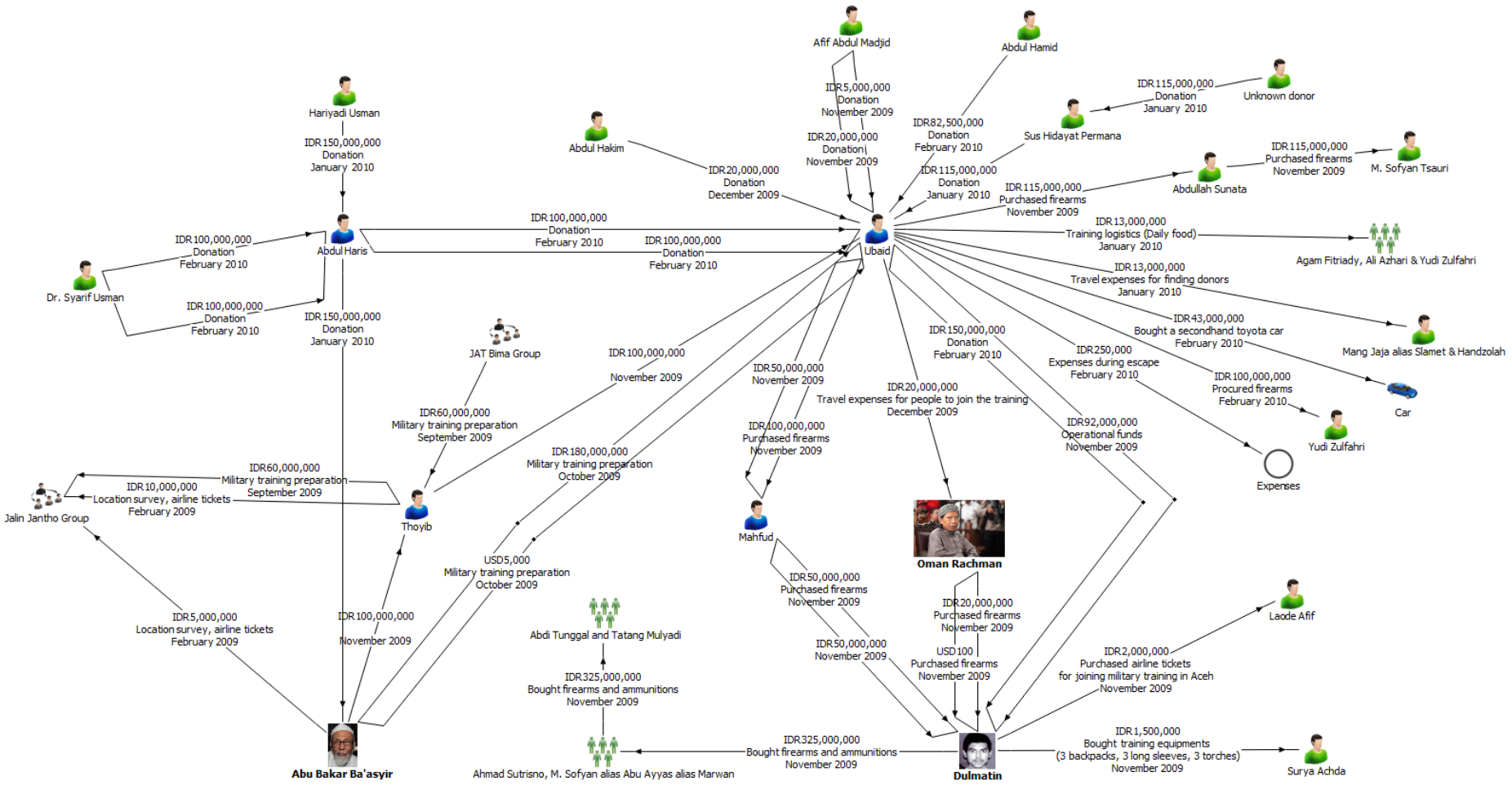

Figure 5.10 The Financial Flow of Jalin Jantho Military Training (Source: Multiple Resources Summarised by the Author)

5.4 Case Study 4: Abu Roban Network

The fourth case study is of a group led by Abu Roban, which was funded mainly by the proceeds of robberies. As mentioned before, since the emergence of Darul Islam – the first radical Islamic group in Indonesia in 1950s, there was a prominent cell that existed in the Southern part of Sulawesi, which was led by Abu Umar, an experienced Mindanao-trained jihadist. In July 2011, the Indonesian police captured Abu Umar when he led the Mujahidin of Western Indonesia group (Mujahidin Indonesia Barat/MIB). Following his arrest, the group was in disarray and split into several factions between 2011 and 2013. Abu Roban emerged as the new leader of the Makassar cell and took over command in late 2012. He brought the members together, established his credentials by recruiting new members from outside the group's old network, and built relationships with JAT cells to plot further jihad operations.[461]

Initially, some of Abu Roban's followers also joined Majelis Mujahidin Indonesia (MMI), another religious organisation led by Abu Bakar Ba'asyir. They attended religious meetings with preachers such as Ustad Abu Bakar Ba'asyir, Ustad Abu Jibril, and Ustad Irfan. The conversation was about Islam and the duty to establish Islamic law in the country through preaching (dakwah) and jihad. The religious leaders taught that jihad was the waging of war against infidels people, including governments that are hostile to Islam and which do not have Islamic law as the state foundation. Between 2007 – 2008, there was a split in MMI between Ustad Abu Bakar Ba'asyir and Ustad Irfan. This caused the establishment of a new organisation chaired by Ba'asyir, known as JAT. Several members then joined this new organisation while remaining connected to Abu Roban's network. The group had short-term plans and long-term plans. The short-term plan included recruitment of new members and the accumulation of money and weapons. The group also set up a Cavendish banana plantation business to provide for families. For the long term, the group had built a strategic relationship

[461] Sidney Jones and Solahudin, "Terrorism in Indonesia: A Fading Threat?," *Southeast Asian Affairs* (Singapore, 2014), 141, https://muse.jhu.edu/article/552390.

with Mujahidin overseas to support their members inside Indonesia. Most of this group's funds came from robberies.

There was four sub-regional division in Abu Roban's MIB group, including Central Java, West Java, Jakarta, and Lampung. The sub-region of Central Java had a safe house in Batang. Fourteen members identified as members of this sub-regional group, including Basari (alias Pak Sule, alias Pak De), Agus Widarto (alias Agus Kacamata, alias Anang), Tedi (alias Sulis), Toni, Yusuf (alias Rian, alias Bayu, and alias Yadi), Purnawan Adi Sasongko (alias Iwan ,alias Roni), Mantri (alias Galih ,alias Budi), Doni, Jarwo, Wagiono (alias Gandi), Andre (alias Slamet, alias Budi Utomo), Muhamad Husni (alias Parel), and Koyo. The West Java group had four members, including Tio (alias Wiliam Maksum, alias Dadan, and alias Tio), Budi (alias Angga, alias Sugeng), Iwan (alias Dodon), and Yono (alias Altop). Third, the Jakarta group consisted of three prominent members including Abung (alias Primus), Rabita Ahmad Faiz (alias Boim), and Beni. Last, the Lampung group had three main members , including Solihin (alias Dino), Andika, and Faisal.[462]

Most of these members were involved in military training, or what is called "Idad" in Arabic, before planning heists and bombing attacks. They exercised and with weapons and bomb-making. Abu Roban directed Agus Widarto to connect the Jakarta group with the Makasar group of Hasan and Abu Uswah and two new members, Agung Fauzi and Tony, for training and provided airline tickets and IDR2,500,000 for their expenses.[463]

In 2012, a meeting of 16 members of the MIB group proclaimed Abu Roban as leader and Dadang as the deputy. They also announced Agus Widarto as the logistic coordinator responsible for purchasing explosives. Ucup, Sulis, Andre and Cipto were the bomb-makers. They also announced preparations for members to join bigger jihadist groups such as

[462] East Jakarta District Court, "Court Verdict No. 1282/Pid.SUS/2013/PN.Jkt.Tim on Behalf of Purnawan Adi Sasongko," Jakarta, 2013, 16 – 17.
[463] South Jakarta District Cout, "Court Verdict No. 1512/Pid.Sus/2013/PN.Jkt.Sel on Behalf of Agus Widarto Alias Masuri Alias Eko Alias Agus Nangka," Jakarta, 2013, 4 – 6.

Mujahidin Poso, and others in Afghanistan and Palestine. They discussed robberies as a means to raise money for explosives, weapons, and other equipment.[464]

Robberies being the primary source of funding, Abu Roban controlled 80% of the proceeds and shared 20% with those involved in the robberies. However, there were six other prominent members besides Abu Roban, who had roles in coordinating heists and managing the money. These were Agus Widarto, Endang Saifudin, Purnawan Adi Sasongko, Ucup alias Ryan, Wagiono, and Sugeng.[465]

The case of Abu Roban adds to the picture of the different types of financing terrorism as this group made its money from eight robberies. From November 2012 to April 2013, they conducted heists in a mobile phone store, building material store, post office, and local banks. They looted jewellery, motor vehicles, mobile phones, and cash, worth approximately IDR 2 billion. The investigation reports reveal that the money was used for operational, organisational, and social purposes, such as members' living expenses, purchasing motorbikes, procuring weapons, renting safe houses, providing support for members' families, taking into account the number of wives and children, supporting terrorists' widows and paying for military training in Poso and Makassar.[466]

The group started planning heists in November 2012, when Agus Widarto bought a firearm for IDR5,000,000. Abu Roban led eight heists in Lampung, West Java, Jakarta and Central Jakarta. The first was in Ciputat. Bambang, Andre, Tony, and Lukman, seized 28 mobile phones. Secondly, the group comprising John, Lukman, Andre, Budi Bandung, Tony, Sulis, Agung, and Dadang looted a building material store twice and managed to take IDR30,000,000, some motor vehicles, and pieces of jewellery. The third was another post

[464] South Jakarta District Court, "Court Verdict No. 1512/Pid.Sus/2013/PN.Jkt.Sel on Behalf of Agus Widarto Alias Masuri Alias Eko Alias Agus Nangka," 6.
[465] South Jakarta District Court, "Court Verdict No. 1512/Pid.Sus/2013/PN.Jkt.Sel on Behalf of Agus Widarto Alias Masuri Alias Eko Alias Agus Nangka," 95.
[466] East Jakarta District Court, "Court Verdict No. 1270/Pid.Sus/2013/PN.Jkt.Tim. on Behalf of Endang Sarifudin Alias Abu Huzaifah Alias Lupus Alias Prof," Jakarta, 2014, 10 – 11.

office in Ciputat where Abu Roban and Tony stole IDR30,000,000. The fourth was in Gerobokan Central Java where Abu Roban, Budi Bandung and Ucup and made off with IDR500,000,000 in cash.[467]

Abu Roban passed the money from these robberies to Agus Widarto, Endang Saifudin, Purnawan Adi Sasongko, and Wagiono. At first, Agus Widarto admitted that he received money from Abu Roban and used it for organisational purposes. For example, he spent IDR10,000,000 for training in Bandung. Another IDR44,000,000 was used for purchasing electronic devices (laptop, handy talkie, etc.), herbal medicine, and chemical substances. Agus also sent IDR5,000,000 for support to the Poso group and spent IDR115,000,000 on a car. In addition, Agus transferred some money as follows: Yusuf (alias Rian, alias Bayu, and alias Yadi) received three incoming transfers of IDR70,000,000; IDR50,000,000; and IDR20,000,000 between March and May 2013. Tedi (alias Sulis) received IDR105,000,000 and IDR45,000,000 in April 2013. Agus also sent a total of IDR122,000,000 to family members in Central and West Java between April and May 2013. The Makassar group also received IDR30,000,000 from Agus between February and April 2013, Agus gave IDR23,000,000 to Mantri (alias Galih, alias Budi). Finally, Agus sent DR900,000 and IDR2,200,000 from March to April 2013, to Wagiono (alias Gandi).[468]

Moreover, Abu Roban sent approximately IDR160,000,000 to Endang Saifudin. Endang used it to establish a textile business. He spent IDR13,500,000 on sewing machines and tools; IDR10,000,000 on material; IDR15,000,000 for employees' salaries; IDR6,500,000 for renting a house; and other operational expenses.[469]

[467] South Jakarta District Court, "Court Verdict No. 1512/Pid.Sus/2013/PN.Jkt.Sel on Behalf of Agus Widarto Alias Masuri Alias Eko Alias Agus Nangka," 7 – 8.
[468] South Jakarta District Court, "Court Verdict No. 1512/Pid.Sus/2013/PN.Jkt.Sel on Behalf of Agus Widarto Alias Masuri Alias Eko Alias Agus Nangka," 95 – 96.
[469] East Jakarta District Court, "Court Verdict No. 1270/Pid.Sus/2013/PN.Jkt.Tim. on Behalf of Endang Sarifudin Alias Abu Huzaifah Alias Lupus Alias Prof," 18 – 19.

The investigation also revealed that Endang funnelled the money to some people like Robitoh (alias Boim) who received IDR2,100,000; Rijal, who took IDR2,300,000; Beni, who got IDR2,300,000; and Agung, who obtained IDR800,000. These payments were compensation for those who took part in the robbery. Endang took IDR1,900,000 for himself and sent remittances to the wives of terrorist prisoners and widows. He gave IDR900,000 to each wife, including the wives of Jamal, Sofyan, Kiki, Yusuf Rizaldi, and Kodrat.[470]

Purnawan Adi Sasongko, the treasurer also had responsibility for the money. Purnawan used money for firearms and ammunition. He bought one revolver and five batches of ammunition from William Maksum in October 2012 worth IDR5,000,000. Two months later, he spent IDR19,000,000 on another three revolvers and four boxes of ammunition. This weapons procurement continued until 2013 when Purnawan spent IDR17,450,000 on three firearms at the beginning of 2013, IDR10,800,000 for two guns, and one box of ammunition in February 2013; as well as IDR86,250,000 for five FN rifles, one revolver and one M1 US Carbine type weapon with six boxes of ammunition in April 2013; and IDR6,000,000 for one revolver firearm and one can of ammunition in May 2013.[471]

Abu Roban trusted Wagiono to manage the funds from a bank robbery in Gerobogan in March 2013. Abu Roban, Toni, Sugeng, Riyan, Budi, Primus, and Andre seized cash worth IDR500,000,000. Wagiono gave IDR5,000,000 to each person involved in the robbery. But Budi only received IDR2,400,000. The remainder was handed to Abu Roban as the group's leader.[472]

Besides the abovementioned robberies in Ciputat and Gerobokan Central Java, Abu Roban carried out four other heists in Lampung, Batang – Central Java and West Java areas. The

[470] South Jakarta District Court, "Court Verdict No. 1512/Pid.Sus/2013/PN.Jkt.Sel on Behalf of Agus Widarto Alias Masuri Alias Eko Alias Agus Nangka," 97.
[471] East Jakarta District Court, "Court Verdict No. 1282/Pid.SUS/2013/PN.Jkt.Tim on Behalf of Purnawan Adi Sasongko," 20 – 23; East Jakarta District Court, "Court Verdict No. 1281/Pid.Sus/2013/PN.Jkt.Tim. on Behalf of William Maksum Alias Dadan Alias Tio Alias Alan Bin Ade Suherman," Jakarta, 2014.
[472] East Jakarta District Court, "Court Verdict No. 1279/Pid.Sus/ 2013/PN.Jkt.Tim on Behalf of Wagiono Alias Wagiyono Alias Gandi," Jakarta, 2014.

fifth robbery involved Ucup (alias Riyan), Faisal, Rabithah Ahmad Faizal, Solihim, and Edi. They robbed a bank in Pringsewu, Lampung, and made off with IDR466,0000,000 in cash. As the coordinator, Ucup (alias Riyan), split the funds with the nine-team members, each receiving IDR5,000,000. He also set aside IDR900,000 as the main wage of the members, an additional IDR500,000 if they were married and IDR200,000 for each child. Another payment was IDR20,000,000 to support the Lampung group through Faisal or Jaka.[473]

Abu Roban and the team also held up a bank in Batang, Central Java, and took IDR790,000,000 in cash. Wagiono was the coordinator for the proceeds stolen in Batang. He gave IDR17,500,000 to each person involved in the heist, namely Budi Bandung, Andre, Ucup, and Doni. The rest of the funds were then handed to Riyan, who planned to send the money to Poso and use it to support terrorists' wives and children.[474]

There is less detailed information on Abu Roban's seventh robbery undertaken. He involved Indra Wahyudin, Sugeng, Sulis, Rizal (alias Primus) and Maksum (alias Kodang) in robbing a district credit bank in Batujajar – West Java. They took IDR100,000,000. Sugeng offered IDR1,500,000 to each person in the team and handed the rest of the money to Abu Roban as the group's leader.[475]

The last heist by Abu Roban and his team was at two post offices in Gunung Sindur and Cibaduyut – West Java. Budi Utomo and Chatimul Chaosan joined the group and seized IDR162,232,000. The heist in Cibaduyut was worth IDR82,232,000, while from the Gunung Sindur, one of the robbers made off with only IDR80,000,000. Sugeng organised the sharing of funds from the Cibaduyut heist by giving all team members IDR3,000,000 and IDR2,000,000 to those involved in Gunung Sindur's burglary. Most of the money was handled

[473] East Jakarta District Court, "Court Verdict No. No.1280/Pid.Sus/2013/PN.Jkt.Tim on Behalf of Rabithah Ahmad Faizal Alias Boim Alias Rusdi Alias Rudi Alias Obi," Jakarta, 2014, 41.
[474] East Jakarta District Court, "Court Verdict No. 1279/Pid.Sus/ 2013/PN.Jkt.Tim on Behalf of Wagiono Alias Wagiyono Alias Gandi."
[475] East Jakarta District Court, "Court Verdict No. 262 /Pid.Sus/2014/PN.Jkt.Tim on Behalf of Indra Wahyudin Alias Satrio Alias Azzam Alias Jendol Alias Iksan Alias Bagas," Jakarta, 2014.

by Abu Roban. He managed the spending for organisational and operational purposes such as support for the Jakarta group, weapons' procurement, widows and family support, and support for the jihadist group in Poso.[476]

In conclusion, the most obvious finding to this case study is that another illegal method was used to raise funds for terrorism. The Abu Roban group used robbery to fund their violent activities, not only for preparing members with hard skills but also for supporting social networks and other radical groups with similar goals of establishing an Islamic state. Robberies were usually carried out by a group whose members would take the funds in cash and hand it over to their friends before depositing the rest into their bank accounts. A friends-to-friends connection is shown to have been used in this case study as the channel to layer the crime proceeds.

However, regarding the use of the money, the group spent the money on daily operations, organisation, and social services. From the court documents, none of the terrorist offenders revealed using the money for preparing violent attacks. Instead, money was spent on covering daily needs, buying vehicles, procuring firearms and ammunition, renting safe houses, buying electronic devices, herbal medicine, and chemical substances. Abu Roban, the group leader, also managed the funds for organisational purposes such as paying salaries for the members, offering capital for a member in establishing a textile business, military training in Bandung, and supporting other radical groups in Poso, Makassar, and Jakarta. Finally, a sum of money was also used for social services like support for the families of the group's members, supporting the wives of terrorist prisoners, and supporting terrorists' widows.

[476] East Jakarta District Court, “Court Verdict No. 262 /Pid.Sus/2014/PN.Jkt.Tim. on Behalf of Indra Wahyudin Alias Satrio Alias Azzam Alias Jendol Alias Iksan Alias Bagas,” 10–13.

The above financial detail is presented as follows:

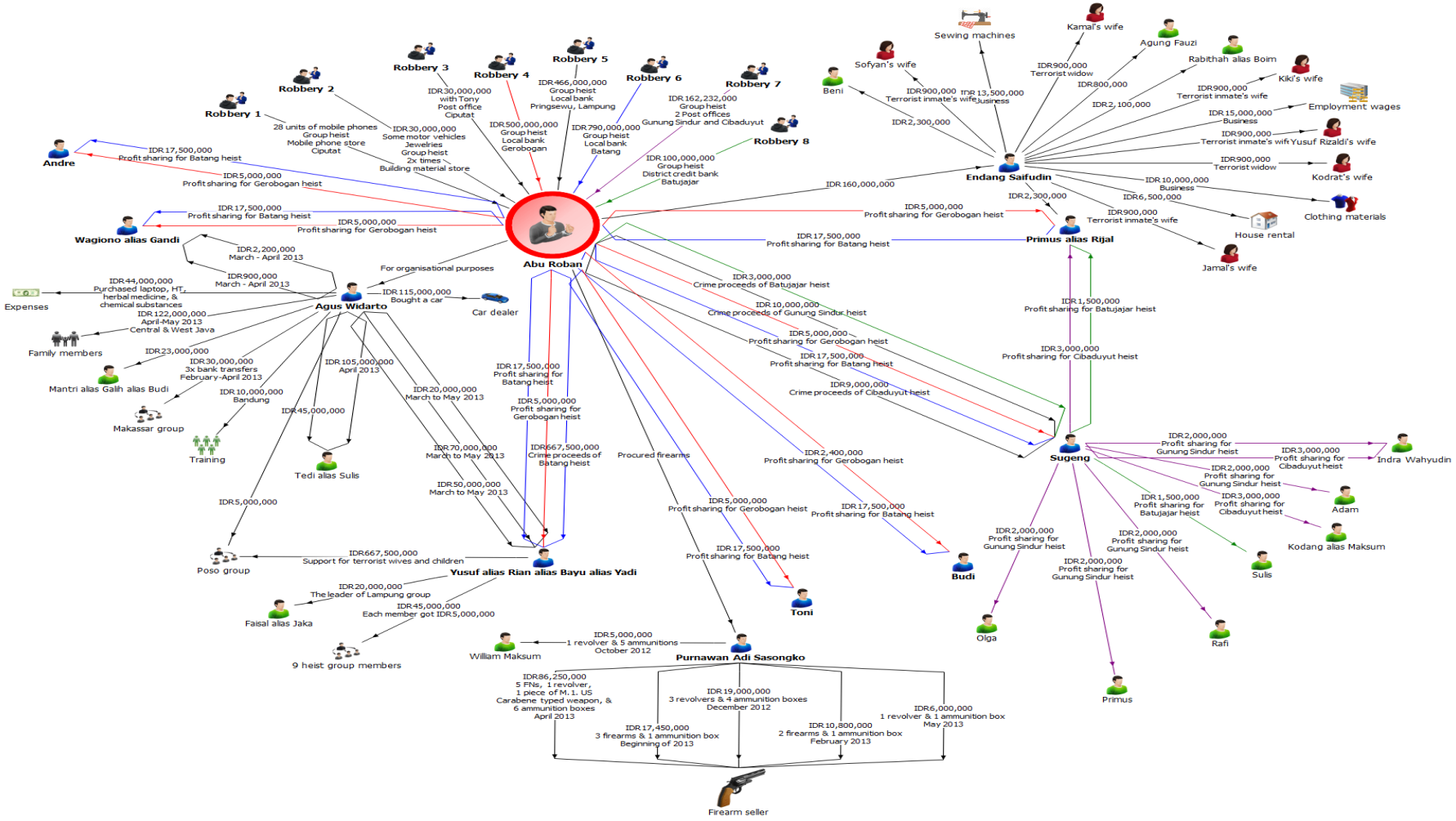

Figure 5.11 The Money Flow of the Abu Roban's Network (Source: Multiple Resources Summarised by the Author)

5.5 Case Study 5: The Cahya Fitrianta's Network

The last case study of the Cahya Fitrianta group demonstrates cybercrime as another method of financing terrorism. By using fake accounts under different names, the group had successfully raised funds to support military training in Poso and assist the wives of those terrorists who had been killed or arrested by the police. However, to move the money, the group transferred the crime proceeds to Cahya's wife's account to hinder detection by the bank. This is another option for channelling funding applied by such terrorist groups.[477]

The court documents reveal the involvement of Cahya Fitrianta and his friends in military training by Santoso's group in Poso. From April 2011, Hari Kuncoro contacted Cahya Fitrianta to join military training in Poso. Cahya then went to Poso and joined the Qoid Asyikari group led by Santoso (alias Abu Wardah). During the training, they learned about bomb-making, shooting, archery, physical exercise, and basic military techniques. As the leader, Santoso used the training to coach members in military skills before involving them in jihad action. The group was at war with Christian people in Poso and with the state, which was not governed by Islamic law. They considered the existing government as infidel and saw it as compulsory to conduct a war against them. Santoso also encouraged every participant to offer all support possible for the training. After graduating from the training, some of the participants attacked two local police officers on 25 September 2011 using firearms type M16 and other U.S. carbine firearms which they had used during their military training. Twenty people joined the training, including Cahya Fitrianta and Rizki Gunawan.[478]

Rizki Gunawan and Cahya Fitrianta are suspected of hacking a multi-level marketing website. Before joining Cahya Fitrianta, Rizki Gunawan worked as an online herbal medicine salesman

[477] Central Jakarta District Court, "Court Conviction No. 113/PID/2013/PT.DKI on Behalf of Cahya Fitrianta Alias Fadliansyah Alias Edi Saputra Alias Angga Eka Putra Alias Reno Erlangga Alias Harly Pubengga Alias Erik Orlando Alias Ronny Setiawan Alias Anas Abdullah Alias Abdul Wakhid Alias H," Jakarta, 2013, 12.
[478] Central Jakarta District Court, "Court Conviction No. 113/PID/2013/PT.DKI on Behalf of Cahya Fitrianta Alias Fadliansyah Alias Edi Saputra Alias Angga Eka Putra Alias Reno Erlangga Alias Harly Pubengga Alias Erik Orlando Alias Ronny Setiawan Alias Anas Abdullah Alias Abdul Wakhid Alias H," 4 – 5.

called toko-muslimsolo.blogspot.com, as a computer and English teacher in the Islamic primary school in East Java, as an administrative assistant in the traditional herbal clinic in Solo, and also as a founder of an online investment business called speedline.com and speedline-inc.com. Besides his involvement in the cybercrime scheme with Cahya, the police caught him in 2012 for other reasons: he had joined military training in Poso led by Santoso, supported a church bombing on 25 September 2011 led by Hayat, offered IDR15,000,000 to Agung (alias Gede, alias Akbar, and alias Doni) to purchase weapons for military training, and hidden three suspects of the Solo bombing in Medan.[479]

Previously, Rizki Gunawan had joined military training in Poso by invitation of Ustad Abu Zulfah through Facebook in March 2011. Abu Zulfah was from Palu and asked Rizki Gunawan for IDR2,000,000 as a fee for the military training. He underwent training for 28 days. Afterwards, Rizki admitted in his court testimony that he continued to support the training. He gave IDR15,000,000 to his colleague Agung, to purchase weapons for use in Poso. Dayat added another IDR23,000,000. That money was to buy three weapons in West Java; including an M-16 type, an FN type, and another assault weapon.[480]

As part of the fundraising effort, in July 2011, Rizki Gunawan and Cahya Fitrianta agreed to commit a crime. The intention was to make money by hacking a business website. He contacted Rizki Gunawan by using an email of Satriax212@yahoo.co.id and a Facebook account of main.komputer10@gmail.com. Cahya and Rizki created fake identities by changing their names to Umar Amirudin and Hendra. Cahya was interested in the business run by Rizki, such as online sellers and speedcash. Rizki conducted an online business using a website called www.speedline-inc.com. To learn more about the system, Cahya asked for the user ID and password of Rizki Gunawan and planned to meet a database expert. Rizki found the

[479] Indonesian National Police, "Case Interview Report on Behalf of Rizki Gunawan Alias Umar Amirudin Alias Udin Alias Ronny Setiawan," Jakarta, 2012, 1 – 2.
[480] Indonesian National Police, "Case Interview Report on Behalf of Rizki Gunawan Alias Umar Amirudin Alias Udin Alias Ronny Setiawan," 4.

information on the Indonesian hacker community forum, www.indonesianhacker.com and got acquainted with a member with ID ashaburayyatisud_313 owned by Mawan Kurniawan, a renowned database expert.[481] Cahya usually communicated with Mawan through Yahoo Messenger, an online messenger application developed by Yahoo. His understanding of the business website enabled Cahya to access the server, upload a script and download the website database, which consisted of customers' names, username, password, address and classified ID. He also edited some non-active members' data, then re-activated them and modified their accounts.[482]

After obtaining the database information, Cahya accessed the website using the username of "warspeed01" and the password of "warspeed!!!" He successfully traded and earned some profit from it. In the next three days, he asked Rizki Gunawan to encash the speedcash obtained from the trading. Rizki hunted for buyers in an online forum www.kaskus.us, by posting the advertisement in a thread with the tag "euro Speedline trading." As a professional online trader, Rizki easily found buyers and acquired money from the customers. The account used in trading was not their direct account, but they used their friends' such as Rainah and M. Dasir Dahnan. In this first attempt to make money from an online business, they received 700 euro or IDR9,000,000. Once they successfully hacked the website for the first time, Cahya and his network continued to work. They earned up to IDR500,000,000 from the hacking.[483]

The investigation revealed that the group mainly used two accounts to move the money: Nurul Azmi Tibyani (Cahya's wife) and Cahya's account but under the name of Najmudin. However, Cahya also created new counterfeit accounts with different variations of names such as Edi

[481] Indonesian National Police, "Case Interview Report on behalf of Mawan Kurniawan, SKom alias Mawan alias Ashaburayatisud alias Clicker," Jakarta, 2012.
[482] Central Jakarta District Court, “Court Conviction No. 113/PID/2013/PT.DKI on Behalf of Cahya Fitrianta Alias Fadliansyah Alias Edi Saputra Alias Angga Eka Putra Alias Reno Erlangga Alias Harly Pubengga Alias Erik Orlando Alias Ronny Setiawan Alias Anas Abdullah Alias Abdul Wakhid Alias H,” 9 – 10.
[483] Central Jakarta District Court, “Court Conviction No. 113/PID/2013/PT.DKI on Behalf of Cahya Fitrianta Alias Fadliansyah Alias Edi Saputra Alias Angga Eka Putra Alias Reno Erlangga Alias Harly Pubengga Alias Erik Orlando Alias Ronny Setiawan Alias Anas Abdullah Alias Abdul Wakhid Alias H,” 11.

Saputra, Reno Erlangga, Abdul Wakhid, Angga Eka Putra, Najmudin, Helmi Muhdar Abdun. The accounts of Edi Saputra and Reno Erlangga were made by Cahya by showing his faked IDs to the Islamic bank located in Medan. Other accounts on behalf of Abdul Wakhid and Angga Eka Putra were opened at an Islamic Bank located in Surabaya (East Java) and Bandung (West Java). Besides, Cahya bought fake bank accounts from Helmi Muhdar Abdun by spending IDR1,500,000 per account, including the ATMs.[484]

For the money transferred to the account of Najmudin, Cahya withdrew the funds via ATM and deposited them in cash in his other bank accounts including the accounts of Reno Erlangga in Bank Muamalat Medan, Abdul Wakhid in Bank Muamalat Syari'i Surabaya, Edi Saputra in Bank Muamalat Medan, Helmi Muhdar Abdun in BCA Karawang, Helmi Muhdar Abdun in Bank Mandiri, and Angga Eka Putra in Bank Muamalat Syari'i Bandung. For the money in Nurul Azmi Tibyani (Cahya's wife) account, Cahya asked his wife to withdraw the funds and re-deposit them in his accounts. He also asked her to give him IDR120,000,000 in cash. Cahya acknowledged that he wanted to avoid the bank's detection.[485]

Besides controlling his account, Cahya also managed his wife's account on behalf of Nurul Azmi Tibyani, where he managed the financial transactions for his illegal activities. Some incoming funds were recorded in the account statement, as presented in **Appendix 3**. The information provided on Nurul Azmi Tibyani's bank statement shows 22 incoming transactions, which were mostly from business activities or speedcash money and clients between 2 August 2011 and 11 October 2011. There were 17 incoming funds from speedcash, which started from IDR2,020,000 to IDR18,080,000. The total amount obtained was IDR123,650,000. Nurul

[484] Central Jakarta District Court, "Court Conviction No. 113/PID/2013/PT.DKI on Behalf of Cahya Fitrianta Alias Fadliansyah Alias Edi Saputra Alias Angga Eka Putra Alias Reno Erlangga Alias Harly Pubengga Alias Erik Orlando Alias Ronny Setiawan Alias Anas Abdullah Alias Abdul Wakhid Alias H," 17–18.
[485] Ibid.

Azmi Tibyani also recorded five incoming transfers from individuals and a total amount of IDR69,785,750.[486]

In outgoing transactions, most funds were withdrawn in cash using ATMs. The withdrawals ranged from IDR500,000 to IDR30,000,000. In the period of 3 August 2011 to 1 October 2011, the bank statement recorded 30 cash withdrawals with the total amount of IDR73,250,000 and one outgoing transfer to an individual of IDR10,000,000. The financial transaction activities are called "pass-by type," where the money was withdrawn by cash in the next few days after it was deposited into the account. Those outgoing transactions were recorded and presented in **Appendix 4.**[487]

According to the investigation report, Rizki Gunawan acknowledged that he raised up to IDR4,000,000,000 through the speedline online business. The financial records presented in **Appendix 5** show the use of the crime proceeds to buy properties, vehicles, house renovations, etc. There were 29 outgoing transactions that showed the expenses incurred by Rizki Gunawan. Rizki managed to spend IDR5,425,000,000 on renting three shophouses, purchasing seven properties, paying for renovations, and buying houses. He also spent IDR520,000,000 on cars and motorbikes. Lastly, He transferred IDR230,750,000 to support other terrorist groups, including funding for a church bombing in Solo, financing the travel expenses of other jihadists, purchasing weapons, and other expenditures.[488]

In conclusion, the case study of the Cahya Fitrianta's network shows another variant of terrorist financing. The group selected cybercrime as their way of raising money to support their movement. By employing tech-savvy personnel and using fake identities to hack the MLM

[486] Central Jakarta District Court, "Court Conviction No. 113/PID/2013/PT.DKI on Behalf of Cahya Fitrianta Alias Fadliansyah Alias Edi Saputra Alias Angga Eka Putra Alias Reno Erlangga Alias Harly Pubengga Alias Erik Orlando Alias Ronny Setiawan Alias Anas Abdullah Alias Abdul Wakhid Alias H," 20 – 22.
[487] Central Jakarta District Court, "Court Conviction No. 113/PID/2013/PT.DKI on Behalf of Cahya Fitrianta Alias Fadliansyah Alias Edi Saputra Alias Angga Eka Putra Alias Reno Erlangga Alias Harly Pubengga Alias Erik Orlando Alias Ronny Setiawan Alias Anas Abdullah Alias Abdul Wakhid Alias H," 21.
[488] Indonesian National Police, "Case Interview Report on Behalf of Rizki Gunawan Alias Umar Amirudin Alias Udin Alias Ronny Setiawan," 40 – 44.

website, the group made a significant amount of money. Then they channelled the proceeds using their wives' bank accounts and spent the money on themselves besides supporting other local terrorist groups.

Below is the diagram of incoming and outgoing money flows involved in the case of Cahya Fitrianta's network:

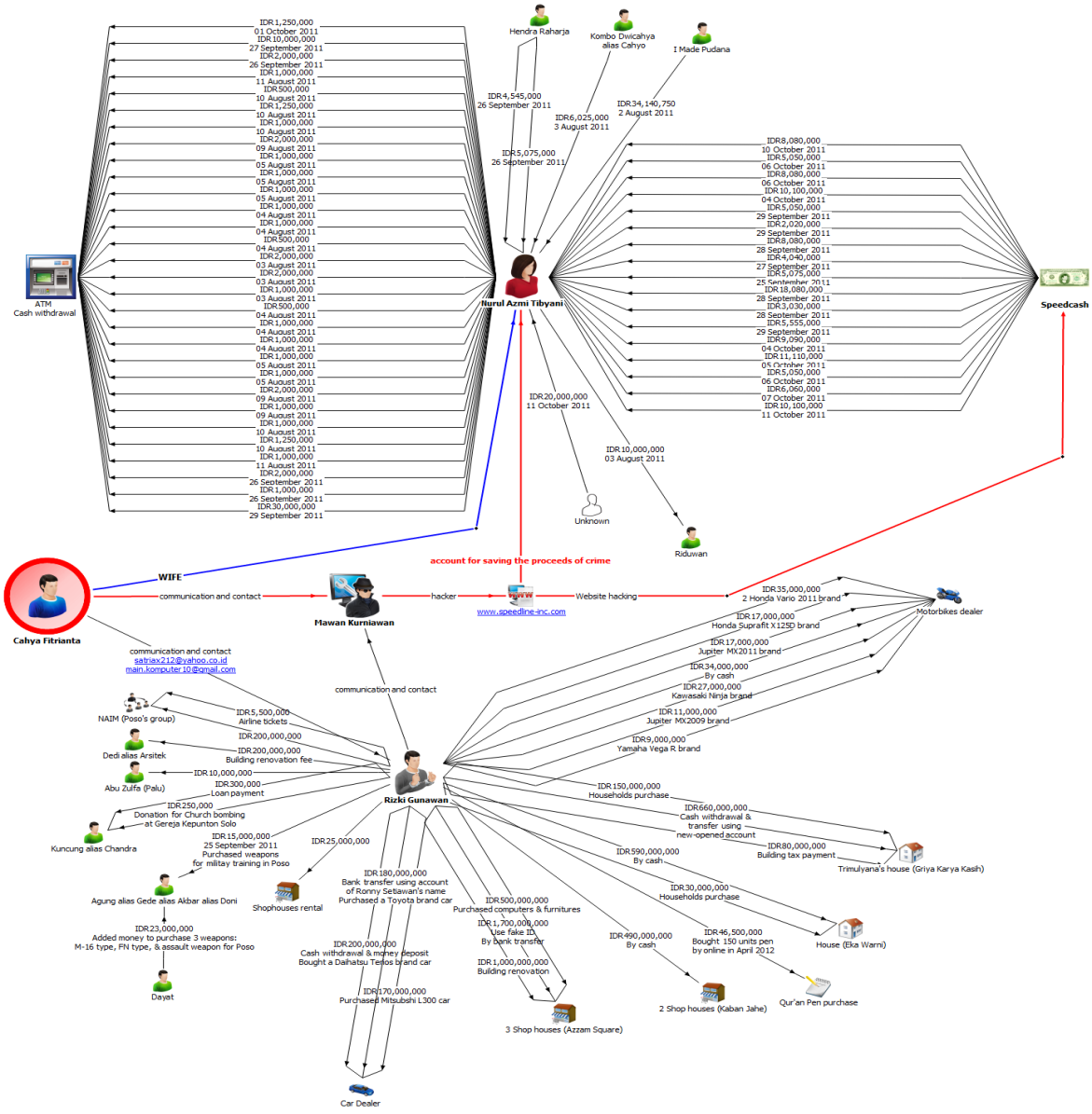

Figure 5.12 Financial Scheme of Cahya Fitrianta's Network

(Source: Multiple Resources Summarised by the Author)

Conclusion

This chapter identifies five major cases that show the evolution of terrorism financing between 2002 - 2013. In all five cases, the terrorist groups collect money for some common purposes, including support for the groups themselves and for other radical groups in Indonesia. Another common purpose for raising or collecting money was for military training as the preparation for undertaking a jihad. There were also common operational purposes for fund collection and raising. There are various expenses associated with an attack plan, including the purchase of explosive materials, chemical substances, weapons, accommodation, etc.

The case studies show that in order to achieve their goals, the groups undertook fundraising and fund-moving, as well as spending. The fundraising methods used by terrorist groups were both legal and illegal. First, the groups received cash from the Al Qaeda international terrorist network to finance a bomb attack in Bali and for a system under Abdullah Sunata's command. Some terrorist groups accepted money from religious leaders such as Hambali, Abu Bakar Ba'asyir, Aman Abdurrahman, and M. Saifudin.

Others, including local terrorists and foreign nationals, also contributed funds to terrorist organisations. For example, Joko Sumanto and Syekh Abu Muhammad donated money to the KOMPAK organisation and to Abdullah Sunata's group. Significant funds were provided by a Saudi Arabian national, Al Khelaiw Ali Abdullah A, to support a terror attack planned by Noordin M. Top. Besides individuals, local non-profit organisations like JAT and KOMPAK played an essential role in paying for military training organised by Gun Gun Rusman Gunawan and Abu Bakar Ba'asyir. As for illegal techniques, they obtained money by conducting a series of robberies and cybercrime. The thefts were from jewellers, banks, a mobile phone store, a building material store, and post offices, while Cahya Fitrianta group’s cybercrime was hacking a multi-level marketing business website.

Progressive example of fund-moving began with a member of the JI network bringing cash from outside Indonesia to finance the Bali bombing. Other cases involved bank transfers to move and layer the funds before they reached the end-users. The last case of cybercrime by Cahya Fitrianta's group used both faked accounts and the wife's bank accounts to hide the crime proceeds from financial authorities. Overall, the terrorists withdrew money in cash from ATMs before using it for terrorist activities.

These case studies show the money was spent, on operations, military training, the organisation itself, and social services. Money for operations included the purchase of explosives, chemical substances, weapons and ammunition, renting cars and motorbikes, leasing houses, living expenses while escaping and on the run from police. In some cases, significant sums were paid in compensation to the suicide bombers. As mentioned above, considerable sums were raised for military training, including pocket money for the participants, airline tickets, accommodation, equipment, and food.

Money was used by the terrorist organisation to assist other terrorist groups in Poso, Jakarta, and Bima. It was also spent on propaganda and recruitment and transportation for the religious leaders to travel to preaching engagements. Terrorists in these cast studies also provided financial support to the families of terrorist prisoners and especially to the families of those killed by police.

In the next chapter, Indonesian CFT policies and their characteristics during the period 2002-2012 are discussed. This is background to the later investigation of policy development and implementation of CFT policies in Indonesia.

Chapter 6

Understanding Countering the Financing of Terrorism (CFT) Policies in Indonesia During 2002-2012

> Although the war on terror has continued apace in Southeast Asia since the September 11 attacks on the United States, little has been done to disrupt the terrorist financial networks in Southeast Asia. Weak domestic legislation, resource-strapped financial investigative agencies, poor enforcement capacity and a lack of political will have hampered this important front in the war on terror.
>
> Zachary Abuza[489]

Introduction

As discussed in Chapter 2, CFT policies based on FATF recommendations were adopted by states to improve anti-money laundering strategies. The FATF Special Recommendations on counter-terrorism financing concerned the reporting of suspicious transactions related to terrorism and the adherence to standards to prevent the abuse of wire transfers, informal value transfer systems and non-profit organisations to fund terrorism.[490] Every member state, including Indonesia, must comply with those FATF recommendations in order to build a proactive and effective counter-terrorist strategy that can both assess threats and disrupt the capabilities of terrorist groups.[491]

[489] Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah," 194.
[490] Biersteker, Eckert, and Romaniuk, "International Initiatives to Combat the Financing of Terrorism," 240 – 241.
[491] Kathryn L. Gardner, "Terrorism Defanged: The Financial Action Task Force and International Efforts to Capture Terrorist Finances," in *Uniting Against Terror*, ed. David Cortright and George A. Lopez, 1st ed. (Cambridge: The MIT Press, 2007), 158.

The FATF encourages countries to comply with their recommendations as strategies to hinder the flow of funds to terrorism. States modify their domestic policies to comply with international countermeasures. They create FIUs, introduce regulations on reporting suspicious transactions, improve administrative financial infrastructure, apply targeted financial sanctions, and strengthen law enforcement.[492]

The international community is not legally bound by the FATF recommendations, but most states in the world have committed to implementing the standards.[493] Indonesia has pledged to set up a unified framework to combat terrorist financing and mitigate risks. The Indonesian government has established an AML/CFT regime. This chapter describes the development of the Indonesian government's response to counter terrorist financing in the first period of 2002-2012. Chapter 10 and Chapter 11, cover the second period from 2013 to 2019. The differences between the two periods are highlighted, and the chapters also trace the evolution of terrorist financing threats in the same periods.

This chapter summarises Indonesia's CFT policies in the first period of 2002-2012. It covers the criminalisation of terrorist financing, financial regulatory compliance measures, operations and law enforcement, and international cooperation. The early establishment of CFT policies in Indonesia, especially the government's needs-driven actions, led to the adoption of FATF recommendations. This chapter shows the state's regulatory, law enforcement, and cooperation capabilities to address terrorist financing issues in accordance with the FATF standards. It explains financial regulations and supervisory arrangements, including programs of AML/CFT for internal policies, customer identification and record-keeping, and financial transactions reporting. This chapter also describes how the authorities operated and strengthened the law enforcement by disrupting, obstructing, and dismantling terrorist

[492] Biersteker, Eckert, and Romaniuk, "International Initiatives to Combat the Financing of Terrorism," 243.
[493] Gardner, "Terrorism Defanged: The Financial Action Task Force and International Efforts to Capture Terrorist Finances," 162.

financing networks. Finally, the chapter shows the importance of international cooperation among FIUs based on information exchange and legal assistance arrangements.

The CFT policies during the first period are crucial to explain later policy impacts on crime. This chapter answers the following questions: how have the CFT policies developed and responded to the terrorist financing networks in Indonesia between 2002 – 2012? To what degree have the CFT policies improved capabilities for interdicting and combating terrorist financing flows? Furthermore, the information provided in this chapter is essential for laying the groundwork for what follows in Chapter 10*,* which later explains the development of CFT policies in the second period, 2013 -2019.

Previous works have provided limited information about the development of CFT policies in the country. The information in this chapter mainly refers to the government laws and regulations issued by the Indonesian FIU, the central financial regulators, and a result of mutual evaluation on Indonesia done by the APG. Thus, the information is analysed in accordance with provisional measures provided by the FATF standards in countering money laundering, terrorist financing and other associated crimes.

6.1 The Early Establishment of CFT Policies in Indonesia

Chapter 2 briefly discussed how the FATF ensures members' compliance and probes the adequacy of the law and regulations through two assessment techniques, namely annual self-assessment and mutual evaluations run by FATF regional bodies.[494] The self-assessment includes a detailed questionnaire and an in-depth discussion. FATF's mutual evaluations cover

[494] FATF, "Review to Identify Non-Cooperative Countries or Territories: Increasing the Worlwide Effectiveness of Anti-Money Laundering Measure," Paris, 2001, 5.

the application of legal, financial, and law enforcement areas to highlight the progress and the shortcomings identified.[495]

This chapter examines the effect of FATF's compliance assessment process on the domestic jurisprudence of member countries, particularly Indonesia. This is relevant to the research because a review of the history of legal frameworks in Indonesia is key to later analysis of how the government sought to improve the legislation against terrorist financing threats. Therefore, this chapter opens with a discussion first of the early establishment of terrorist financing counter-measures in Indonesia, then the criminalisation of terrorist financing, regulating financial monitoring and supervision, law enforcement and international cooperation.

FATF's first assessment was completed on 14 February 2000. Member countries were evaluated for compliance of their anti-money laundering policies. A report on non-cooperative countries and territories (NCCTs) which did not adhere to FATF standards to defend their economies against funds of criminal origin was published in order to demonstrate best practices in international collaboration in the fight against money laundering and to enhance protection towards the global financial system with appropriate regulations.[496]

The FATF formulated criteria for designating NCCTs and assessing the effectiveness of money-laundering prevention and detection, including loopholes in financial regulations, obstacles raised by other regulations, impediments to international cooperation, and inadequate resources to prevent and detect money laundering.[497] Those criteria were applied to financial regulations and other regulations, international administrative and judicial cooperation, and to resources for hindering, detecting, and combating money laundering and associated offences. The purpose of the evaluation was to enable countries to identify the loopholes in adopting the FATF recommendations, to encourage the establishment of a

[495] FATF, "Annual Report 1999-2000," Paris, 2000, 19 – 20.
[496] FATF, "Report on Non-Cooperative Countries and Territories," Paris, 2000, 2, http://www.fatf-gafi.org/.
[497] FATF, 10 – 12.

domestic anti-money laundering regime with adequate government supervision, and enable the investigation of money laundering.[498]

In June 2001, the FATF published the results of six new jurisdictions added to the NCCTs list because of serious deficiencies in their anti-money laundering measures. The updated list included Indonesia as a state that should undertake remedial action to address these deficiencies and strengthen domestic implementation of anti-money laundering provisions. The FATF found that money laundering did not appear as a criminal offence in Indonesian law. In addition, there were inadequate customer identification regulations applied to non-bank financial institutions, excessive secrecy measures regarding financial institutions, an absence of a mandatory suspicious transactions reporting system (including their monitoring and criminal or administrative sanctions), and a failure to establish administrative and judicial authorities. There was also no financial intelligence unit for the collection, analysis and dissemination of suspicious transactions reports to respective authorities.[499]

To address the aforementioned inadequacies, the Indonesian government established a law concerning the eradication of money laundering in 2002, Law Number 15, which merely focused on stipulating money laundering counter-measures. The Government amended Law Number 15 of 2002, which became Law Number 25 of 2003 and acknowledged terrorist financing, defined as any tangible and intangible assets used for terrorism purposes. The new law also included terrorist financing as a predicate offence to money laundering. This new law was consistent with the definition of terrorist financing in Government Regulation Number 1 of 2002 concerning the eradication of terrorism, which was later passed into Law Number 15 of 2003. Thus, this period was marked by the early establishment of terrorist financing counter-measures in Indonesia.

[498] FATF, "Annual Report 1999-2000," 17.
[499] FATF, "Review to Identify Non-Cooperative Countries or Territories: Increasing the Worlwide Effectiveness of Anti-Money Laundering Measur," 15.

The following flags the evolution of CFT measures in Indonesia between 2002 and 2012, reviewing critical aspects of terrorist financing counter-measures as defined by the FATF: the criminalisation of terrorist financing, financial regulations and supervisions, operations and law enforcement, and international cooperation in countering money laundering and terrorist financing. In this first period of establishing an anti-terrorist financing regime, the competent authorities sought to combat terrorist financing crime through anti-money laundering measures because of the absence of specific laws for countering terrorist financing.

6.2 The Legislative Framework for Criminalising Terrorist Financing

As discussed earlier, the development of CFT policies in Indonesia features the inclusion of terrorism and terrorist financing in the law. This challenge was significant in Indonesia, where the government's capability to counter such crimes was relatively limited. Before assessing the Indonesian government's ability to combat terrorist financing threats, the following described Indonesia's experience of criminalising terrorism and terrorist financing.

6.2.1 Terrorism Listed as a Criminal Offence in Indonesia

Efforts towards criminalising terrorism in Indonesia were reflected in Law Number 15 Year 2003 Concerning Stipulation of Government Regulation in Lieu of Law Number 1 Year 2002 Concerning Combating Criminal Acts of Terrorism (Anti-Terrorism Law) and the Anti-Money Laundering Law. The Anti-Terrorism Law includes definitions of terrorism in several places. In Articles 6 and Article 7 of the Anti-Terrorism Law, terrorism is defined as "a criminal act that intentionally applies violence or attempts to use violence as a threat to the public by spreading an atmosphere of fear or causing mass casualties." It incorporates efforts to take by force the

freedom, life or property of others or any devastation caused to vital public environments or facilities.[500]

Another definition of terrorism is in Article 8. The act includes terrorism as one of 18 matters related to aviation security and obligatory referred to several international conventions. Those references include the Convention for the Suppression of Unlawful Seizure of Aircraft (1970), the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1971), and the Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, (1988).[501]

The Anti-Terrorism Law also gives the third meaning of terrorism in Article 9. That article provides for sentencing of individuals who illegally enter Indonesia for the purpose of illegitimately trying to possess, control, cede, transport, supply, hide, store, or even use weapons, ammunition, or any other types of hazardous materials and explosive substances which might cause mass causalities.[502]

Article 10 of the Anti-Terrorism Law refers to acts of terrorism-related to any intentional uses of chemical weapons, biological weapons, radiology, micro-organisms, radioactive material or its components for generating a state of fear to the public and affect any harm to health or chaos against people's lives, security and rights, or even a threat of devastation against any vital objects, environment or public facilities.[503]

Besides the Anti-terrorism Law, the Anti-Money Laundering Law refers to terrorism. The first form of the Anti-Money Laundering Law in Indonesia was Law Number 25 of 2003 concerning

[500] Government of Indonesia, "Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia Nomor 1 Tahun 2002 Tentang Pemberantasan Tindak Pidana Terorisme," 2002, 5.
[501] Government of Indonesia, "Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia Nomor 1 Tahun 2002 Tentang Pemberantasan Tindak Pidana Terorisme," 5 – 7.
[502] Ibid.
[503] Government of Indonesia, "Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia Nomor 1 Tahun 2002 Tentang Pemberantasan Tindak Pidana Terorisme," 7 – 9.

Amendments to Law Number 15 of 2002 on Money Laundering. This was passed in response to the Bali bombings. The law has a limitation in defining 'money for terror' action. The asset of terrorists was explained under Article 2, which states that resources used for terrorist acts are assets of terrorism but included as one of the predicate crimes to money laundering.[504] Thus, according to the definition offered by the law, terrorism offence is limited to an offence linked with a money laundering crime.

This provision is repeated in the amended Anti-Money Laundering Law, Law Number 8 Year 2010, which complements the definition of assets of terrorism, as follows:

> Article 2 (2):
>
> "Assets which are recognized or which are reasonably alleged to be used and/ or directly or indirectly used for the terrorism activity, terrorism organization, or individual terrorism shall be equalized as the result of criminal action as set forth in section (1) point n above."[505]

6.2.2 Criminalising Funds for Terrorism Purposes in the Anti-Terrorism Law

During the period 2002-2012, definitions of terrorist financing were limited to those offered by the Anti-Terrorism Law and the Anti-Money Laundering Law. The Anti-Terrorism Law has six articles on actions of supporting terrorism through funds, assets, and any other kinds of intangible support. Article 11 describes activities of funding terrorism as follows: any efforts conducted by an individual who deliberately offers or gathers funds with the purpose that they

[504] Government of Indonesia, "Undang-Undang RI Nomor 25 Tahun 2003 Tentang Perubahan Atas Undang-Undang Nomor 15 Tahun 2002 Tentang Tindak Pidana Pencucian Uang," 2003, 3.
[505] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 Tentang Pencegahan Dan Pemberantasan Tindak Pidana Pencucian Uang," 2010, 3.

will be used or likely be employed partially or wholly, for terrorism as defined in Articles 6, 7, 8, 9, and 10. As stated earlier, these articles contain diverse definitions of terrorism activities.[506]

Another definition of terrorism funding is in Article 12 of the Anti-Terrorism Law, which refers to terrorist financing activities as all actions conducted to organise or gather assets with the aim of supporting or likely assisting any illegal efforts related to the possession, arrangement, modification, delivery or discarding of nuclear materials, chemical or biological weapons, radiology, micro-organism, radioactivity or its components that might cause death or severe harms or destruction to vital assets in the country.[507]

The Anti-Terrorism Law expands the definition of terrorist financing in Article 13 by extending it to any person who deliberately supports any offender committing terrorist acts. Support includes, but is not limited to, giving or lending money or goods or other assets, concealing any offender or withholding any information related to the criminal act of terrorism.[508]

Terrorist financing also appears in Article 14, Article 15 and Article 16 of the Anti-Terrorism Law Article 14 says provisions on financing terrorism also apply to any person who plans and/or inspires others to commit a criminal act of terrorism as defined in Articles 6 to 12. Article 15 mentions any individual who consults, attempts, or assists to commit a criminal act of terrorism; and Article 16, includes any person outside the country's territory who offers support, facilities, means or information about action or terrorism plots.[509]

[506] Government of Indonesia, “Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia Nomor 1 Tahun 2002 Tentang Pemberantasan Tindak Pidana Terorisme," 8.
[507] Ibid.
[508] Government of Indonesia, “Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia Nomor 1 Tahun 2002 Tentang Pemberantasan Tindak Pidana Terorisme," 9.
[509] Ibid.

6.2.3 Terrorist Financing Stipulations in the Anti-Money Laundering Law

As mentioned above, besides the Anti-Terrorism Law, the Indonesian government criminalises terrorist financing offences under the Anti-Money Laundering Laws, the Law Number 15 Year 2002 Concerning Money Laundering Crime as Amended by Law Number 25 Year 2003 and Law Number 8 Year 2010. The government amended the laws to comply with the FATF Recommendations. The following references to the Anti-Money Laundering Law (the AML Law) refer to Law Number 8 Year 2010 as the latest amendment of the law in combatting money laundering during the period of 2002-2012.

Both Anti-Money Laundering Laws assume that terrorist financing is a predicate offence to money laundering crimes. According to these laws, terrorist financing assets are assets that are being used or which are suspected of being used, directly or indirectly, for terrorism activities by terrorist organisations or individual terrorists. However, the meaning of the proceeds of terrorist funding activities is linked to and not differentiated from the proceeds of money laundering crimes. This definition was inadequately referred to as one of the results of criminal action listed in Article 2. There is no further definition of funds used for terrorism. The reporting process for any suspicious transactions refers to the transaction reports for money laundering.[510]

The following demonstrates compliance of domestic legislation with international standards for countering the financing of terrorism; the law authorises investigators, public prosecutors and judges to order financial service providers to freeze assets of any individuals known or reasonably suspected to be the proceeds of terrorism or crimes related to terrorism; investigators, public prosecutors and judges are authorised to request information from financial service providers regarding assets of any person known, or reasonably suspected of,

[510] Government of Indonesia, “Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang.”

committing terrorism activities; investigators, public prosecutors and judges have the power to issue assets freezing orders to financial service providers as requested by the Indonesian Financial Intelligence Unit concerning assets related to terrorism activities.[511] However, AML Law Number 8 Year 2010 includes none of the above points. The law is yet to include terrorist financing asset freezing procedures. This inadequacy is discussed in Chapter 12.

6.3 Oversight of Financial Regulations and Supervision

During the period of 2002-2012, criminalising terrorist financing, the Indonesian government continued to develop the legal framework of CFT policies by imposing monitoring and control measures on financial service providers. This was in line with the FATF recommendations explained in Chapter 2, that states develop a number of instruments to fight against terrorist financing, including standards to protect the integrity of financial institutions and mitigate the risks of terrorist financing.

The FATF recommends that a country establish control and supervision procedures for financial sectors by implementing mechanisms to improve internal counter-financing of terrorism programs and customer identification policies, record-keeping, and reporting.[512] The following describes how the Indonesian government developed the aforementioned strategies in the period 2002-2012. This is relevant to the research as it clarifies the adequacy or otherwise of the CFT tools applied to disrupt, deter and dismantle terrorist financing networks in the country. Consideration of CFT policies in this timeframe informs the later analysis in

[511] Yunus Husein, "Naskah Akademik RUU Pemberantasan Pendanaan Terorisme," Jakarta, 2012, 19.
[512] FATF, "The FATF Recommendations," Paris, 2012; FATF, "The Forty Recommendations of the Financial Action Task Force on Money Laundering 1990," Paris, 1990; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," Paris, 2003; FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," Paris, 1996.

Chapter 12 of the correlation between the implementation of CFT policies in Indonesia and its effectiveness or otherwise in tackling the terrorist financing threat.

In response to the FATF recommendations, the Indonesian government sets up its AML Law policies for particular financial services. The first established of the AML Law, Law No. 15 Year 2002/Law No. 25 Year 2003, defined financial services as banks and non-bank financial institutions, securities companies, mutual fund managers, custodians, trust agents, depository and settlement agencies, foreign exchange traders, pension funds, insurance companies, and post offices.[513] This legal framework was amended by Law No. 8 Year 2010, which extended the scope of financial service sectors adhering to the obligation to report suspicious and cash transactions indicating money laundering and terrorist financing offences. In Article 17 of the AML Law No. 8 Year 2010, additional financial service providers were included as new reporting parties. These included card-based payment operators, e-money/e-wallet operators, cooperatives that deliver savings and loan programs, pawnshops, commodity futures trading companies and money remittance businesses. Other goods and/or service providers such as estate agents, vehicle traders, jewellery and precious metal traders, antique and art dealers and auction houses are also obliged to report to the Financial Intelligence Unit.[514]

This chapter further examines the development of Anti-Money Laundering and Counter-Financing of Terrorism regimes in Indonesia. This includes an overview of Indonesia's anti-money laundering and counter-terrorist financing program, followed by a survey of how Indonesia developed internal policies, procedures and supervisory arrangements to improve compliance at the management and operations level. This shows whether or not the

[513] Article 1 in the Law No. 15 Year 2002 and the Law No. 25 Year 2003 offer a definition of financial service providers regulated under the AML Law.
[514] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 7.

authorities' strategy for implementing the FATF standards was adequate, thus complementing the analysis of the development of CFT policies in the first 2002 – 2012 period.

The chapter then considers the implementation of customer identification strategies and procedures in Indonesia. The policy to verify customers who intend to build business relationships with financial service providers explains policy outcomes. Explaining how the authorities and financial institutions applied the KYC strategies leads to a better understanding of the development of CFT policies and their success or otherwise.

The chapter goes on to describe the policy adjustment to introduce record-keeping systems. Keeping financial transaction records for a certain period is an essential element of compliance with FATF standards. Some aspects of customer identification for financial service providers and then discussed. The chapter then turns to regulations obliging financial service providers to report suspicious transactions. Finally, in this section, the following questions are addressed: How have the CFT policies been established in response to the imminent threat of terrorist financing? What contributes to CFT policy improvement, and how has the policy developed to achieve its intended aims? Was the policy operational in a way that was consistent with achieving its objectives?

6.3.1 Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) Programs

Before 2012, the FATF made forty recommendations on anti-money laundering and nine special recommendations on countering-financing of terrorism. The following describes how these are implemented, especially the Special Recommendations, at the country level and explores how the Indonesian government put them into practice. Previous studies of terrorist financing have suffered from a lack of well-grounded discussion of the development of

Indonesia's CFT policies during 2002 – 2012. The following is an excerpt of the Mutual Evaluation Report of Indonesia created by the Asia Pacific Group on Money Laundering (APG) in 2008.

Examining the existence of Anti-Money Laundering/Counter-Financing of Terrorism programs in Indonesia is one aspect of the evaluation of its compliance with FATF recommendations 15 and 22. Recommendation 15 requires financial institutions to devise programs that cover 'internal management policies, procedures and controls. The strategies should include a process to certify high standards in contracting employees balanced with training programs and audits to evaluate the process.[515] Furthermore, recommendation 22 mandates the country to ensure the quality of countermeasures applied in financial institutions, not only to those who work in the head office but also to employees in branches and overseas.[516]

Besides the AML Law Number 8 Year 2010, several other means of enforcement were formulated by financial regulators. These include Bank Indonesia (BI) Regulation No. 3/10/ PBI/ 2001, BI's circular letter No. 5/32/ DPNP, Indonesia Capital Market Supervisory Agency ("BAPEPAM" hereinafter)'s Rule V.D.10 regarding "Know Your Client Principles," and Article 3 and Article 12 of Decree of the Minister of Finance Number: 74/ PMK. 012/ 2006. These tools support the implementation of the AML law, which contains strategies to build internal AML/CFT programs.

This chapter discusses key areas for Indonesia's CFT policies in developing AML/CFT programs. First, according to Article 2 of BI Regulation No. 3/10/ PBI/ 2001, banks should create internal strategies for identifying and monitoring customers' financial behaviours, including risk management policy and procedures. The strategies consist of particular management policies covering a delegation of authority, diverse functions, and an internal

[515] FATF, "Financial Action Task Force on Money Laundering: The Forty Recommendations," 2003, 6.
[516] FATF, 7.

control system. The later strategy includes supervision of an effective monitoring strategy as part of the implementation of bank policies, for instance, how the bank officers comply with applicable guidelines. Similarly, the rules were also applied to securities companies and mutual funds, as regulated by BAPEPAM Rule V.D.10, insurance companies and pension funds, as formulated in Article 3 and Article 12 of Decree of the Minister of Finance Number: 74/ PMK. 012/ 2006.[517]

Indonesia also instituted requirements for screening when hiring employees, from recruitment to capacity building, training, remuneration, employees' performance evaluation, and termination, as set out in Internal Circular Letter No.9/44/Intern dated 15 November 2007. The procedures were designed to establish robust practices for hiring people of integrity who would be responsible for applying AML/CFT policies, followed by continuous training for staff on the law, especially on how to perform daily duties in compliance with the FATF recommendations.[518]

The central bank issued the regulatory requirements for boards of directors of all banks to apply customer's identification principles by creating a dedicated unit which would report to the compliance director. This regulation was followed by BAPEPAM Rule V.D.10 and a Ministerial Decrees obliging capital market financial service providers and non-bank financial institutions to establish the same unit.[519]

Apart from internal policies for staff management, financial institutions were also expected to establish an effective information system to support 'identification, analysis, monitoring, and reporting of transactions' by customers. The system should be able to track and monitor

[517] APG, "APG 2nd Mutual Evaluation Report on Indonesia," Sydney, 2008, 123.
[518] Ibid.
[519] Ibid.

transactions for any case of money laundering, terrorist financing and other associated crime before court proceedings.[520]

6.3.2 Customer Identification and Recordkeeping

As noted above, during the period 2002 – 2012, the FATF made nine special recommendations on countering terrorist financing, which are essential to prevent and combat the financing of terrorism and terrorist activities. These included the obligation to ratify UN instruments, to criminalise the financing of terrorism and money laundering, to freeze terrorists' assets, to report suspicious transactions related to terrorism, international cooperation, alternative money remittance, wire transfers, non-profit organisations, and cash couriers. The recommendations were to ensure that countries apply effective and proportionate standards to fight against terrorist financing, for instance, by using customer identification and recordkeeping procedures.

Formulating regulations on customer identifications was in line with counter-financing of terrorism measures, as stated in the AML Law Number 8 Year 2010. This chapter discusses how the supervisory and regulatory agency obliges financial service providers to identify business relationships between clients and financial industries; thus, provisions pertaining to the policies of maintaining customers' information that should be in accordance with the law and regulations.

Addressing customer identification, Article 18 of the AML Law Number 8 Year 2010 requires financial services to identify and verify customers and beneficial owners, also known as 'KYC or CDD principles. Consistent with the FATF standard, the following aspects were involved:

[520] Ibid.

customer acceptance, the procedure for customer identification, account monitoring and transactions, and lastly, the risk management strategies associated with the application of KYC principles.[521]

The AML Law Number 8 Year 2010 requires financial service providers to apply KYC Principles that include the obligation of examining customers' identification, verification and financial transactions, for example, information of customers' identities, resources of the fund, and the purposes of financial transactions.[522] These monitoring policies are mandatory under the following conditions. First, when the financial services start a business relationship with clients. Second, if there were a financial transaction involving at least the value of IDR100,000,000.00 (± AU$10,000.00) or equivalent with other currencies. Third, the KYC principle's examination is important to apply to customers if the financial businesses found any suspicious financial behaviour indicating h money laundering, terrorist financing and other associated crimes. The fourth condition is when they are unsure of customers' information, and there is a necessity to verify the details.[523]

Besides the AML Law Number 8 Year 2010, the central bank and other financial regulators have issued particular derivative regulations/decrees/rules and other enforceable means (OEM) regarding KYC/CDD principles:

[521] APG, 87 – 88.
[522] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 11.
[523] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 7 – 8.

Name of Law/Regulation		Subject Sectors	Hierarchy
Law Number 15 Year 2002 Concerning the Crime of Money Laundering as Amended by Law Number 25 Year 2003		All providers of financial services	Law (Undang-undang)
Name of 'OEM'			
Bank Indonesia Regulations	Number 5/21/2003 on KYC Number 3/23/2001 on KYC Number 3/10/2001 on KYC	Commercial banks	Government Regulation (Peraturan Pemerintah)
	Number 5/23/2003 on KYC for Rural Banks	Rural banks	
	Number 9/11/PBI 2007	All money changers	
Bank Indonesia Circular Letters	Number 5/32/2003	Commercial banks	Circular Letters (Surat Edaran
	Number 9/23/2007	Non-bank money changers	
Minister of Finance Decree Number 74 Year 2006		Insurance companies, pension funds, financing companies(NBFIs)	Ministerial Decrees (Keputusan Menteri)
BAPEPAM Rule V.D.10		Securities companies, investment managers, and custodian bank	

Figure 6.13 Various Laws/Regulations Issued Regarding KYC/CDD Principles[524]

These rules were aimed at prohibiting anonymity of new account holders and financial transactions. Besides that, any individual conducting a 'business relationship' with financial institutions are required to disclose their 'complete and accurate' identity information, including any supporting documents, to accomplish the verification procedure.[525]

The next provision regulated by the law is the obligation to maintain records of customers' information and histories of financial transactions. Under the AML Law Number 8 Year 2010, Article 21 obliges financial service providers to formulate record-keeping policies. The Supervisory and Regulatory agencies monitor the policy application where the financial industries are required to keep records and documents of customers with whom they have business relationships for at least five years from the end of the business relationship.[526]

[524] APG, "APG 2nd Mutual Evaluation Report on Indonesia," 86.
[525] APG, 88.
[526] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 8.

6.3.3 Financial Transactions Reporting Procedures

The FATF recommendations also require countries to establish legal frameworks for reporting financial transactions relating to money laundering, terrorist financing and other associated crimes. The regulations include policies of defining and indicating unusual and suspicious financial transactions and procedures for identifying and monitoring customers' account transactions, both cash and non-cash. Special Recommendation IV obliges members to define legitimate and illegitimate funds flow for terrorist acts as proceeds of crime as part indicators in reporting suspicious financial transactions.

Besides applying KYC principles to business relationships, the AML Law Number 8 Year 2010 includes another provision with which financial service providers must comply, namely standards of reporting financial transactions. The law emphasises obligations to report financial transactions aligned to compliance with the FATF recommendations that require financial industries to establish mechanisms in reporting financial transactions and transactions delays. The AML regulation and law, Article 23 includes the following three requirements for financial reporting.[527] The first mandatory report is to record international fund transfers, which was not regulated yet in detail until the publication of a letter by the Head of Indonesian FIU in 2013. There was no further explanation of this type of report in the period of 2002 – 2012.

The second mandatory report is of suspicious financial transactions. To tighten the definition of suspicious financial transactions, the Indonesian FIU published guidelines: KEP-13/1.02.2/PPATK/02/08 in 2008 and PER-09/1.02.2/PPATK/09/12 in 2012. The guideline issued in 2008 explained the potential misuse of financial products and services by terrorist individuals and organisations where they conceal or disguise the purposes of terrorism

[527] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 13.

activities. Financial service providers should be able to identify transactions indicating terrorist financing and report them to the FIU.[528]

Furthermore, the guideline issued in 2012 expanded the scope of reportable suspicious financial transactions as follows: financial transactions that deviate from the profiles, characteristics or usual patterns conducted by the customers or service users; any financial transactions that may have been done to avoid transaction reporting obligations by the financial service providers; a financial transaction conducted or cancelled because there is a suspicion of using the proceeds of crime; if there is an allegation involving crime proceeds.[529] Understanding this obligation of reporting suspicious financial transactions is an essential part of detecting and interdicting illicit financial flows from terrorist financing.

The third mandatory reporting regulated by the AML Law is cash transaction reporting. 'Cash' is defined as any financial transaction using banknotes or coins. The financial services are required to file reports for any type of cash transaction, including but not limited to placements, deposits, withdrawals, payments, grants, donations, or exchanges that are conducted either in a one-time transaction or several times within one working day with the cumulative amount of at least IDR500,000,000 or any foreign currency equivalent. The reports should include information about the customers who conduct the transactions and the identity of recipients.[530]

The AML Law Number 8 Year 2010 also contains provisions on terminating and delaying a financial transaction. The Indonesian FIU has the authority to request financial service businesses to temporarily terminate complete or partial transactions indicated to be related to money laundering, terrorist financing, and other associated crimes regulated under the AML

[528] Pusat Pelaporan dan Analisis Transaksi Keuangan, "Keputusan Kepala PPATK Tentang Pedoman Identifikasi Transaksi Keuangan Mencurigakan Terkait Pendanaan Terorisme Bagi Penyedia Jasa Keuangan," Pub. L. No. KEP-13/1.02.2/PPATK/02/08, 1 (2008), 1.
[529] Pusat Pelaporan dan Analisis Transaksi Keuangan, "Peraturan Kepala PPATK Tentang Tata Cara Penyampaian Laporan Transaksi Keuangan Mencurigakan Dan Laporan Transaksi Keuangan Tunai Bagi Penyedia Jasa Keuangan," Pub. L. No. PER-09/1.02.2/ PPATK/09/12, 1 (2012), 4.
[530] Pusat Pelaporan dan Analisis Transaksi Keuangan, 4 – 5.

Law. The termination is conducted for five working days, with a possible extension to 15 working days, as stipulated in the regulation published by the Indonesian FIU.[531] Additionally, the financial service providers may delay financial transactions, for five business days, in circumstances where they identify suspicious financial transactions originating with or accommodating the proceeds of crime.[532]

6.4 Operations and Law Enforcement

This part of the chapter reviews the legal framework of how terrorist financing is examined and investigated by the Financial Intelligence Unit and law enforcement authorities. Chapter 2 discussed operations and law enforcement as parts of CFT policies required by the FATF to be implemented by the respective country members. The information here shows that the Indonesian government adopted those FATF provisional measures to disrupt, deter, and dismantle terrorist financing networks.

CFT measures to enforce legal sanctions on offenders are based on the criminalisation of terrorist financing in law and regulations. Terrorist financing is addressed in the Anti-Terrorism Law and the AML Law, despite the absence of a specific law for countering terrorist financing. However, in Indonesian law, terrorist financing offences appear in Chapter III of the Anti-Terrorism Law that defines terrorist financing offences. Articles 11-13 outline the activities for funding acts of terrorism, the classifications of assets for terrorism, and the intentional acts of assisting and facilitating terrorism. The provisions on the scope of terrorist financing offences were continued in Articles 14-16. Those articles refer to acts of 'inciting others to terrorism,

[531] Pusat Pelaporan dan Analisis Transaksi Keuangan, "Peraturan Kepala PPATK Pelaksanaan Penghentian Sementara Dan Penundaan Transaksi Di Bidang Perbankan, Pasar Modal Dan Asuransi," Pub. L. No. PER-03/1.02.1/PPATK/03/12 tentang, 1 (2012), 4–5.
[532] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 15.

planning and attempting terrorism, and facilitating terrorism outside Indonesia.' The legal definition of terrorist financing is important to enable the authorities to criminalise offences under the law.[533]

To clarify further the law enforcement framework in Indonesia, this part of the chapter describes some important aspects of combatting terrorist financing. Chapter 2 described the essential elements of law enforcement, namely the establishment of the FIU and its operation with law enforcement, the authorities' mandates for law enforcement, the compliance of 'freezing without delay' actions with the UN List of Sanctions, and extradition involving overseas law enforcement agencies. However, according to two primary sources of information on operations and law enforcement in Indonesia (excerpt from the AML Law Number 8 Year 2010 and the 2008 APG Mutual Evaluation Report of Indonesia), Indonesian law supports only two of these mandates, namely the establishment of the FIU and the criminalisation of terrorist financing as crime proceeds to money laundering, covering investigation operations and freezing assets mechanisms.

Let us consider the FIU's collaboration with law enforcement agencies to counter terrorist financing. According to the AML Law Number 8 Year 2010, the Indonesian FIU has several functions as a vanguard organisation in preventing and combating money laundering and terrorist financing, namely monitoring the compliance of financial service providers as reporting parties, examining financial transaction reports and analysing reports indicating money laundering, terrorist financing, and other associated crimes before disseminating the information to law enforcement agencies as preliminary evidence prior to investigations.[534]

The AML Law Number 8 Year 2010 mandates the FIU to lead the implementation of CFT policies through coordination of financial service providers, law enforcement agencies and

[533] APG, "APG 2nd Mutual Evaluation Report on Indonesia," 42 – 44.
[534] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 20 - 23.

other institutions. The AML Law also empowers the FIU to monitor and supervise financial service providers as reporting parties to comply with the AML Law's provisions, including requesting the business providers to file a report regarding suspicious financial transactions by individual customers or organisations. To support the law enforcement agencies, the FIU has the authority to produce financial intelligence reports as preliminary information for investigators to start an investigation on terrorist financing.[535]

A further aspect requiring explanation is the capability of law enforcement agencies to obtain financial information from the FIU and financial service providers. The information request is lodged with the aim of gathering information for terrorist financing investigations. The AML Law mandates law enforcement to conduct investigations, prosecutions and examinations of the terrorist financing offence as a predicate crime to money laundering. Furthermore, during the investigation, Article 71 gives investigators the authority to freeze funds alleged to be crime proceeds from any person who has been reported by the FIU, by other suspects, or by defendants. Financial service providers are requested to execute the freezing order for a maximum of 30 days.[536]

6.5 International Cooperation

The last aspect to note in discussing CFT policies in Indonesia is international cooperation. Previously, Chapter 5 described the evolution of terrorist financing networks during the period 2002 – 2012, including financial flows from terrorist groups within domestic networks and internationally. The information here is relevant to the research because international

[535] Ibid.
[536] Government of Indonesia, “Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 30, 32.

cooperation between Indonesia and other countries is essential for the successful implementation of policies to prevent and disrupt terrorist financing.

International cooperation includes the element of information in the Indonesian legislative framework. The principles of information exchange in the law are adopted from the FATF standards and referred to as “basic principles for information exchange between financial intelligence units for money laundering cases” issues by the Egmont Group.[537]

Referring to the FATF Special Recommendation V, the process of information exchange is conducted between countries on the basis of a treaty or arrangement in relation to criminal or civil enforcement, and administrative investigations, inquiries and proceedings’ concerning strategies to combat terrorist financing, individual terrorist acts and activities of terrorist organisations.[538] In the process of the exchange, FIUs should be able to make a mutually beneficial arrangement or arrange the exchange on the basis of reciprocity’ with procedures agreed by senders and recipients of the information. The information is also relevant to an analysis or investigation process of tracking financial transactions and other data related to money laundering and the persons of interest.[539]

Furthermore, in domestic law, Article 90 of the AML Law outlines two critical aspects of developing international collaboration. First, the FIU should be able to collaborate internationally with other respected international agencies, including foreign FIUs, in terms of requesting, offering and receiving intelligence information both spontaneously or based upon requests. Second, as mentioned earlier, the information exchange arrangement could be

[537] The Egmont group is a group of FIUs that was established as an informal network for enhancing international cooperation in combating money laundering, terrorist financing and other predicate offences.
[538] FATF, “FATF IX Special Recommendations on Terrorist Financing,” *FATF Website,* Paris, 2001, 2.
[539] Egmont Group, “Principles for Information Exchange Between Financial Intelligence Units for Money Laundering Cases,” 2001, 2.

made through an informal or formal arrangement, like a Memorandum of Understanding between requested and requesting parties.[540]

Besides information exchange, international cooperation also covers mutual legal assistance. Article 91 of the AML Law states that the mutual legal assistance plan[541] with other countries is one of the cooperation frameworks that could be possibly undertaken to prevent and combat money laundering, terrorist financing, and other associated crimes. The arrangement could be established if the respective countries had a mutual agreement with Indonesia, which was based on reciprocity.[542]

Conclusion

This chapter documents the adoption of the FATF Recommendations on anti-money laundering and counter financing of terrorism by the Indonesian government during the period 2002 – 2012. Included in this chapter is a description of how the CFT policies have been established in response to the imminent threat of terrorist financing as well as a depiction of aspects that influenced the CFT policies modification and the way policies developed to achieve their intended aims. This review is important as a scene-setter for the discussion in Chapter 12. That chapter will investigate how the government changes and adapts CFT policies, whether in accordance with the international standards only or in response to changes in terrorist financing crime in Indonesia.

[540] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 37.
[541] The mutual legal assistance mechanism in Indonesia is set forth in the Mutual Legal Assistance in Criminal Matters Law 1/2006 (MLAC). Ministry of Law and Human Rights is the designated central authority that leads the procedure of mutual legal assistance matters. The ministry works together with the Attorney General Office to deal with the request or giving assistance to other countries for the purpose of supporting 'a (criminal) investigation, prosecution and examination' in the court proceeding and in aligned with the domestic legislations of the Requested State. Please see: APG, "APG 2nd Mutual Evaluation Report on Indonesia," 176.
[542] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang," 38.

The early establishment of policies for countering terrorist financing began when the FATF included Indonesia as one of six jurisdictions with serious inadequacies in their anti-money laundering regimes. The publication led the Indonesian government to undertake immediate action to improve its strategies to address several primary issues. These included the non-existence of money laundering and terrorist financing as criminal offences, the absence of a financial intelligence unit, shortcomings in customer identification procedures for non-bank financial institutions, and in reporting of suspicious financial transactions. To overcome these limitations, since 2002, the Indonesian government had issued laws and regulations to prevent and combat money laundering. The AML Law Number 8 Year 2010 was the last amendment in the period 2002 – 2012 to support the investigation of money laundering and terrorist financing as a predicate crime to money laundering. Thus, as reflected in the chapter, all discussions of amending CFT policies stemmed from operational pressure from the FATF. The FATF assessment result for Indonesia persuaded the government to formulate and modify CFT policies between 2002 – 2012.

A requirement to comply with the FATF recommendations prompted the Indonesian government to proceed with criminalising terrorist financing. In this chapter, the process of listing terrorism and terrorist financing as criminal offences has been reviewed but limited as predicate crimes to money laundering. The criminalisation of terrorist financing was included both in the Anti-Terrorism Law and the Anti-Money laundering Law; therefore, the investigation of terrorist financing cases has thereafter been referred for the conviction under those laws. During the period of 2002 – 2012, there was no dedicated law for countering terrorist financing.

Lastly, this chapter describes the primary areas of CFT policies, namely the importance of establishing financial regulations and laws in supervising and monitoring financial service providers, the application of operations and law enforcement in investigating terrorist financing and international cooperation. These aspects are crucial to the implementation of CFT policies: the state capabilities to counter the dynamic of terrorist financing networks. Prior to this, the

inadequacies of legislative frameworks had hindered the efforts to disrupt, deter and dismantle terrorist financing networks.

This chapter has attempted to provide a summary of the literature on the implementation of CFT policies in Indonesia for the period 2002 – 2012. The information provided here is relevant to the analysis in Chapter 12. This is particularly the case regarding the adequacy of strategies for criminalising terrorist financing, programs to establish robust policies for financial service providers, capabilities to investigate and prosecute terrorist financiers, and states' capacities for collaborating with counterparts. Implementing a policy, however, is not only about adopting international recommendations into the domestic context. Understanding the impact of the policy on crime is important as well.

Given that in implementing CFT policies in line with FATF Recommendations the context is important, it is necessary to examine the development of crime and strategies in the next period, between 2013 – 2019. The following chapter discusses how terrorist financing networks developed in the next seven years, highlighting what happened after the specific law on Anti-Terrorist Financing was enacted in 2013. Changes in the criminal networks provide essential background in explaining factors and actors involved that influence the variations of terrorist financing.

Chapter 7

Terrorist Financing Networks in Indonesia (2013-2019): Part I

> The financing of terrorism is a sub/terranean universe governed by secrecy, subterfuge, and criminal endeavours; but also a good measure of sophistication and an understanding of the global financial system. It is best described as an octopus with tentacles spreading across vast territories as well as across a wide range of religious, social, economic and political realities.
>
> Nimrod Raphaeli[543]

Introduction

The evolution of terrorist financing continued after 2012. The declaration of ISIS in Southeast Asia inspired some major terrorist groups in Indonesia to pledge their support for the ISIS networks in Syria. In 2014, a radical group called Forum of Islamic Law Activists (Forum Aktivis Syariat Islam, FAKSI) organised programs in several areas outside Jakarta. These programs sought to promote the establishment of an Islamic State. On 16 March 2014, they led a pro-ISIS demonstration, and hundreds of people came to the event to pledge loyalty to the group, promising money, personnel, assistance with propaganda or exposing conspiracies against the success of the establishment of the Islamic State in the world.[544] This new dynamic gave impetus to terrorist groups in Indonesia.

This chapter surveys terrorist financing techniques in the second period covered in this research, between 2013 and 2019, through the lens of seven fundamental case studies during

[543] Raphaeli, "Financing of Terrorism: Sources, Methods, and Channels," 59.
[544] IPAC, "The Evolution of ISIS in Indonesia," 2014, 11 – 12.

this period. Those cases trace how terrorist groups found different ways to raise, move and spend money for terrorism. This examination includes strategies for bombing attacks, supporting jihadists to travel as FTFs, conducting military training, purchasing weapons, using charities as a cover and establishing illegal businesses.

The case studies are presented in the following three chapters:

Chapter 7 analyses the Mujahidin Indonesia Timur (MIT) and the Khatibah Gonggong Rebus (KGR) groups, which shows illicit financial flows generated and channelled to fund operational military training, and to assist terrorist fighters. A specific case of fund-raising is examined within the MIT group, where a group member utilised funding from a government deradicalisation program to support the terrorist group. Another new finding was the KGR group's depositing of funds with the Travel Agency owned by the wife of a terrorist leader in order to pay for FTFs travel to Syria.

Chapter 8 analyses the JAD group, Narco-Terror networks, and the Solo bombing attack. These case studies exemplify multiple new tactics to raise funds through Non-Profit Organisations, social media and new payment methods, as well as spending by terrorist groups on the narcotics business and on operations and management. The JAD group focused on making money to provide rewards and incentives for terrorists' families, including health and education insurance, business loans, propaganda programs, and other activities.

Chapter 9 examines the Adi Jihadi group and FTFs networks. The Adi Jihadi group is an example of a group with additional funding resources, including money from the internal network like a terrorist inmate and international support from ISIS members. Besides spending on violent operations, the group used money to assist FTFs travelling to Syria, to smuggle weapons, and for military training. Furthermore, the financial structures of FTFs expand the analysis of terrorist financing by presenting ways of obtaining funds from a combination of

resources, including self-funding and friends' networks, and strategies to use money to send FTFs to Syria and the Southern Philippines.

This chapter provides information from various resources to contribute to the understanding of the evolution of terrorist financing networks in the second period of 2013 – 2019, described diagrammatically as follows:

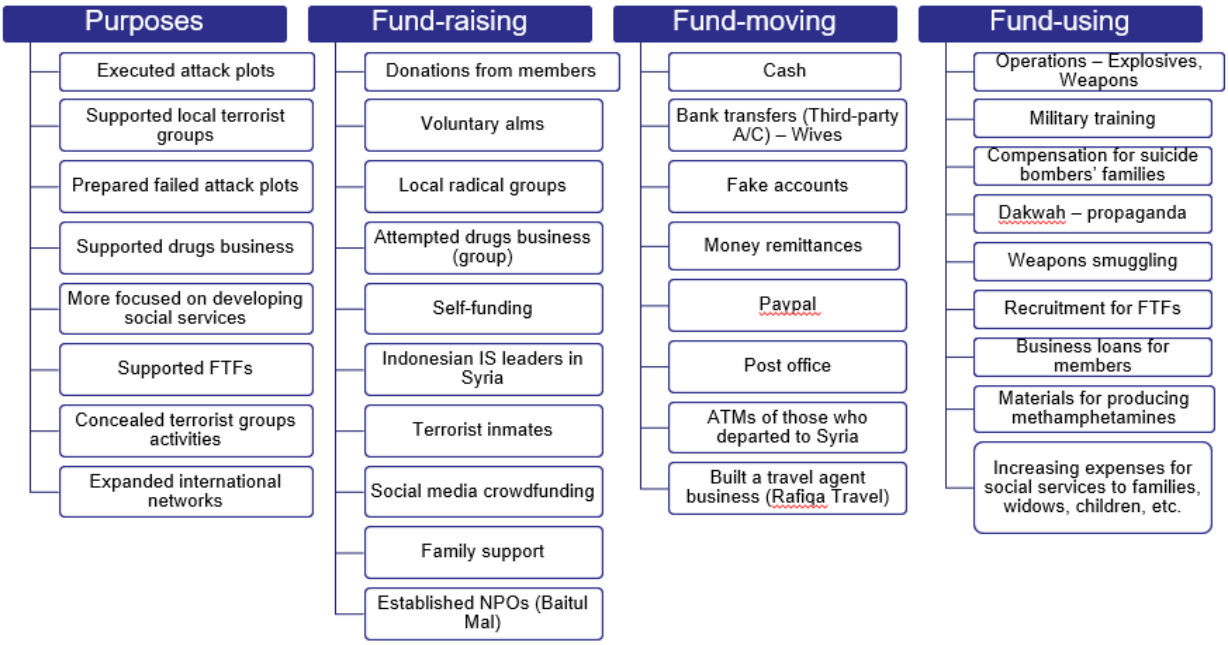

Figure 7.14 Summary of Terrorist Financing Patterns Between 2013-2019

(Source: Multiple Sources)

The analysis of terrorist financing networks is important as background information to investigate factors influencing the development of CFT policies and the evaluation of the success or otherwise of the policies. The success or otherwise of CFT policies can be explained from the perspective of how the policy has actually impacted the crime characteristics.

7.1 Case Study 6: Mujahidin Indonesia Timur (MIT) Group

7.1.1 The History of the MIT Group

Most of the violence in Indonesia during the period from 2000 to 2010 was caused by two major terrorist groups, namely the Mujahidin of Eastern Indonesia (Mujahidin Indonesia Timur, MIT), based in Poso, Central Sulawesi, and the Mujahidin of Western Indonesia (Mujahidin Indonesia Barat, MIB), based in greater Jakarta and West Java. They were informally linked with Islamic insurgency, and the MIT group remained active until the death of its leader Santoso, alias Abu Wardah, in July 2016. The MIT group's aim was to uphold sharia law and Islamic governance in Indonesia. Santoso and the MIT followers rejected the nationalist ideology of Pancasila. They targeted those who refused to support the group, including the police, the government, and religious minorities of Christians and Buddhists. It is here that the church bombings fit in.[545]

The plan for Poso to be a new military base began in 2009. There were three leaders, ex-JI and former prisoners: Yasin and Latif, religious teachers (ustad), and Santoso. Before becoming commander of the movement in Poso, Santoso headed the military division. In 2010, the JAT group provided money not only for the Aceh camp but also for Poso as a new location for militant training. It was easy to whip up anti-government sentiment and to persuade locals to support the group. Therefore, all jihadist groups around the country gave resources, including money, arms, and personnel, to support the establishment of MIT networks in Poso. The MIT group attracted support from North Sumatra, South Sulawesi, East Kalimantan, Nusa Tenggara Barat, and Java.[546]

[545] Kirsten E Schulze, "The Surabaya Bombings and the Evolution of the Jihadi Threat in Indonesia," New York, 2018, 2.
[546] Sidney Jones and Sidney Solahudin, "Terrorism in Indonesia: A Fading Threat?," *Source: Southeast Asian Affairs*, 2014, 140 – 141.

The following surveys funding strategies of the MIT-Poso based group, which was run by five prominent actors, including Jumiatun (alias Umi Delima), the wife of Santoso, Rosmawati, Hendro Fernando, Khoirudin and Wahyudin (alias Iron). Those people contributed to the group's efforts to raise money, managing friend-to-friend networks to hand over the money, and using the money to equip military training.

7.1.2 The Funding Strategies of the MIT-Poso-Based Group

The following describes the financial profiles of two women members of the MIT-Poso group and three other members, namely Wahyudin, Hendro Fernando, and Khoirudin. The financial activities of Jumiatun and Rosmawati are a simple variation of funding methods. For instance, Rosmawati mainly conducted transactions in cash and via bank transfers for living expenses, to organise a gathering for terrorist prisoners' wives and widows, and to support colleagues and terrorist groups. The more sophisticated funding methods in the financial records of Wahyudin, Hendro Fernando and Khoirudin show they were involved in international transactions through a money remittance business, Western Union. Furthermore, Wahyudin started to use a fake bank account for financial transactions for organisational and operational purposes. Overall, the money was used for financing travel to Syria, military training in Poso and purchasing weapons from the Philippines.

The first cases involving Jumiatun and Rosmawati show how women facilitated the work of their husbands in the MIT group. Jumiatun was arrested in July 2016, a few days after the death of her husband, Santoso, the commander of the MIT-Poso group. She was arrested for following her husband's ideology and supporting the terrorist group. She was involved in

several military training camps, transporting cash, weapons and explosives, plotting attacks, as well as being a witness to murders of three people by the group's members.[547]

Another woman who contributed to the MIT-Poso group, especially by moving the funds to the end-users, was Rosmawati. She was arrested at the beginning of 2015 by the Indonesian police. Her actions commenced after she married Hasan Zahabi, who pledged his allegiance to the MIT Poso group. Hasan used Rosmawati as an intermediary for transferring money between group members.[548] Two moving techniques were applied by Rosmawati and Hasan, including cash and bank transfers.

The first technique involved receiving cash from Hasan before Rosmawati deposited the money directly at the local bank counter. This occurred twice between 2014 to 2015. In November 2014, Hasan gave IDR20,000,000 in cash to Rosmawati. Rosmawati asked her husband about the sender, but instead of telling Rosmawati about the sender, Hasan mentioned that the money was from selling his parents' house in Gorontalo. After receiving the money, Rosmawati was ordered to deposit and electronically transfer it to Hasan's colleague at another local bank. She acquired another sum of money from her husband when Hasan obtained IDR30,000,000 on 8 January 2015 from a deradicalisation program conducted by the National Counter-Terrorism Agency. He shared the funds with his family and used a small amount for personal expenses. However, he saved IDR23,000,000 in cash.[549]

The second technique shows that Rosmawati had the funds directly transferred to her account before dispensing the money to the networks. There were four incoming transfers in Rosmawati's account with details as follows:[550]

[547] Indonesian National Police, "Case Interview Report on Behalf of Jumiatun Alias Ipa Alias Lahifa Alias Askia Alias Bunga Alias Umi Delima Alias Nona Manis," Jakarta, 2016.
[548] Indonesian National Police, "Case Interview Report on Behalf of Rosmawati Alias Ros Alias Umi Yazid," Jakarta, 2015, 1 - 2,4.
[549] Indonesian National Police, "Case Interview Report on Behalf of Rosmawati Alias Ros Alias Umi Yazid," 10,12.
[550] Ibid.

Time Period	Amount (IDR)	Remarks
Beginning of December 2014	9,000,000	The sender was unknown.
In the middle of December 2014	2,000,000	The sender was possibly another group member. Later, the money was withdrawn in cash.
8 January 2015	9,000,000	The sender was Hasan's colleague. One day later, Rosma withdrew IDR5,000,000 in cash and handed it over to Bunga Desa (terrorist's wife). She also transferred IDR1,600,000 to ARDIN.

Table 7.6 Incoming Funds Received by Rosma

According to the interview case report, Rosmawati admitted that most outgoing transactions were in cash through ATMs. Most of the funds were passed on to other terrorist colleagues of Hasan. Rosmawati also used the money for living expenses, and a small amount of money had been spent on a gathering for terrorist prisoners' wives and widows.[551] Jumiatun and Rosmawati played a significant role as local money and logistic couriers for the MIT Poso group.

[551] Indonesian National Police, “Case Interview Report on Behalf of Rosmawati Alias Ros Alias Umi Yazid.”

Three other members of the MIT-Poso based group, Wahyudin, Hendro Fernando, and Khoirudin, not only worked supporting logistics but also connected the networks between Indonesia and the Philippines. These three played essential roles in group operations, including purchasing weapons and setting up military training.

The first member is Wahyudin, who was a weapons courier for Santoso from the Philippines to Indonesia. Santoso paid his accommodation and transportation costs to travel to the Philippines via Sulawesi in November 2014. Wahyudin was responsible for carrying seven weapons (types included M16, MK3, and FN45), hundreds of rounds of ammunition for the weapons and two grenades. Santoso also used Wahyudin's bank accounts for financial transactions for the MIT group. The first bank account was in Wahyudi's real name, and another was under his pseudonym, Habibi Muhammad.

The bank statement of Wahyudin (**Appendix 6)** showed incoming funds received 13 times in the period between 27 October 2014 and 18 June 2015. The value of transactions ranged from IDR150,000 to IDR5,000,000 with a total of IDR15,750,000. Of those incoming transfers, it is clear that two members of the MIT group sent IDR14,600,000, and a terrorist prisoner deposited IDR150,000 to Wahyudin. Wahyudin then withdrew most of the funds in cash from both ATMs and teller counters. According to his testimony, Wahyudin acknowledged using IDR1,050,000 to buy mobile phones, IDR1,300,000 for travelling to the Philippines, and IDR1,100,000 for room rentals. The financial record also shows that he sent IDR21,150,000 through Western Union money remittance service to Raida A. Alsree, a terrorist colleague based in Southern Philippines.[552]

As mentioned above, Wahyudin created another account using his pseudonym, Habibi Muhammad. The following explanation refers to the account statement under Habibi

[552] East Jakarta District Court, "Court Conviction No. 1256/Pid.Sus/2015/PN.Jkt.Tim on Behalf of Wahyudin Alias Iron Alias Faisal Alias Ulama Alias Baeruni Alias Wahdin Alias Habibi Muhammad Alias Iqbal Idris Alias Wawan," Jakarta, 2016, 65 – 67.

Muhammad's name, as reported in **Appendix 7.** From 12 March 2015 to 2 June 2015, the account shows 16 incoming and 25 outgoing transactions. The total funds received was IDR116,805,000. The information revealed that a member of the MIT group transferred a significant amount, IDR86,500,000, to Habibi Muhammad.

Habibi Muhammad's account demonstrates the use of money from cash withdrawals at teller counters and from ATMs. Those funds were spent on travel expenses to the Philippines and for daily living expenses. IDR65,000,000, a significant sum, was sent to Raida A. Alsree in the Philippines by Western Union money remittance service. Outgoing transfers went to some persons of interest who later were identified as terrorists' wives and members of the MIT group.[553]

Hendro Fernando, another prominent member of the MIT Poso group, strongly supported Santoso by sending group members to join the IS group in Syria, managing logistics for the group, and acting as a communicator and intermediary for weapons trade between Indonesia and the Philippines. Hendro had a direct link with Bahrumsyah (alias Abu Ibrohim), an Indonesian who flew to Syria and was killed in 2017.[554] Bahrumsyah was appointed as the leader of Katibah Nusantara, a pro-IS group that covered the Southeast Asia region and recruited Indonesians to join the IS group.

In the first role, the testimony about Hendro Fernando provided in the court reveals that the money obtained by Hendro Fernando was from Bahrumsyah to pay for the accommodation of foreign fighters who travelled to Syria. In June 2015, Bahrumsyah requested someone who was based in Jordan to send IDR80,000,000 to Hendro Fernando using Western Union, an international money remittance service. Bahrumsyah had already explained the purpose of the

[553] East Jakarta District Court, "Court Conviction No. 1256/Pid.Sus/2015/PN.Jkt.Tim on Behalf of Wahyudin Alias Iron Alias Faisal Alias Ulama Alias Baeruni Alias Wahdin Alias Habibi Muhammad Alias Iqbal Idris Alias Wawan," 67 – 70.
[554] Francis Chan, "Indonesian Militant Bahrumsyah Killed in Syria," *The Straits Times*, March 14, 2017, https://www.straitstimes.com/asia/se-asia/indonesian-militant-bahrumsyah-killed-in-syria.

fund transfer to Hendro Fernando. After receiving the funds, Hendro Fernando withdrew them in cash which he deposited in his local bank account. Further investigation also showed how he used the money, which was mainly to pay for the travel of four Indonesian fighters to Syria, namely Irham Fuadin (alias Izzi), Irham's wife and Sandi Ma'aruf (alias Encang) and Gana. From June 2015 onwards, Hendro Fernando arranged to pay the expenses of those four fighters, including visas, airline tickets, and hotels. Hendro arranged the purchase of the tickets from a local travel agency, Laena Tour and Travel. Besides paying for accommodation, Hendro Fernando also gave personal allowances to the fighters, of approximately IDR10,000,000 and IDR20,000,000.[555]

The court document also notes Hendro Fernando's role in assisting with transport to Poso on the orders of Bahrumsyah and Brekele (alias Abu Hataf), another terrorist prisoner, by using Telegram (a social media messaging platform). From October 2015 to November 2015, Hendro Fernando had started the delivery to Palu. In 2015, as shown in **Appendix 8**, Hendro Fernando purchased essential equipment for military training in Poso, including headlamps, tents, handy talky units, GPS, tailored military uniforms, and ammunition.[556]

Thirdly, besides paying for the travel of FTFs to Syria and purchasing training equipment for the MIT Poso group, Hendro Fernando managed money remittances between Indonesia and the Philippines to buy weapons and ammunition, as instructed by Bahrumsyah and Brekele. He admitted that Bahrumsyah provided up to IDR100,000,000.[557] However, the court document only recorded two incoming transfers from overseas received by Hendro Fernando

[555] Indonesian National Police, "Case Interview Report on Behalf of Hendro Fernando Alias Jhon Timur Alias Edo Alias Marcel Alias Abu Jaisyii," Jakarta, 2016, 6.
[556] Indonesian National Police, "Case Interview Report on Behalf of Hendro Fernando Alias Jhon Timur Alias Edo Alias Marcel Alias Abu Jaisyii," 7 – 9.
[557] Ibid.

through Western Union. Below is the transaction l that shows the incoming funds from overseas:[558]

Sender	Date of Transaction	Country	Amount (US$)	Amount (IDR)
Faten Saleh Khalaf (DOB: 5 March 1967)	11th August 2015	Iraq (Jamela Baghdad)	2,450	33,131,400
Noor Ghanim Mohamed (DOB: 28 March 1987)	2 September 2015	Jordan (Amman)	1,412.25	19,925,400

Table 7.7 International Incoming Transfers Received by Hendro Fernando

After receiving the funds, Hendro Fernando arranged the distribution of outgoing remittances to networks in the Philippines, as shown in **Appendix 9**. Ten outgoing transactions were sent from Indonesia through Western Union services to four receivers in Southern Philippines, namely Nhor A Maguid, Raida Halipa, Munarassana A Muchtar, Yasser C Baharan, and Mr. Paz Gonzalez. The investigation of those people proved the linkages between them and Hendro Fernando were related to terrorist networks and weapon acquisition:[559]

Finally, the last person who played an essential role within the MIT Poso group was Khoirudin, a financial manager for an Islamic boarding school named Salamatul Qolbi. Khoirudin was the local JAT leader in Sukorejo – Central Java. He acted as an intermediary person and sent funds through Hendro Fernando's wife, Nurul Kholisah. Khoirudin received cash from Ustad

[558] East Jakarta District Court, "Court Conviction No. 732/Pid. Sus/2016/PN.Jkt.Tim on Behalf of Hendro Fernando Alias Jhon Timur Alias Edo Alias Marcel Alias Abu Jaisyii," Jakarta, 2016, 55.
[559] East Jakarta District Court,"Court Conviction No. 732/Pid. Sus/2016/PN.Jkt.Tim on Behalf of Hendro Fernando Alias Jhon Timur Alias Edo Alias Marcel Alias Abu Jaisyii," 56.

Rofiq, another JAT networks leader based in Central Java. Afterwards, Khoirudin deposited the money in cash directly through the bank's teller. He also opened a bank account to facilitate the fund transfer to Hendro Fernando. Between 2015 and 2016, Khoirudin transferred funds on six occasions to Hendro Fernando, Nurul Kholisah – Hendro's wife, and two other terrorists, Abdurrahman Hamidan Ahmad and Ali Hamka, as demonstrated in **Appendix 10**.[560]

The findings from this first case study are that the MIT Poso group acquired money not only from domestic networks and local terrorist prisoners, but the group also started to receive funds from overseas from Indonesian pro-ISIS leaders living in Syria and the other ISIS colleagues based in Jordan and Iraq. In terms of moving the funds, In addition to conventional money transfers and cash withdrawals, the case study also shows the creation of a fake bank account and the use of the money remittance sector as an alternative for transferring money. Lastly, the group used funds mainly for operational purposes, including accommodation, transportation, travel expenses, weapons acquisition, and military training.

[560] Indonesian National Police, "Case Interview Report on Behalf of Muhammad Khoirudin Alias Khoir Alias Udin Alias Abu Kamila," Jakarta, 2017, 11 – 15.

The financial flow of the MIT-Poso based group is shown in the below chart:

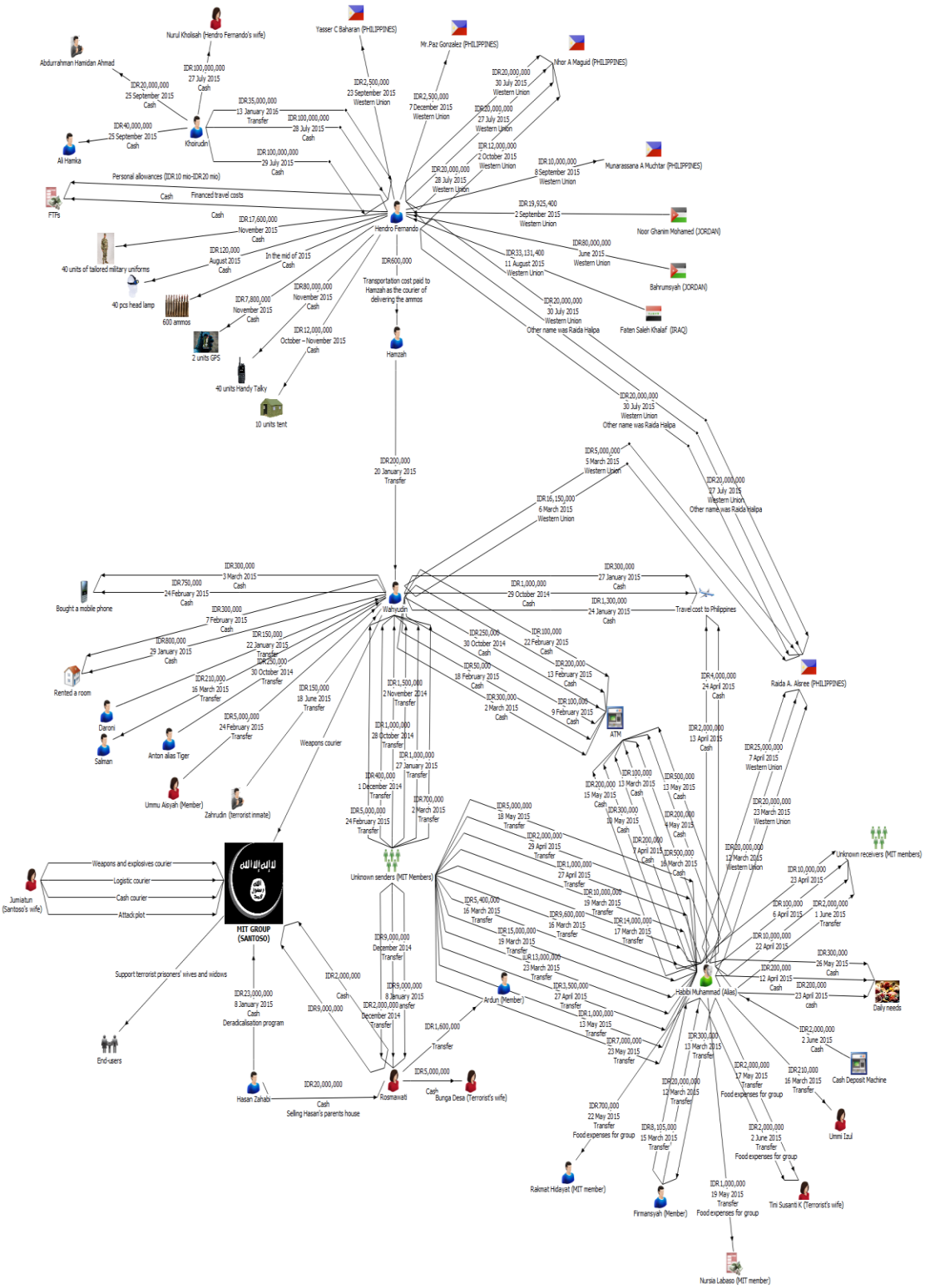

Figure 7.15 The MIT Group's Financial Flows

(Source: Multiple Resources Summarised by the Author)

7.2 Case Study 7: The Khatibah Gonggong Rebus (KGR) Group

7.2.1 The Establishment of the KGR Group

The second case study features a terrorist group that existed between 2015-2016 known as the Khatibah Gonggong Rebus (KGR) group, led by Gigih Rahmat Dewa (Gigih). The Indonesian National Police foiled its plot to launch a bomb rocket from Batam Island (Indonesia) to Marina Bay (Singapore). The six militant members of the group were convicted and sentenced to between three and four years in prison because of the attack plan and other suspected terrorist activities.[561]

Gigih, the leader, admitted his strong connection with Muhammad Bahrunnaim Anggih Tamtomo (Bahrun Naim), an Indonesian jihadist who joined ISIS, lived in Syria and became the leader of Southeast Asia terrorist group. In 2000, Gigih first met Bahrun Naim, his mentor, in his high school's Muslim group in Solo. Communication between them continued until he joined a messaging group on Telegram called "Kopi Hitam." The group mainly discussed Bahrun Naim's struggle in establishing an Islamic state and posted instructions for crafting explosives. Gigih created a local radical group in Batam named Khatibah Gonggong Rebus (KGH) or Anshar Daulah Batam. The group pledged its allegiance and swore an oath to the Islamic State group in 2015.[562]

To develop his group, Gigih then called on a number of skilled colleagues to join the KGR group, including Trio Syafrido, who worked in the financial industry, Hadi Gusti Yanda, who worked in a computer manufacturing company, as well as Eka Saputra and Tarmidzi, two other young men who worked at an electronic manufacturing company.[563] In the beginning, the KGR

[561] Arlina Arshad and Lee Seok Hwai, “Indonesian Police Foil Rocket Attack Plot on Marina Bay; Singapore Steps up Security,” *The Strait Times*, August 10, 2016, https://www.straitstimes.com/asia/se-asia/indonesian-police-arrest-six-batam-militants.
[562] Indonesian National Police, “Case Interview Report on Behalf of Gigih Rahmat Dewa,” Jakarta, 2016, 4 – 5.
[563] V. Arianti, “The IT Jihadist in Batam: Gigih Rahmat Dewa,” *Counter Terrorist Trends and Analyses* 8, no. 11 (2016): 11 – 12, https://doi.org/10.2307/26351467.

group aimed to be a meeting place for members supporting the group mission and facilitating other fighters who would transit in Singapore. Gigih was the chair of the KGR group and the only communicator with Bahrun Naim. He then appointed Hadi Gusti Yanda as financial manager, and he managed the members' voluntary contributions; Trio Syafrido[564] as the fund-raising manager and field coordinator; and Abisya as the recruitment director. Rizky, Eka Saputra, and Tarmizi were group members. The members used the Telegram messenger platform as their communication channel using different identities, including ONGOL2.[565]

This case study examines how the KGR group raised, moved and spent funds. Gigih played four essential roles in advancing the group's terrorist mission to terrorism. First, Bahrun Naim asked him to smuggle two Uyghur group members from Xin Jiang, China, with the support of ISIS networks based in Malaysia. Second, Gigih acknowledged receiving $3,900 from Turkey through Western Union, a money remittance service, and withdrew the money in cash from the Indonesian Post Office branch in Batam. He planned to use it to assist the East Turkistan Islamic Movement (ETIM) in the Batam region. Third, Gigih helped jihadists planning to travel to Syria by establishing military training and managing their departure through Rafiqa Travel, a travel agency owned by Bahrun Naim and his wife Rafiqa Hanum. Last, Gigih was the

[564] In the court proceeding, Trio Syafrido confessed that he joined the KGR group in September 2015 as a facilitator for terrorist fighters who would join the ISIS group in Syria by providing transit shelter, managing forged travel documents, accommodating foreign terrorist fighters who intended to join the local terrorist group led by Santoso in Poso, establishing a travel agent business to organise the travel of terrorist fighters, building a paintball game business the profits of which would be used for the group, proposing the creation of Baitul Mal Wal Tamlik, an informal community-based microfinance which compounds economic and Islamic approaches by offering financial services to impoverished people, conducting cyber crime including hacking Paypal accounts, periodically donating his money to Infaq Dakwah Center, a religious foundation which supports the family of terrorist prisoners , and also involvement in a plan to launch a bomb attack on Marina Bay Sands Singapore. He also acknowledged his role in assisting the two Uyghurs to enter the Batam region including spending IDR500,000 to fetch them and paying IDR60,000 for the electricity bill of their rented house. Please see: Indonesian National Police, “Case Interview Report on Behalf of Trio Syafrido,” Jakarta, 2016, 10 – 11. The testimony was also confirmed by Tarmizi, another member of the KGR group. He particularly acknowledged the establishment of Rafika Tour and Anusa Trip as their new sources of income and the creation of Baitul Mal Wal Tamlik as a follow up to Bahrun Naim’s request. Please see: East Jakarta District Court, “Court Conviction No. 67/Pid.Sus /2017/PN.Jkt.Tim on Behalf of Tarmizi Alias Ibnu Sidimpuani Alias Harimau Sumatera Alias Sambal Jengkol,” Jakarta, 2017, 19.

[565] Indonesian National Police, “Case Interview Report on Behalf of Gigih Rahmat Dewa,” 4 – 5.

mastermind of targeting Marina Bay Sands Singapore for a bomb attack as a pledge of support for Bahrun Naim in expanding terrorism in the region.[566]

7.2.2 The KGR Group's Contribution to Terrorism

According to court documents and media accounts, there were three primary roles for the KGR group for terrorism purposes. The first was the smuggling of two Uyghurs from Xin Jiang, China. This began on 21 September 2015 when Bahrun Naim, through his Telegram account (@wongjowo_tur islam or @aburayyan), made contact with Gigih through his account (@kudanil). He ordered Gigih to accommodate the arrival of Doni Sanjaya (alias Muhamad, alias Halide Tuerxun, and alias Abulizi Simayi) and Ali (alias Fariz Kusuma, alias Nur Mehmet Abdulla Cuma, and alias Aziman Donier). Those two Uyghurs were then to depart for Poso and join the local terrorist group there. Before arriving in Batam, on 24 September 2015, Gigih contacted his Malaysian colleague, Abu Hanifah Al Arkhabiliy, using his Facebook account, Mamas Kudanil. He planned to send the two Uyghurs first to Malaysia to transit before coming to Indonesia.[567]

All members of the KGR group were involved in the Uyghur mission. At the end of September 2015, Gigih paid IDR12,000,000 to Tekong, a friend in Malaysia, for successfully bringing in the two Uyghurs who arrived in Johor Bahru, Malaysia. Gigih was a communicator between Batam members, Malaysians, Tekong, and Turkistan jihadists involved in planning the smuggling of the Uyghurs. Gigih also provided funds and conducted transactions with Tekong. Hadi Gusti Yanda, Rizky, and Abisya identified the two Uyghurs and protected them. Tri Syafrido fetched the two Uyghurs and moved them from a shelter to another place. Eka

[566] Indonesian National Police, “Case Interview Report on Behalf of Gigih Rahmat Dewa,” 2.
[567] Indonesian National Police, “Case Interview Report on Behalf of Gigih Rahmat Dewa,” 5 – 8.

Saputra and Tarmizi used his house in Botania II Batam Center as a shelter for the two Uyghurs.[568]

The funding used for the Uyghur mission was from persons of interest based in Turkey. Gigih admitted that he received USD3,900 from Turkey through Western Union. He withdrew the money in cash at the local post office, PT POS INDONESIA branch MUKA KUNING Kawasan Industri BATAMINDO Industrial Park (BIP) Batam. Below are the transaction details:[569]

Senders	Address	Date of Transaction	Country	Amount (USD)
Cumahan Ulucay	Fevzicakmak Mah	09-October-2015	Turkey, Istanbul	2,000
Hasan Abdurahman	Kartaltepe Mah Gecit Sk No 16 1 Kucuk	12-October-2015	Turkey, Istanbul	1,900

Table 7.8 Incoming Funds from Turkey

After receiving the money in cash, Gigih handed over USD1,900 to Dony and USD2,000 to Ali, other persons-of-interest linked with the KGR group. At the end of October 2015, Bahrun Naim discussed with Gigih on the Telegram platform Dony and Ali's departure to Jakarta to join a terrorist group led by Arif Hidayatulloh (alias Abu Mushab). Ali travelled to Jakarta. The investigation also revealed the role of a local terrorist group led by at cost of Arif Hidayatulloh (alias Abu Mushab) in assisting the Uyghurs by creating their false identities at the cost of IDR1,200,000.[570]

[568] Indonesian National Police, “Case Interview Report on Behalf of Gigih Rahmat Dewa,” 9–10.
[569] Ibid.
[570] Indonesian National Police, “Case Interview Report on Behalf of Gigih Rahmat Dewa,” 14.

The second role of the KGR group was to support jihadists. Firstly, the group set up a transit house in Batam for those who wanted to go to Syria through the Singapore route. Secondly, they facilitated passport stamps in Singapore and Malaysia, and finally, the group also mediated the communication between jihadists in Turkey and Syria. From September 2015 to April 2016, the group coordinated the departure of four terrorist fighters who had transited through Singapore and Malaysia before arriving in Turkey and Syria. The group deposited IDR27,000,000 as the payment for airline tickets to Rafiqa Travel, a travel agent owned by Bahrun Naim's wife and managed by the KGR group.[571]

Finally, the KGR group was investigated for planning to launch a bomb rocket from Batam to Marina Bay Sands Singapore. The preparation started on 23 October 2015, including the setting up of military training in Nongsa Forest (Batam) as a compulsory course for members.[572] However, in August 2016, the Indonesian National Police found the bomb-making materials and arrested Gigih and his colleagues.[573]

7.2.3 The KGR Group Linked With Arif Hidayatulloh

The KGR group was not only connected with the Bahrun Naim network in Syria but also with a local group based in Jakarta, which was connected to Bahrun Naim and which was led by Arif Hidayatulloh (Arif). The following explains to linkages between the KGR group and Arif's group. In connection with the KGR group, Arif was involved in helping hide the Batam group, including Ali, the Uyghur man, in Jakarta. The financial evidence tracked several transactions involving Arif where he assisted Andika, Nurrohman, Ali, and Sumardi in renting a house in

[571] Indonesian National Police, "Case Interview Report on Behalf of Gigih Rahmat Dewa," 14–16.
[572] Indonesian National Police, "Case Interview Report on Behalf of Gigih Rahmat Dewa," 17.
[573] Kanupriya Kapoor, "Police Find Bomb-Making Materials for Alleged Singapore Attack - Reuters," *Reuters*, August 6, 2016, https://www.reuters.com/article/us-indonesia-security-singapore/police-find-bomb-making-materials-for-alleged-singapore-attack-idUSKCN10H04L.

Bogor. Arif received IDR700,000 from Bahrun Naim to buy an airline ticket for Ali. The money was sent to Arif's stepchild's account before he withdrew the funds in cash from an ATM.[574]

Ali also contributed IDR21,000,000 to Arif for operations, including the rental payment, living expenses and communication costs. **Table 7.9** provides the transaction details of Arif Hidayatulloh's expenditure:[575]

Expenditures	Amount (IDR)
Food expenses	1,500,000
House rent for 4 (four) days	1,500,000
Personal to Arif Hidayatulloh	500,000
House rent in Bekasi	3,000,000
A bond payment of the house in Bekasi	3,000,000
Food expenses for 2 (two) months	6,000,000
Electricity bill	1,000,000
Household items	1,000,000
Clothes for Faris alias Ali	300,000

[574] Indonesian National Police, "Case Resume of Nur Muhammet Abdulla Alias Faris Abdulla Cuma Alias Faris Kusuma Alias Ali," Jakarta, 2015, 4–6.
[575] East Jakarta District Court, "Court Conviction No. 548/Pid.Sus/2016/PN.Jkt.Tim on Behalf of Arif Hidayatulloh Bin Soekarno Alias Abu Musha'b," Jakarta, 2016, 5, 7 - 8; East Jakarta District Court, "Court Conviction No. 621/Pid.Sus/2016/PN.Jkt.Tim on Behalf of Nur Muhammet Abdullah Alias Faris Abdulla Cuma Alias Faris Kusuma Alias Ali," Jakarta, 2016, 18.

Expenditures	Amount (IDR)
Watch and Koran for Faris alias Ali	300,000
Handphone for Andika	300,000

Table 7.9 Arif Hidayatulloh's Expenditure.

Besides assisting in Alis's escape, Arif also played an important role in accommodating five fighters who travelled to Syria. Between October and December 2015, he received IDR90,000,000 in his account from someone called Agung Rahmadi. This transaction was by order of Bahrun Naim. Arif paid the money to a travel agent, PT. Adia Tour. Furthermore, he arranged visa applications through a website (www.evisa.com) by using a credit card that belonged to Rafiqa Hanum, the wife of Bahrun Naim. He also booked a hotel for the group by using Rafiqa Travel's account through a website www.via.com. Thus, at the end of December 2015, Arif enabled five people to travel to Syria to join ISIS.[576]

This case study has examined funding techniques used by the KGR group that contributed to terrorism. Most of the group's came from Bahrun Naim and Arif Hidayatulloh group. The money transfer was through a money remittance business, the post office, third party accounts, a travel agent, and also the use of a third party credit card account. In the end, the KGR group spent the funds for operations such as assisting terrorist fighters and planning a bomb rocket launch. The operational costs included payments for travel, including tickets and house rental, organising visa documents, ordering forged identity documents and financing communication charges.

[576] Indonesian National Police, "Case Resume of Nur Muhammet Abdulla Alias Faris Abdulla Cuma Alias Faris Kusuma Alias Ali," 9 – 11.

The movement of the KGR group's money is reflected in the figure below:

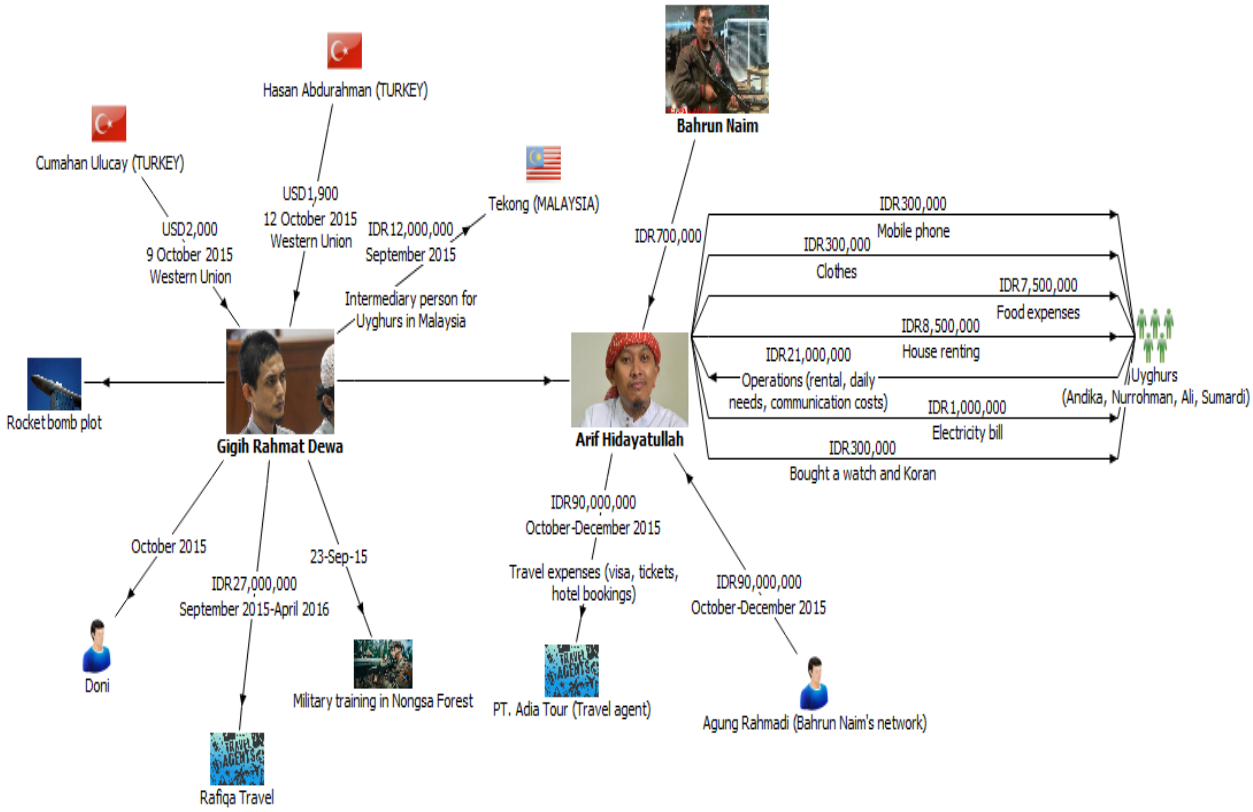

Figure 7.16 The Fund Management of the KGR Group

(Source: Multiple Resources Summarised by the Author)

Conclusion

The case studies discussed so far exemplify: improved fund-raising, new strategies of moving the money and innovations of using the funds. The analysis of the MIT group and the KGR group shows that the organisations strongly focused on building organisational capabilities with less attention in plotting violent attacks. The two groups recognised that the purpose of raising funds was to support the organisation in military training, the purchase and smuggling of weapons and ammunition, supporting jihadists' travel, and ensuring the welfare of terrorists'

wives and group members. The KGR group had planned to launch a bomb rocket from Batam to Marina Bay Sands Singapore. The military training and explosives were already prepared, but the police foiled the plot. However, before they executed the plan, the Indonesian National Police successfully detected Gigih's activities and arrested him along with seizing the explosives in August 2016.

To achieve their missions, terrorist groups adapted legitimate fund-raising techniques rather than using illegal ones. First, both the MIT and KGR groups used domestic and international networks to finance their organisations. Domestic networks included internal fund-raising strategies among members, money linked with local terrorist groups, and funds from non-profit organisations. Funds were sent by Indonesian pro-ISIS leaders based in Syria, like Bahrumsyah and Bahrun Naim. These two leaders transferred funds to Indonesia through their hubs in Jordan, Turkey, and Iraq to assist the MIT and KGR groups. Second, two ways of moving the funds were identified. The two groups still used cash, bank transfer and money remittances for sending the money to the end-users. Using friend-to-friend networks and fake identities were the preferred strategies of both groups in conducting financial transactions.

Furthermore, as mentioned earlier, funds were dispensed to group members to finance jihadists' travel, including assisting Uyghurs to join a local terrorist group in Indonesia and preparing Indonesian terrorist groups fighters to depart for Syria. The preparation comprised the arrangements of visa applications, passports, accommodation, and airline tickets. The purchase of airline tickets was made through a particular travel agent owned by a terrorist's wife, Rafiqa Hanum. Besides funding for jihadists, a significant amount of money was also dedicated to setting up military training, crafting bombs, and transporting logistics, weapons, and ammunition. The preparation included explosive materials, military uniforms, equipment, and travel to Southern Philippines.

To conclude, the cases of the MIT group and the KGR group are important to the overall discussion on how terrorist financing networks developed after 2012, as indicated earlier in this thesis. The examination of those two cases deepens the understanding of terrorist financing strategies in Chapter 5 and represents a significant breakthrough in the way they used the money for operations and organisation. A noteworthy observation is that more money was used to develop the organisation than to prepare a large scale attack. In the following chapter, I discuss the development of terrorist financing networks from 2013 onwards. Chapter 8 highlights the improvement of terrorist financing strategies by the JAD group, Narco-terror networks and the Solo bombing attack linkages. The review of those groups is essential to the analysis in Chapter 12, which clarifies how effectively the CFT policies have been formulated to address terrorist financing networks in Indonesia.

Chapter 8

Terrorist Financing Networks in Indonesia (2013-2019): Part II

> Given the constant need for a ready supply of cash, weaponry, ammunition and other essential resources, modern terrorist groups turn to various financing activities which can fall into three categories: criminal activities, donations, and legitimate business.
>
> Jae-myong Koh[577]

Introduction

The previous chapter discussed two terrorist networks, the MIT group and the KGR group, in the period between 2013 and 2016, including the range of terrorist financing strategies for raising, moving, and using the funds. It also considered the use of financial resources primarily to support military training and equipping the militants with weapons and ammunition. Small sums of money were also spent on jihadists' travel to Syria and on support for terrorists' wives and group members. The chapter also found that money was used to prepare the launch of a rocket bomb from Batam to Marina Bay, Singapore.

This chapter offers an overview of three terrorist networks that existed between 2016 and 2017, including the JAD group, Narco-terror networks and the Solo bombing attack syndicate. The chapter analyses the terrorists' fund-raising, distribution of money and the spending of it. By examining financial structures of those three terrorist networks, this chapter identifies additional terrorist financing methods. The analysis clarifies the establishment of NPOs as the front cover for the JAD group, the use of social media in conducting crowdfunding activities,

[577] Koh, *Suppressing Terrorist Financing and Money Laundering*, 19.

the use of the illegal drugs business for funding terror actions, and how terrorists used a digital payment instrument for funds transfers from overseas.

The last part of the chapter shows how the three terrorist networks budgeted operational and organisational purposes. It also highlights the changes in funding techniques, how they modified their strategies and what kind of payment instruments they selected to support their violent activities. This data is relevant to the analysis n Chapter 12. It also shows the limited success of CFT policies at the time in reducing or interdicting terrorists' financial flows.

8.1 Case Study 8: the Jama'ah Ansharud Daulah (JAD) group

This case study provides evidence for the next evolution of terrorist financing methods in 2016. The following is an examination of funding strategies applied by the JAD group, mainly focused on the misuse of NPOs for terrorism purposes. The JAD group was founded by Aman Abdurrahman (alias Oman Rochman, alias Abu Sulaiman), a terrorist leader who was sentenced to death in June 2018.

In October 2014, while in prison, Oman Rachman invited his friends Marwan (alias Ari Budiman, alias Abu Musa), Zainal Anshori (alias Abu Fahry), Ustad M. Fachri, and Khaerul Anwar (alias Abu Hatin) to discuss establishing the JAD group. He encouraged his colleagues to pledge allegiance to Abu Bakar Al Baghdadi and the world Islamic caliphate in Syria. Oman then set about establishing a local group of people with similar ideas who would assist those who wanted to travel to Syria to join the ISIS group. He created the group and appointed Marwan as the chair (who consolidated all followers in the country) and Zainal Anshori as the local leader for the East Java region. Oman Rahman encouraged the two new leaders to preach and urge the community to conduct jihad as proof of their devotion to struggle against the infidel government, a term that encompassed all officials and police officers. In January

2017, the JAD group was designated as a terrorist group under the United Nations Security Council Resolution no. 1267.[578]

A new fundraising technique of the JAD group involved the use of non-profit organisations (NPOs) to finance JAD's operations. From 2014 to 2018, JAD established three regional groups that used microfinance for funding. These groups were Baitul Maal Ummah created by the JAD Medan (North Sumatra district), Baitul Maal Tamwil and Al Izzah established by the JAD Bandung (West Java district) and Azzam Dakwah Center (ADC) initiated by the JAD Solo (Central Java district). These were examples of Islamic microfinance industries, influenced by the revival of the Islamic socio-political movement. As community-based industries, the three organisations combine economic and socio-religious approaches by providing financial services to the impoverished population, including economic stimulation schemes through informal microenterprises and the household-based economy where traditional banks do not exist.

By using NPOs as cover, the three regional JAD groups were able to sustain the organisation and its operations. Thus, the case study is an example of the misuse of religious charity corporations as fronts for terrorist groups. They used funds to support direct and indirect operations, including but not limited to military training's equipment, weapons, food supply, fuel, as well as transit shelters and safe houses.[579]

Furthermore, the analysis of these NPOs demonstrates three key findings. The first is that the primary sources of funding of the NPOs were members' contributions, both mandatory and voluntary, including contributions from those stranded in Syria. Second, there was no corporate bank account. All NPOs used individual accounts under the treasurer's names or their

[578] South Jakarta District Court, "Court Conviction No. 140/Pid.Sus/2018/PN.Jkt.Sel on Behalf of Oman Rochman Alias Aman Abdurrahman Alias Abu Sulaiman Bin Ade Sudarma," Jakarta, 2018, 17 – 23.
[579] Sylvia Windya Laksmi, "Nexus between Charities and Terrorist Financing in Indonesia," *Counter Terrorist Trends and Analyses* 11, no. 7 (2019): 9, www.rsis.edu.sg.

affiliations. The financial records show their main expenses were operations, religious and social activities, and terrorist plots. Funding for operations included daily costs, including providing money to members who applied for business loans. Religious and social activities consisted of programs that supported health and education terrorists' widows and wives of terrorist prisoners families, for example, shelter for fugitives. Money was also spent on weapons and explosives.

8.1.1 The Misuse of NPOs for Terrorism

The following shows how NPOs were used in the financial dealings of the JAD group. This is relevant to the research as examples of how NPOs have become an option for raising and moving funds, including channelling the money for end-users. The analysis here of NPOs established for terrorist financing purposes, contributes to the later analysis of the Indonesian government's potential response to the risk of NPOs being misused by terrorist groups.

Baitul Maal Ummah, was an organisation operated by the JAD group in Medan (North Sumatra). The JAD Medan group was committed to supporting the pro-IS movement through propaganda on online media, preaching and financial assistance to terrorist fighters and their families, especially those in Medan. Aznop Priyandi (Aznop) created Baitul Maal Ummah for these purposes in 2015. The police investigation found that Aznop was also the treasurer and kept accounts on the Telegram platform named "UKK Chanel," "Melawan Arus," "No Pain," "Ulil Amri Keledai" and "Forum Ukuwan," which promoted IS narratives to the community and solicited support for the fighters.[580]

[580] Indonesian National Police, "Case Interview Report on Behalf of Aznop Priyandi Alias Mimin Alias Ryan," Jakarta, 2017, 5 – 8.

Baitul Mal Ummah also served as an informal Islamic microfinance institution for raising donations for terrorist prisoners' families. To transfer money movements, Aznop used four accounts at different banks which belonged to his colleagues Pepen Pranyoto and Riky Gustiadi.[581] In court, Aznop testified that most of the money received since August 2016 was controlled by Ronny Samsuri Lubis (Ronny) through Reza Alfino (Reza). The group used it for funding JAD Medan's operations. As indicated in **Table 8.10**, between 2015 to 2017, there were five outgoing transfers to Ronny and Reza with a total of IDR18,500,000.

Date	Sender's account	Receiver's account	Amount (IDR)
At the end of 2015	It was not identified whether Aznop sent the money by bank trasfer or cash	Ronny Samsuri Lubis	4,000,000
8 August 2016	It was not identified whether Aznop sent the money by bank trasfer or cash	Reza Alfino	2,000,000
30 August 2016	Aznop used Riky Gustiadi's account to transfer the money	Reza Alfino	2,000,000
4 November 2016	Aznop used Pepen Pranyoto's account to transfer the money	Reza Alfino	10,000,000

[581] Indonesian National Police, "Case Interview Report on Behalf of Pepen Pranyoto Alias Abu Hanif," Jakarta, 2017.

Date	Sender's account	Receiver's account	Amount (IDR)
15 May 2017	Aznop used Pepen Pranyoto's account to transfer the money	Reza Alfino	500,000

Table 8.10 Outgoing Transfers for the JAD Medan Group's Operations

Aznop admitted that the money he transferred to Ronny Samsuri Lubis was used to assist the families of terrorist prisoners, group members who had been beaten by the Police, including the cost of medical treatment. Reza Alfino also spent IDR2,000,000 on himself and never returned the money.[582] During the court proceedings, Reza Alfino admitted his connection with Aznop Priyandi and the financial transactions between them. Reza used the money for procuring weapons to conduct terror attacks in 2016-2017. He bought weapons and bullets, including 20 throwing knives, from a colleague called Jonhen.[583]

Baitul Mal Ishlah was established by the JAD group in Bandung, West Java. From February 2015, Jajang Iqin Shadiqin (Jajang) acted as Baitul Maal's chair, the head of the JAD Bandung West area and the group treasurer. He worked with his colleague, Waris Suyitno (Waris), under the leadership of Ustad Ujang (alias Abu Zahra).

The JAD group Bandung raised funds through internal contributions and volunteer donations. First, the boards of management were required to contribute to the organisation. For example, at the beginning, six committee members, including Jajang, donated their own money to the group. They donated IDR6,550,000 as the initial fund. Second, there was a mandatory

[582] Indonesian National Police, “Case Interview Report on Behalf of Aznop Priyandi Alias Mimin Alias Ryan,” 8 – 10.
[583] North Jakarta District Court, “Court Conviction Report No. 1393/Pid.Sus/2017/PN Jkt.Utr on Behalf of Reza Alfino Alias Abu Fathin,” Jakarta, 2018, 6 – 7; North Jakarta District Court, “Court Conviction No. 1392/Pid.Sus /2017/PN. Jkt.Utr on Behalf of Jonhen Alias Abu Ilham,” Jakarta, 2018, 6.

requirement for religious donations with a minimum of IDR50,000. Jajang and Waris used four different bank accounts, not only for incoming funds but also to channel them for various purposes. For example, the account of Ahmad Syukri was used for sponsoring for bombing operations in Kampung Melayu, Jakarta.[584]

Group funds would have been used for the operations of Dapur Yatim, Rumah Singgah, and Baitul Mal. First, established in 2015, Dapur Yatim supported the children of JAD members in Bandung. Two years later, Jajang also initiated Rumah Singgah by purchasing his parents-in-law's house and turning it into a shelter for JAD members and supporters. Jajang also established Baitul Mal. According to his conviction report, Jajang admitted playing an essential role in creating Baitul Mal as a front organisation for JAD. The Baitul Mal had three projects, including PEKA, which offered health insurance for the families of terrorist prisoners, especially the wives and children; a propaganda agenda called 'dakwah'; and a foster children's care program.[585]

The last socio-economic foundation instituted by the JAD group was the Azzam Dakwah Center (ADC). Established in 2015 by Achmad Romadlan Deny (alias Azzam), ADC was the front organisation for JAD in Central Java. The centre offered religious support to members, families, and those committed to being terrorist fighters.

The ADC's sources of finance included mandatory and voluntary contributions by JAD members and community, called 'zakat, infaq, and sodakoh.' For example, they had a program named S3 (Sehari Seribu Saja), which promoted the community movement of saving IDR1,000 (∞AU$0.1) per day until 30 days before they handed over the money to the regional coordinator. Second, ADC created online and offline crowdfunding activities in response to

[584] Indonesian National Police, "Case Interview Report on Behalf of Jajang Iqin Shodiqin Alias Abu Refan Alias Abu Raisa Bin Damini (Alm)," Jakarta, 2017, 3 –13.
[585] North Jakarta District Court, "Court Conviction No. 1328/Pid.Sus/2017/PN .Jkt Utr on Behalf of Waris Suyitno Alias Mas Suyit Alias Wijaya Expres Alias Transporter Alias Abu Umar," Jakarta, 2018, 14 – 15.

natural disasters, poverty, and other humanitarian issues as their cover for fund-raising. The foundation also collaborated with mosques to collect funds from local people. Last, besides volunteer donations, they established businesses by using paid online media for promotion.[586]

An Indonesian investigator reports further details of the funding resources of ADC during an interview session 21 August 2018[587], ADC management utilised no business or corporate account under its own name. Instead, the foundation operated under individual bank accounts such as those of the treasurer, Nur Solikin, and his wife. From October 2015 to December 2016, there were nine incoming transfers to Nur Solikin's and his wife's accounts with a total of IDR130,530123, as shown in **Table 8.11**. The senders were Bahrun Naim, Rafiqa Hanum (Bahrun Naim's wife) and Ishaq Mahfoed Badres (a JAD member).

DATE (dd/mm/yyyy)	SENDERS	RECEIVERS	AMOUNT (IDR)
04/10/2015	Rafiqa Hanum	Nur Solikin	100,000
12/10/2015	Rafiqa Hanum	Nur Solikin	3,000,000
22/12/2015	Agung Rahmadi	Nur Solikin	90,000,000
18/02/2016	Rafiqa Hanum	Nur Solikin	2,500,000
28/02/2016	Rafiqa Hanum	Nur Solikin	2,000,123
12/04/2016	Ishaq Mahfoed Badres	Arinda Putri Maharani	15,000,000
10/05/2016	Ishaq Mahfoed Badres	Arinda Putri Maharani	12,930,000
October 2016	Bahrun Naim	Arinda Putri Maharani	3,000,000

[586] Indonesian National Police, "Case Interview Report on Behalf of Achmad Romadlan Deny Alias Azzam," Jakarta, 2017, 3 – 6.
[587] RI017, Indonesian investigator.

DATE (dd/mm/yyyy)	SENDERS	RECEIVERS	AMOUNT (IDR)
01/12/2016	Bahrun Naim	Arinda Putri Maharani	2,000,000

Table 8.11 Funding Resources for ADC

According to the court documents and an interview with one of the Indonesian Counter-Terrorism Police, the money received by Nur Solikin and his wife was to support socio-religious activities, such as the building of mosques, health cover for members and their families, supporting the terrorist widows and the wives of terrorist prisoners, and assisting members to establish their own business through a loan or gift.[588] They also allocated funding for terrorist attacks in several regions.

The examination on the JAD group provides essential insights into the financial management of a terrorist organisation. This study finds that terrorist group benefits by using a non-profit organisation in collecting mandatory and voluntary contributions from the members and community. The group also developing the crowdfunding method using online and offline platforms and establishing businesses promoted by paid online media. Further analysis proves the use of money collected by the foundation. Some socio-religious activities were part of the JAD group's program. JAD'S funds were also used for bomb attack plots in some regions like Central Java, Bekasi, Samarinda, and Kampung Melayu.

[588] RI017, Indonesian investigator.

8.1.2 Series of Bombing Attacks in Central Java and Bekasi

As explained above, the JAD group contributed to the series of bomb attacks of November 2016. The following describes how the group used their resources to organise the attacks in Central Java and Bekasi. Wawan Prasetyawan, a JAD member in Solo, crafted 15 petrol bombs with his colleagues at the ADC office. The explosives were for use in attacks during the mass protest against Ahok, a Christian governor of Jakarta, on 4 November 2016. Next, in the same year, one of the terrorist prisoners, Wahyudi, exposed planned attacks using petrol bombs at a retail shop and a restaurant (Candi Resto) in Sukoharjo Central Java. The mastermind, Nur Solikin, instructed two teams of 10 people to set up the attacks as revenge over claims that the Candi Resto's owner had torn pages from a copy of the Qur'an.[589]

The investigation on Nur Solikin also revealed their role in the rice-cooker type bombing plan in Bekasi. Nur Solikin admitted that the group received a sum of money from Bahrun Naim, a prominent Indonesian terrorist leader who successfully travelled to Syria, from the bank account of his wife, Arinda Putri Maharani. Furthermore, Nur Solikin testified that the money had been used to craft the rice-cooker type bomb and pay rent in Bekasi.[590] The plan was arranged with his second wife, Dian Yulia Novi, who was later known as the suicide bomber.[591]

8.1.3 The Samarinda Bombing

The second bombing arranged by JAD members was called the Samarinda bombing. A bomb exploded on 13 November 2016 in front of a church in Samarinda. The authorities investigated

[589] Indonesian National Police, “Case Interview Report on Behalf of Wawan Prasetyawan Alias Abu Umar” (Jakarta, 2016), 10, 13 – 14.
[590] East Jakarta District Court, “Court Conviction Report No. 394/Pid.Sus/2017/PN.Jkt.Tim on Behalf of Muhammad Nur Solikin Alias Abu Ghorub Alias Abu Abdullah Bin Nurhadi” (Jakarta, 2017), 12 – 13.
[591] East Jakarta District Court, “Court Conviction No. 393/Pid.Sus/2017/PN.Jkt.Tim on Behalf of Dian Yulia Novi Alias Dian Alias Ukhti Alias Ayatul Nissa Binti Asnawi” (Jakarta, 2017), 11 – 13.

Juhanda and Joko Sugito (Joko) as masterminds and sentenced them to life and seven years imprisonment. Joko had learned about jihad and military training from 2004 when he was an active member of jihadist groups connected with the networks of Abdullah Sonata, Abu Bakar Ba'asyir, and Aman Abdurrahman. Joko was part of the Anshorut Khilafah Group based in East Borneo, a terrorist group led by Qomaruddin (alias Zaenal Amsori, alias Abu Fahri).[592]

The planning of the Samarinda bombing commenced when Joko became acquainted with Imron in 2012. Imron, another JAD group member, and Joko discussed the jihad doctrine and its application in Poso. However, three months after the meeting, Imron was arrested by police. Joko then joined a preaching group in Malang on the invitation of Abu Fahri on Telegram, a social media messaging platform. Joko collected funds from the local mosque's savings and used them for his group operations, including airline tickets. All money collected in the local mosque was from voluntary donations.[593]

Furthermore, the bombing plot was executed when Joko made contact with Juhanda in the middle of 2014. Juhanda was an ex-terrorist defendant who was involved in a bombing in 2011.[594] Joko used his saving to purchase the explosive materials, including the black powder. Juhanda and another colleague, Imron, contributed to the planning by paying for chemical substances. Juhanda and Joko made the bombs together and used them to attack a church in Samarinda on 13 November 2016. They carried out the plan drawing on their social networks, including Andi Baso, Adam, Ridho, Dani, and Rohmad.[595]

[592] East Jakarta District Court, "Court Conviction No. 352/Pid.Sus/2017/PN.Jkt.Tim. on Behalf of Joko Sugito Alias Abu Adam Alias Abu Sarah Bin Dimun," Jakarta, 2017.
[593] Indonesian National Police, "Case Interview Report on Behalf of Joko Sugito Alias Abu Adam Alias Abu Sarah Bin Dimun," Jakarta, 2016, 11 – 12.
[594] East Jakarta District Court, "Court Conviction No. 349/Pid.Sus/2017/PN.Jkt.Tim. on Behalf of Juhanda Alias Jo," Jakarta, 2017.
[595] Indonesian National Police, "Case Interview Report on Behalf of Joko Sugito Alias Abu Adam Alias Abu Sarah Bin Dimun," 21 – 22.

8.1.4 The Kampung Melayu Bombing

The third bombings by JAD members were two explosions in the eastern part of Jakarta on 24 May 2017. The bombings occurred near the bus station killing three police officers. The final investigation identified Achmad Syukri and Ichwan Nurul Salam as suicide bombers. Intelligence also revealed that Jajang Iqin Shadiqin (Jajang), Waris Suyitno (Waris), and Muh. Nur Zam Zam were the masterminds.

In 2002, Jajang joined a radical organisation of the Indonesian Islamic State (Negara Islam Indonesia/NII), the group that aimed to establish an Islamic state in Indonesia. He was actively involved, collecting donations and religious alms, selling books, and recruiting new members. In February 2015, he joined a new splinter terrorist group named Jama'ah Ansharut Daulah (JAD) in Bandung.[596]

A year later, in 2016, Jajang became financial manager of the JAD Bandung group, besides being a local leader. His responsibilities covered the management of terrorist prisoners and martyrs' families, including the education of their children. The money came from voluntary alms and tithes of the members. They paid a minimum of IDR50,000. Besides being a treasurer, Jajang established a non-profit financial organisation, Baitul Mal Tamwil, to assist Muslims in setting up a business by offering them funds. Their initial fund came from money donated by the six founders, including Jajang, with the amount of IDR6,550,000.[597]

The planning of the Kampung Melayu attack started when Jajang met William Maksum (William), a terrorist prisoner of 2013 who was part of the Abu Roban terrorist network. He and William discussed purchasing weapons. Jajang also knew Achmad Syukri and Ichwan Nurul Salam, who later became the two suicide bombers; and also other colleagues, Waris Suyitno

[596] Indonesian National Police, “Case Interview Report on Behalf of Jajang Iqin Shodiqin Alias Abu Refan Alias Abu Raisa Bin Damini (Alm),” 3.
[597] Indonesian National Police, “Case Interview Report on Behalf of Jajang Iqin Shodiqin Alias Abu Refan Alias Abu Raisa Bin Damini (Alm),” 12–13.

and Muh. Nur Zam Zam. Before being arrested, he joined some groups on Telegram. He invited Waris to the group and encouraged him to pursue humanitarian activities. Waris was one of Jajang's closest friends in the JAD group and was Jajang's assistant in managing the group's money. He was the financial manager of Baitul Mal Ishlah, another informal community-based microfinance body led by Jajang, which combines economic and socio-religious approaches by offering financial services to impoverished people. This was one of the organisations that financially supported the JAD group.[598]

As chairman of Baitul Mal Al Ishlah, Jajang organised three main charity programs: a program for terrorist prisoners' families, a social preaching program, and a foster care program. Waris was responsible for collecting and depositing funds from donations and alms, for handling and managing four accounts, including the ATM cards of other members, namely Ahmad Syukri, Deva Dwitama, Asep Sopyan, and Astuti Sumantri. The organisation used those accounts for different purposes. Deva Dwitama's account, for example, was for channelling money to orphan families. Ahmad Syukri's account was used for social and health support for terrorist prisoners' families. Asep Sopyan's account was used for reallocating donations from members, some of which would have been used to buy a safe house. Sumantri's account was used for voluntary alms from women members.[599]

Prior to the attack, Waris met Ahmad Syukri and gave him IDR200,000. They met Jajang and discussed the planning, including using Ahmad Syukri's ATM card for donations and voluntary alms from JAD members in Bandung. The last meeting of Waris and Ahmad Syukri was five days before the bombing attack. They attended preaching Ikbal (alias Kiki) on martyrdom. They

[598] Indonesian National Police, "Case Interview Report on Behalf of Jajang Iqin Shodiqin Alias Abu Refan Alias Abu Raisa Bin Damini (Alm)," 21.
[599] North Jakarta District Court, "Court Conviction No. 1328/Pid.Sus/2017/PN .Jkt Utr on Behalf of Waris Suyitno Alias Mas Suyit Alias Wijaya Expres Alias Transporter Alias Abu Umar," 14 – 15.

promised each other that after pledging an oath to follow Abu Bakar Al Baghdadi, they would become martyrs as their sacrifice to God.[600]

The JAD group's financial management is an example of a link between a terrorist group and the misuse of non-profit organisations as financial backers. The terrorist group admitted the establishment of a socio-economic religious foundation was as a cover for the organisation. Through Baitul Mal, they collected money from the members and local community, reminding people of the requirement to give alms and donations to comply with the Islamic doctrine. To manage fund-raisings, the committee used different individual accounts rather than a corporate bank account. A small number of religious and humanitarian activities were claimed as part of the programs. However, the final analysis of the remaining funds shows the extensive use of money for bomb attacks, like supporting terrorist prisoners' families and propaganda.

[600] North Jakarta District Court, "Court Conviction No. 1328/Pid.Sus/2017/PN .Jkt Utr on Behalf of Waris Suyitno Alias Mas Suyit Alias Wijaya Expres Alias Transporter Alias Abu Umar," 17 – 18.

The finances of the JAD Group:

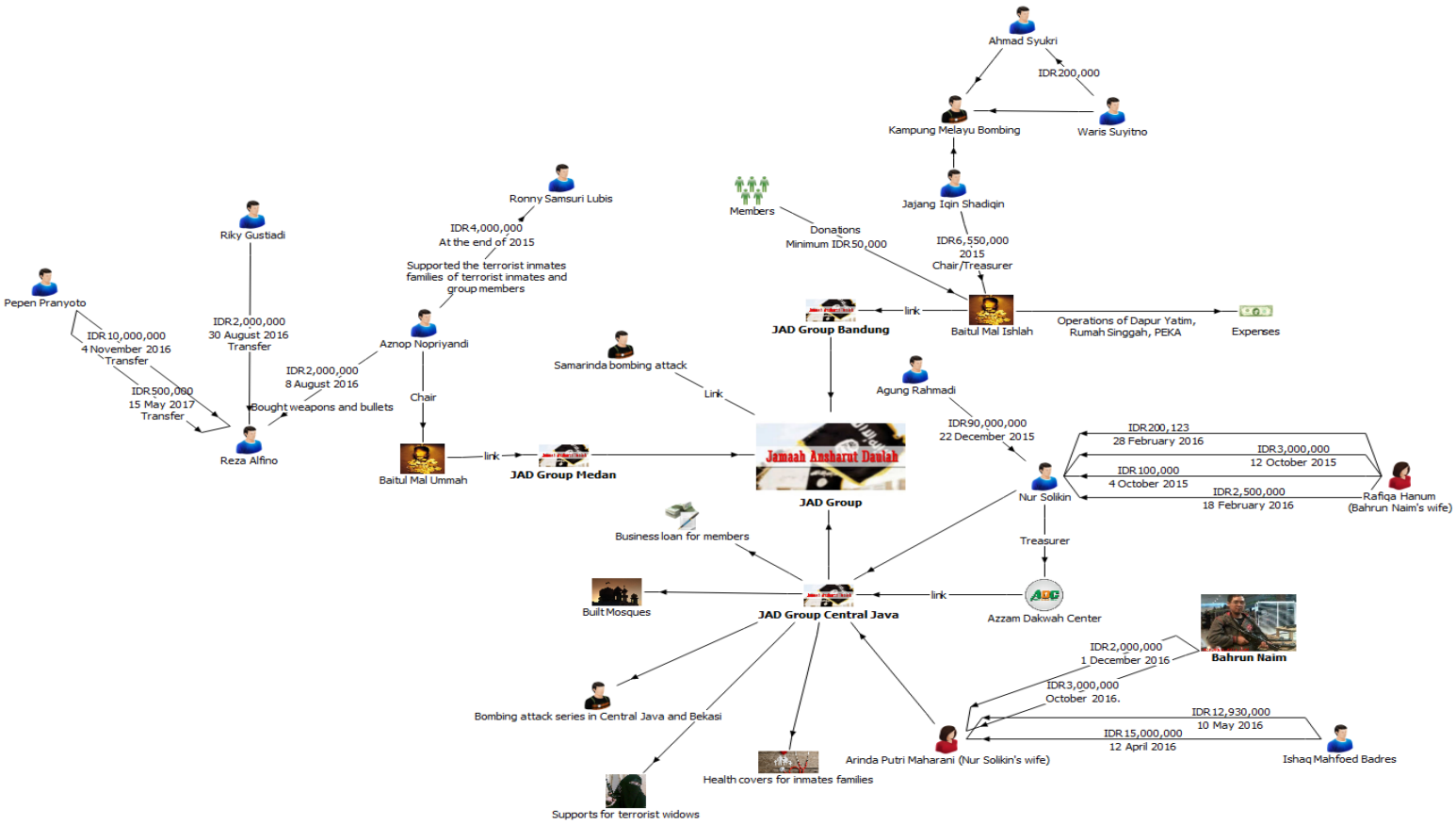

Figure 8.17 JAD Group's Funding Scheme (Source: Multiple Resources Summarised by the Author)

8.2 Case Study 9: Financing of Narco-Terror Networks

This case study features a link between the terrorist group and attempted-drugs business funding and involved a radical network managed by Bahraini Agam (Bahraini) and Rio Priyatna Wibawa (Rio). The case was uncovered by the Indonesian National Police (INP) in 2016 when they discovered a plan to conduct bomb attacks in 120 offices of the Regional People's Representative Council all over the country and an attempt to produce and market methamphetamine-type drugs, Bahraini offered IDR32,800,000 as capital to produce methamphetamine-type drugs and sell them on the black market. Their crime proceeds would have been used to finance terrorism, for example, crafting explosives and stockpiling weapons.[601]

The persons of interest in this terrorist network raised money through crowdfunding on social media and messaging platforms like Facebook and Blackberry. These media platforms facilitated collecting money from members and sympathisers to support the goal of a strong network to create an Islamic State in Indonesia. The group used bank accounts for incoming transfers from donors and used the money to establish an illegal drug business to make more money for terrorism.

The initial plan to commit crimes began in 2016 when Rio met Bahraini and agreed to work together. Rio is known as a member of some radical groups in Indonesia, including Lembaga Dakwah Siswa (which is part of Hizbut Tahrir Indonesia (HTI)) and 'Wadah Jihad' in Facebook and Blackberry messenger platforms until October 2016. The organisation recognised Rio as a bomb expert in crafting DNT (Di Nitro Toluene), Hexamine, and Ammonium Nitrate to create a plastic bomb otherwise known as C4. He learned the bomb-making process independently from public websites like English Wikipedia, tutorial videos of 'dr nuradge', 'dr nilered' and

[601] Indonesian National Police, “Case Interview Report on Behalf of Bahraini Alias Bahraini Agam Alias Debu Jihad Alias Armia,” Jakarta, 2016, 3.

'explosivepedia' uploaded on Youtube channels, Balance Chemical site, and Rhodium Chemistry Archive.[602]

Rio contacted Bahraini, who had a herbal medicine business before radical movements influenced him. From 2013, Bahraini created Facebook accounts to promote extremist ideology to the broader community. One of his Facebook group accounts named 'Racikan Pedas Good (RPG)' discussed instructions for making bombs from cheap substances. While his other group, called 'Api Jihad' was exposed to the concepts of "Daulah Islamiyah," "Khilafah," and the desire to establish an Islamic State in Indonesia. They believed that it was compulsory to uphold jihad; and that God would torture those who violate the law. A Muslim should apply the jihad concept against the infidel government by conducting a holy war in the country or by going to Syria to support the Muslim brotherhood there.[603]

Promoting financial support started in 2014 when Bahraini created another Facebook group account called 'Jalan Ini.' He used this account, which consisted of 150 members from all regions across Indonesia, to inspire followers to conduct 'jihad' by supporting his fund-raising programs for terror operations, including producing and selling methamphetamine-type drugs as their source of funds. He planned to use the money from the drugs business to purchase explosive materials. For Bahraini and his network, this effort was legitimate and justified by the Koran. Two years later, in 2016, Bahraini contacted a Facebook account called Hitokiri Batausai, which Rio owned. The account provided instructions to make t explosives and improvised weapons. The communication among the networks was through the Facebook messenger application. From May 2016, Rio mentioned the idea of the drugs business and persuaded Bahraini to participate in it as another way to obtain money.[604] Three other people

[602] Indonesian National Police, "Case Interview Report on Behalf of Rio Priyatna Wibawa Alias Rio Alias Hitokiri Alias Hitokanan," Jakarta, 2016, 3 – 4, 18.
[603] Indonesian National Police, "Case Interview Report on Behalf of Bahraini Alias Bahraini Agam Alias Debu Jihad Alias Armia," 8 – 10.
[604] Indonesian National Police, "Case Interview Report on Behalf of Bahraini Alias Bahraini Agam Alias Debu Jihad Alias Armia," 11 – 14.

were involved in the business plan, including Eep Saipul Bahri alias Abu Syifa, Hendra alias Abu Pase, and Jamali, Bahraini's wife. They produced methamphetamines called Blue Ice.[605]

Finally, in mid 2016, encouraged by contacts with Bahrun Naim, Alfatihah Qoyumi, and Cuco Indatue/Abu Al Maghdisi/Abu Islam, Rio and Bahraini discussed a plan for making bombs. They promoted the plan on social media, seeking support, and asked for supports from their colleagues. People donated funds through Facebook friendship networks to Bahraini. Bahraini promised to use the funds for conducting jihad Indonesia. On his Facebook account 'Debu Jihad', he posted exclamations that he accepted funds for holy war as mandated by Syeh Adnani, a leader of radical groups who agreed with the concept of Islamic State. He stated: "…I accept funds for conducting 'amaliyah' (jihad or attacks) in the country as our mean of pursuing a holy war mandated by Syeh Adnani and as our promise to God." Besides statements, Bahraini posted videos and pictures. Then, people started to ask where he would carry out the plan and contributed their money to support Bahraini. Through this crowdfunding strategy, he raised IDR32,800,000 to finance the activities of his group for terrorism.[606]

Bahraini used his wife's account for the donations. The investigation revealed details of donors' names and their contributions. They donated their money starting from IDR200,000 to IDR2,500,000; as shown in **Table 8.12.**[607]

Name	Amount (IDR)
Hendra alias Abu Pasee	2,000,000
Asudin Ardin	300,000

[605] Indonesian National Police, “Case Interview Report on Behalf of Bahraini Alias Bahraini Agam Alias Debu Jihad Alias Armia,” 4.
[606] Indonesian National Police, “Case Interview Report on Behalf of Bahraini Alias Bahraini Agam Alias Debu Jihad Alias Armia,” 6.
[607] Indonesian National Police, “Case Interview Report on Behalf of Bahraini Alias Bahraini Agam Alias Debu Jihad Alias Armia,” 28.

Name	Amount (IDR)
Abdul Rohim	2,500,000
Sabran Jundullah	300,000
Umar Khatab	500,000
Hamba Hina Penuh Dosa	500,000
Kang Oyes Hungkul	500,000
Irfan	300,000
Ukhti Sari Murni	300,000
Umar Al Jawi	200,000
Jauzi Kartono Tukiman	200,000
Robi Kadaur alias Singo Dimejo (based in Saudi Arabia)	1,100,000

Table 8.12 Donations to Bahraini Agam

Rio also solicited funds from people in Indonesia and overseas. He admitted to receiving money in cash or by transfer to his personal account. Most of the donors were migrant workers living overseas. The investigation found that these donors sent money to Rio as described in **Table 8.13**:[608]

[608] Indonesian National Police, "Case Interview Report on Behalf of Rio Priyatna Wibawa Alias Rio Alias Hitokiri Alias Hitokanan," 20.

Date	Name	Amount (IDR)
6th August 2016	Abdurohim	3,500,000
7th August 2016	Abdurohim	5,000,000
N/A	Anam Daulah	250,000
29th September 2016	Ahmad Fandi alias Muhammad Subhi (Malaysia)	5,300,000
11th October 2016	Yahya bin Abdullah (Malaysia)	1,440,000
20th October 2016	Sri Kuarti (a Taiwan-based migrant worker from Solo city)	700,000
21st October 2016	Yahya bin Abdullah (Malaysia)	2,100,000
24th October 2016	Sri Kuarti (a Taiwan-based migrant worker from Solo city)	7,300,000
25th October 2016	Yahya bin Abdullah (Malaysia)	1,400,000
5th November 2016	Muntaha Soleh alias Soni Putra Jihad	1,200,000

Table 8.13 Donations Listed to Rio Priyatna Wibawa

In terms of outgoing flow, Bahraini underlined some expenditures. First, Rio received IDR300,000 from Jamali, Bahraini's wife, and used the money to purchase a mobile phone as their means of communication. Second, Bahraini sent IDR11,000,000 to Rio to buy materials for methamphetamine production. Third, Bahraini asked Marwan Efendi, another colleague, to

help him rent a house in Majalengka city. Bahraini paid IDR1,100,000 for the rental. However, in the end, Bahraini admitted that most of the money had been withdrawn in cash from an ATM and used for purchasing chemical substances for drug production, transportation costs, and living expenses in Majalengka city.[609]

The plan to produce methamphetamine was put into effect between May 2016 to August 2016. Rio spent 14 days making the methamphetamine; however, the results were not perfect because of limited tools and equipment. He had already paid for the chemical substances, as listed in **Appendix 11**. In the end, The case report described that the remaining ingredients for producing drugs had been recycled by Rio for making DNT (Dinitrotoluene) explosives. Rio and Bahraini argued because Rio had already spent all the money to produce drugs but had been unsuccessful.[610]

[609] Indonesian National Police, "Case Interview Report on Behalf of Bahraini Alias Bahraini Agam Alias Debu Jihad Alias Armia," 17 – 19, 21, 28.
[610] Indonesian National Police, "Case Interview Report on Behalf of Rio Priyatna Wibawa Alias Rio Alias Hitokiri Alias Hitokanan," 4 – 13.

The financial networks of the Bahraini Agam group:

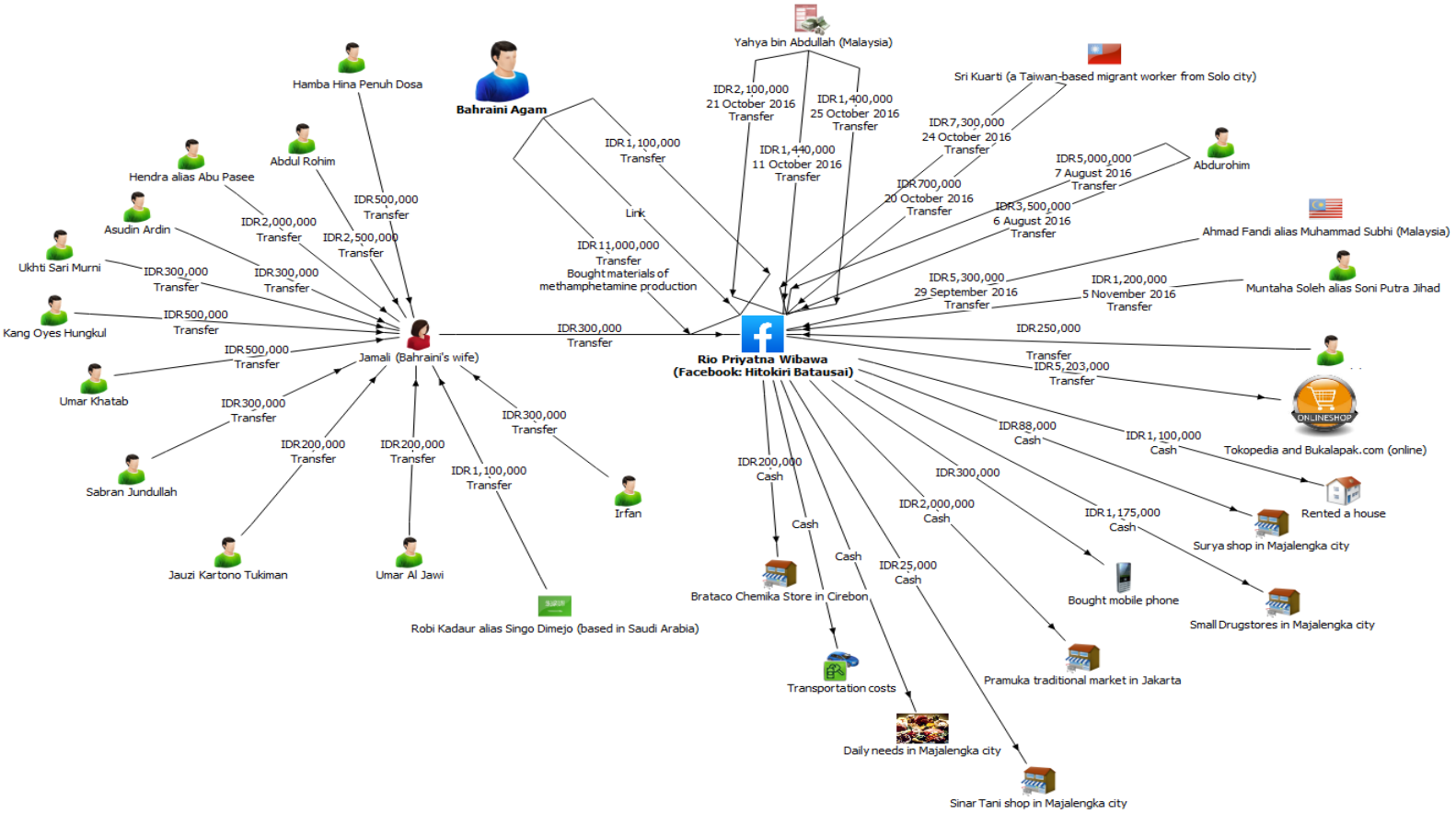

Figure 8.18 Financial Networks of Bahraini Agam Group (Source: Multiple Resources Summarised by the Author)

8.3 Case Study 10: The Solo Bombing Attack

This case study exemplifies a terrorist group using a new payment method called PayPal. The criminals used PayPal as a channel to remit money from overseas to Indonesia and used the funds to prepare an attack in Solo city. On 5 July 2016, a suicide bomber, Nur Rahman, blew himself up on a motorcycle at the entrance of the local police headquarters in Solo city. Later, the investigation found that Nur had used a low-grade homemade bomb, known as an improvised explosive device (IED), that contained screws and bolts.[611] The investigators also found that the incident was claimed to be linked with the Islamic State in Iraq and Syria, particularly with the network of Bahrun Naim, an Indonesian jihadist who pledged his allegiance and joined the group in Syria.[612]

According to the court documents, Munir Kartono (Munir) and Dwi Atmoko (Dwi) were the masterminds behind the attack. Munir had been a member of an Islamic movement named HTI and of a group called Wadam, which included people who travelled to Syria. Those groups showed ISIS videos and promoted their extremist ideology to the community. Thus, they solicited voluntary donations in order to support widows, the poor, orphans, and terrorist defendants' families.[613]

Dwi had the same desire to enforce Islamic Law in the country. After getting acquainted with Bahrun Naim, Bahrun Naim had encouraged Dwi to participate in their struggle against the infidel government. Dwi also started to learn bomb-making from Naim's Facebook account and

[611] Francis Chan, “Suicide Bomber Targeting Police Station in Solo Blows Himself up, 1 Policeman Injured," *The Straits Times*, July 5, 2016, https://www.straitstimes.com/asia/se-asia/suicide-bomber-targeting-indonesian-police-station-in-surakarta-blows-himself-up.
[612] Yenni Kwok, “Indonesia: Suicide Bomber Attacks Police Station, Injuring 1," *Time*, July 5, 2016, https://time.com/4392782/indonesia-suicide-bomber-solo-surakarta-terrorism/.
[613] East Jakarta District Court, “Court Conviction No. 107/Pid.Sus/2017/PN.Jkt.Tim. on Behalf of Munir Kartono Alias Konspirasi Langit,” Jakarta, 2017, 10.

even the website of *http//:www.bahrumnaim.co.cc*. Naim offered homemade bomb-making tutorials, including guidance on how to craft the TATP bombs.[614]

In summary, this case study set out primary aspects of funding for terrorism, including raising money, fund-moving and financial outlay. The plan to obtain money commenced at the end of December 2015 when Bahrun Naim contacted Munir to communicate through a social media messaging platform, Telegram. Naim created three telegram accounts (such as @bakulgudeg, @wong_jowo_tur_islam, and @ummu_abbas). The conversation continued until February 2016; Naim discussed with Munir's telegram account, "konspirasi langit," the arrangement of sending money to Indonesia through Paypal. Munir utilised the Paypal account of Hardian Rahman ST, his colleague who usually traded Paypal balanced account in the internet forum named www.ads.id.[615]

Furthermore, the process of remitting funds was resumed. Bahrun Naim sent USD1,000 to Hardian's Paypal account. As agreed between Munir and Hardian, Munir paid IDR625,000 as the fee and transferred IDR375,000 to buy a Virtual Credit Card (VCC) on behalf of his wife, Putri Ariasti (Putri). Starting between March and April 2016, Munir managed the money transfers from Hardian's account to third parties, such as his wife's account; a colleague named Teguh Slamet Riyanto; to Aminah, the wife of Nur Rohman who later became the suicide bomber; and to Dwi's account. Munir sent IDR4,000,000 to Putri's account, IDR7,500,000 to Teguh Slamet Riyanto, and IDR800,000 to Aminah. From June to August 2016, Munir also admitted that he credited IDR6,400,000 to Dwi's account through three bank transfers.[616]

Finally, Dwi revealed two main expenditures. First, he testified that he used the money to purchase explosive materials between March and June 2016 at some chemical stores in the

[614] East Jakarta District Court, "Court Conviction No. 108/Pid.Sus/2017/PN.Jkt.Tim. on Behalf of Dwi Atmoko Alias Abu Ibrahim Alias Abu Fatimah," Jakarta, 2017, 7 – 9.
[615] East Jakarta District Court, "Court Conviction No. 107/Pid.Sus/2017/PN.Jkt.Tim. on Behalf of Munir Kartono Alias Konspirasi Langit," 11 – 12.
[616] East Jakarta District Court, "Court Conviction No. 107/Pid.Sus/2017/PN.Jkt.Tim. on Behalf of Munir Kartono Alias Konspirasi Langit," 31 – 33.

Metro Lampung area. Second, he spent money on accommodation in Solo city. The court documents recorded that on 2 July 2016, Dwi carried the TATP and RDX bombs to Solo city by bus and arrived on 4 July 2016 at 10:00 pm. On the orders of Bahrun Naim, Dwi had a meeting with Nur Rohman, the suicide bomber and handed over the bombs to him. Dwi flew back to Jakarta from Yogyakarta the next day. The money from Bahrun Naim was spent on his domestic airline tickets. Finally, on the same day, 5 July 2016, there was a suicide bombing in the Surakarta District Police Headquarters. However, the final investigation disclosed no further information about the intention of Munir in sending funds to the suicide bomber, Nur Rohman's, wife.[617] A few days later, another member of the network posted the will statement of Nur Rohman to his wife before he blew himself up in the incident. On the Telegram group's account, NEW KOPI HITAM, Nur Rohman said farewell to his family because he was a martyr.[618]

The funding scheme for the Solo bombing attack is in the figure below:

[617] East Jakarta District Court, "Court Conviction No. 108/Pid.Sus/2017/PN.Jkt.Tim. on Behalf of Dwi Atmoko Alias Abu Ibrahim Alias Abu Fatimah," 27 – 30.
[618] East Jakarta District Court, "Court Conviction No. 107/Pid.Sus/2017/PN.Jkt.Tim. on Behalf of Munir Kartono Alias Konspirasi Langit," 14.

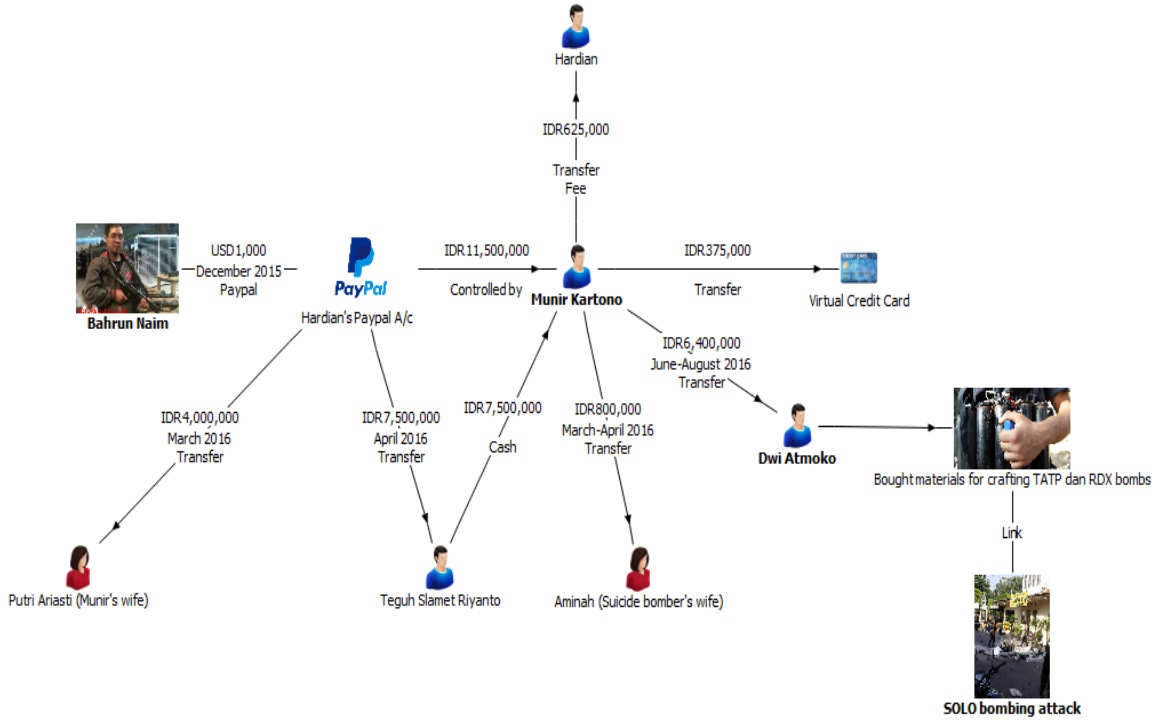

Figure 8.19 Funding for Solo Bombing Attack

(Source: Multiple Resources Summarised by the Author)

Conclusion

This chapter documents how terrorist groups modify their funding tactics to survive and support their activities and organisations. Following the changes in the tactics, this chapter presents variations of terrorist financing: fund-raising, fund-moving and fund-using activities. Furthermore, I discussed terrorist financing strategies between 2016 to 2017 by exploring three terrorist networks and their financial structures. These included the Jama'ah Ansharud Daulah (JAD) group, Narco-terror networks and the Solo bombing attack syndicate. The overarching finding from this chapter was the four new channels used by those three terrorist groups to support their finance.

The analysis on the JAD group identifies NPOs as fronts for collecting money from members and sympathisers, then channelling the money for social services, including supporting families of terrorists and inmates. The primary incomes for NPOs were from mandatory and voluntary members' contributions, online and offline crowdfunding activities, and businesses using paid online media promotion. Funds collected through NPOs were held in individual accounts of the treasurers instead of using business accounts. This strategy was used to facilitate distributing the funds and evade the government's monitoring of corporate accounts. Spending funds for developing the JAD group was seen in the soliciting of support for religious, social activities, including health care and education for terrorists' families and inmates. This includes scholarships, health insurance, foster care for children, shelters, business loans, and humanitarian assistance for terrorist fighters. Operational expenses included procuring weapons, bullets and explosive materials for bombs.

The second analysis in this chapter explores the use of social media platforms in crowdfunding activities. For example, the ADC, an NPO under the JAD group, established online and offline activities for collecting money from members and the community by using humanitarian issues and natural disasters as a cover. Besides the ADC, the group created by Bahraini and Rio initiated covert conversations on social media, like Facebook and Blackberry messenger. As a result, Bahraini and Rio attracted people to join their online groups to introduce and promote conducting jihad and donating money to support their plan. This included a plan to produce drugs to make more money to use for terrorism.

The authorities successfully investigated the plan of Bahraini and his colleagues to sell illegal drugs foiled their project to trade illegal drugs, making large sums to finance their terror plots. This group combined crowdfunding tactics with the plan of committing a crime as methods for financing terrorism.

Last, this chapter examines the use of Paypal to facilitate the movement of funds from overseas to Indonesia. The group led by Munir and Dwi used the new payment instrument to receive money from Bahrun Naim and later utilised the funds for a terror plot in Solo. I discussed the nature of digital payment tools in Chapter 1, where I mentioned the benefits of using them for financial transactions. The internet payment methods enable terrorists to undertake transactions anonymously and convert the funds much faster than through conventional payment instruments.

By exploring these findings, this chapter has sought to provide information on the additional modifications of terrorist financing within the research period. The findings show the dynamic of terrorist funding strategies developed by terrorist groups. Thus, this chapter is part of the analysis of the evolution of terrorist financing in the second period addressed by this study. The aim is to understand how terrorist financing has evolved in Indonesia, contributing to the analysis in Chapter 12 of the extent to which CFT policy modifications have effectively disrupted such terrorist financing networks. In the next chapter, I explore the next evolution of terrorist financing from 2017 onwards. This includes my analysis of the Adi Jihadi group and FTFs networks, another development of how terrorist groups adapt financial resources to fund their activities.

Chapter 9

Terrorist Financing Networks in Indonesia (2013-2019): Part III

> While mounting an individual terrorist attack costs relatively little, money remains of critical importance of terrorist organisations. Without it, terrorist groups would be incapable of maintaining the broad infrastructure necessary to run an effective organisation.
>
> Matthew Levitt and Michael Jacobson[619]

Introduction

As the last part of the overall analysis on terrorist financing crime in Indonesia, this chapter depicts how the crime networks continued to develop after 2017. It examines the financial structure of two extensive terrorist networks, the Adi Jihadi group and FTFs. This includes their fund-raising techniques, distribution of money and spending on terrorism. This chapter illustrates how terrorist groups used financial resources and reveals the importance of finance to organisations, both in terms of operations and management.

The case analysis in this chapter shows that the terrorists chose legitimate ways of funding over the illegal ones. They developed three primary sources of gathering money, including self-funding, support from friends and from international networks. Some Adi Jihadi group members and others who pledged their allegiance to ISIS used their resources to travel to Syria or the Southern Philippines. The Adi Jihadi group also obtained funds from Rois, a terrorist prisoner who financed the Thamrin bombing in 2016. Financial support also came from international networks, for example, those based in Saudi Arabia and Kuwait.

[619] Matthew Levitt and Michael Jacobson, "The Money Trail Finding, Following, and Freezing Terrorist Finances," 2008, 1.

The terrorist groups' ways of moving their money are also analysed here. Bank accounts, cash, and friend to friend networks were essential to their activities, including their support for the jihadist movement. Before travelling overseas, including to Syria, some members converted money at a local money changer office. They also used money remittance services to transfer the money in and out of Indonesia.

This chapter also emphasises changes in the ways terrorist groups spent their money. Significant funds went to finance travel accommodation terrorist fighters and weapons from the Philippines. The accommodation cost included payments for passports and visas, booking hotels, renting houses, and purchasing airline tickets. To conduct weapon trades, the money was used not only to pay the Filipino vendors but also to buy equipment for smuggling plans (a boat and GPS trackers) and to hire couriers and guides to transport the weapons from the southern Philippines to Indonesia.

This chapter explains that the Adi Jihadi group and FTFs networks are essential parts of the inclusive understanding of how adaptable terrorist financing structures are used by terrorist groups. This information provides an empirical background to answer questions about how crime networks evolved in Indonesia and to analyse further, as discussed in Chapter 12, the steps the government has undertaken to address terrorist financing in Indonesia.

9.1 Case Study 11: the Adi Jihadi Group

This case study contributes to terrorist financing research by exploring the dynamics of a terrorist group established by Adi Jihadi (Adi). The Adi Jihadi group claimed responsibility for a suicide bombing attack in the centre of Jakarta on 14 January 2016. This was called the Thamrin Bombing incident. The 'Paris-style' strike killed two civilians and injured more than 20 people. Adi is the brother of Rois, a terrorist prisoner who was inspired by the teaching of Aman

Abdurahman. Rois was convicted for the Kuningan suicide bombing attack in 2004 and sentenced to death in 2005. Adi and Rois planned the suicide attack together. They involved other terrorists such as Suryadi Ma'sud, Ahmad Supriyanto and Saiful Muhtorir (alias Abu Gar) in the conspiracy.

The Adi Jihadi group started funds-raising with self-funding, drawing on friends networks and international support, along the way. To move the money, they used friend-to-friend connections, carrying cash, as well as bank accounts, money changers and money remittance companies to avoid detection by the authorities. The group spent money on jihadists' travel to Syria to join ISIS, on planning an attack in the Thamrin area, on weapons smuggling and on military training in the Philippines.

9.1.1 Support for FTFs Travelling to Syria

The first program run by the Adi Jihadi group was to assist those intending to travel to Syria. Most Indonesian pro-IS fighters used their savings to pay for airline tickets, transport, accommodation and visas. Adi Jihadi worked closely with another terrorist prisoner Ahmad Supriyanto, who helped him reserve airline tickets through online websites, Traveloka and Nusa Trip. The Adi Jihadi group was entirely responsible for all the l arrangements for 15 families travelling to Syria.

The cost of the journey was between IDR20,000,000 and IDR70,000,000. Families flying to Syria were in groups of two to five people. Both Adi Jihadi and Ahmad Supriyanto usually asked the participants to contribute extra funds on top of the cost of travel as fees for themselves.[620] The Adi Jihadi group managed the travel of Kuswandono's, Suryadi Ma'sud's,

[620] Indonesian National Police, "Case Interview Report on Behalf of Achmad Supriyanto Als Ahmad Als Damar Als Umar Als Abu Cikal Bin Subur," Jakarta, 2016, 13 – 17.

and Akiyat Hidayat's families. For Kuswandono's, Adi Jihadi charged IDR25,000,000 for five family members, including airline tickets and visa documents.[621]

Adi assisted the family of Suryadi Ma'sud to travel via Turkey. He organised the e-visa application and spent IDR70,608,696 on return tickets for four people, Ahmad Supriyanto managed the travel of Akiyat, Hidayat's family, buying airline tickets for IDR60,000,000 to buy and paying US$103 for visas. Ahmad Supriyanto usually required the FTFs, including Rivaldi Ariezta and Kuswandono, to hand over their bank documents and their ATM cards to him before departing for Syria. The investigators found that while Rivaldi Ariezta and Kuswandono were away in Syria, their ATM cards were used to obtain funds for the Thamrin bombing attack.[622]

9.1.2 Planning for the Thamrin Bombing

The second activity of the Adi Jihadi group was the Thamrin area attack in Jakarta. The planning included obtaining funds, channelling the money to those in charge of the attack and finally spending the money to complete the attack. The conspiracy was launched at the beginning of 2015. The main source of money was Rois, a terrorist defendant who controlled the planning behind the bar?. Rois organised the funding by asking Adi Jihadi to open a local bank account to receive IDR150,000,000. Rois fully controlled the use of the money, but a small amount was withdrawn in cash by Adi Jihadi to finance his business. Adi Jihadi never recognised the senders who transferred the funds to his account.[623]

[621] Indonesian National Police, "Case Interview Report on Behalf of Adi Jihadi," Jakarta, 2017, 11 – 13.
[622] Indonesian National Police, "Case Interview Report on Behalf of Suryadi Mas'ud Alias Anthony Salim Alias Montilia Perez Alias Abu Ridho Alias Omar Avie Alias Kahar Muzakar," Jakarta, 2017, 4.
[623] Indonesian National Police, "Case Interview Report on Behalf of Adi Jihadi," 7.

To distribute the money, Rois asked Adi Jihadi to use the ATM cards of FTFs who had flown to Syria in April 2015, Kuswandono and Rivaldy Ariezta. In November 2015, Adi Jihadi handed over those cards to Achmad Supriyanto alias Umar, who was the field coordinator. By using the cards, Rois and the group were able to manage preparations for the attack, including military training, purchasing weapons, and funding for operations.[624]

To accomplish the bombing, Rois asked Abu Gar and Muhammad Ali as the field coordinator to organise military training and coordinate the action. The first step was military training in Cipanas, which was held over three days with 20 participants. Abu Gar admitted that he received IDR70,000,000 and involved Romli to organise the training. He shared the money, giving IDR12,500,00 to Romli's wife, IDR1,400,000 to Dian Adipriyana, and IDR1,200,000 to Muhammad Ali (alias Rizal, alias Abu Isa) for transport costs. The money was for food expenses and car hire to travel to the training location. In the final preparations, Abu Gar was assigned to give IDR70,000,000 to Muhammad Ali (Ali), his colleague, for operations. Ali then designated four people to use firearms and explosives in the attack. Ali also rented two houses and prepared a sum of money for families of Irhab and Abu Zaiyah, the suicide bombers.[625]

9.1.3 Weapons Smuggling and Military Training

Besides assisting Indonesians travelling to Syria and successfully conducting a bomb attack in Thamrin Jakarta, the police investigation also reveals the Adi Jihadi group had a significant role in weapons smuggling from the Southern Philippines to Indonesia. This began at the end of June 2015 when Rois discussed the plan with Suryadi Ma'sud and his wife, Neneng Rita Anyar. Rois accepted Suryadi Ma'sud as the coordinator because Suryadi had a wider family

[624] Indonesian National Police, "Case Interview Report on Behalf of Adi Jihadi," 10.
[625] Indonesian National Police, "Case Interview Report on Behalf of Saiful Muhtorir Als Ahmad Hariyadi Als Nasrudin Muhtar Als Abu Fida Als Abu Gar Als Harun," Jakarta, 2016, 8 – 10.

and friends networks in Indonesia, Malaysia, and the Philippines. To carry out the plan, Suryadi involved Adi Jihadi, Zainal Anshori, Hari Budiman (alias Abu Moosa), and Achmad Supriyanto to buy 30 long-barrel weapons, one M14-type weapon, 29 M16-type firearms, and five short guns in General Santos and Basilan, Southern Philippines.[626]

The information obtained from the court reveals the financial side of the arms trade between Indonesia and the Philippines. The following sets out how the group managed their money until it was funnelled to the end-users to complete the weapons smuggling project.

Rois appointed Adi Jihadi to manage the money for travel costs from Indonesia to the Southern Philippines. Adi Jihadi entrusted the funds to his colleagues, Suryadi Ma'sud and Ahmad Supriyanto, to prepare and set up the routes to the Philippines. Adi jihadi handed over IDR30,000,000 to Suryadi Ma'sud as payment for travel costs.[627]

The money was channelled through Western Union, and in cash. Domestically, the money movement was in cash and mostly using friend-to-friend connections. For international transactions, Western Union was preferred, especially between Indonesia and the Philippines.

In some cases, they disguised the identities of funds recipients in the Southern Philippines region. Suryadi Ma'sud and Dr. Mahmud used third parties' accounts, counterfeited the identities of Filipinos, and those false identities as money recipients. The following details describe the money transfers between Indonesia and the Philippines as part of the Adi Jihadi group's involvement in facilitating the illegal weapons trade between the two countries.

Table 9.14 shows three sources of funding for weapons trade through a money remittance service. Initially, Rois offered US$6,610.11 and ordered Ahmad Supriyanto to arrange a money

[626] Indonesian National Police, "Case Interview Report on Behalf of Suryadi Mas'ud Alias Anthony Salim Alias Montilia Perez Alias Abu Ridho Alias Omar Avie Alias Kahar Muzakar," 2.
[627] Indonesian National Police, "Case Interview Report on Behalf of Suryadi Mas'ud Alias Anthony Salim Alias Montilia Perez Alias Abu Ridho Alias Omar Avie Alias Kahar Muzakar," 15.

remittance from Indonesia to Atong Normina in the Philippines by using Western Union, a legal money remittance service in Indonesia. Ahmad Supriyanto used his own identity and his colleagues Mulyadi's, as the senders. Shoaib Ahmed Mehob Bellahi, who lived in Saudi Arabia, sent US$133.32 to Suryadi Ma'sud in the Philippines. Finally, Mahdi Hasan Mohamed Alhussani, a Kuwait man, also transferred US$1,077.35.[628]

Fund sender	Location sent	Date sent	Receiver	Location received	Amount (US$)
Shoaib Ahmed Mehob Bellahi	Saudi Arabia	08th November 2015	Amina Mamalumpong	General Santos, Southern Philippines	133.32
Achmad Supriyanto	Indonesia	11th November 2015	Atong Normina	General Santos, Southern Philippines	2,922.26
Achmad Supriyanto	Indonesia	11th November 2015	Atong Normina	General Santos, Southern Philippines	737.57
Mulyadi	Indonesia	23rd November 2015	Normina M Atong	General Santos, Southern Philippines	2,950.28
Mahdi Hasan Mohamed Alhussani	Kuwait	06th December 2015	Haron Mamalumpong	General Santos, Southern Philippines	1,077.35

Table 9.14 Money Transfers Between Indonesia and the Philippines

[628] Indonesian National Police, "Case Interview Report on Behalf of Suryadi Mas'ud Alias Anthony Salim Alias Montilia Perez Alias Abu Ridho Alias Omar Avie Alias Kahar Muzakar," 18.

In order to complete the smuggling, Ahmad Supriyanto admitted that the group also received US$55,000 in cash from January to March 2017 as instructed by Dr. Mahmud, the key person intermediary between Ahmad Supriyanto and the donors. These were three Indonesian ISIS members who had travelled to Syria. There was an anonymous person who donated US$10,000 in January 2017, Andi alias Bintang who gave US$25,000 in February 2017; and Dr. Yusuf, who offered US$20,000 to Ahmad Supriyanto in March 2017. To use the money, they converted it into local currency at a money changing company in Jakarta. Ahmad Supriyanto, Dr. Mahmud, Suryadi Ma'sud, and other colleagues decided to use the money for the purchase and delivery of weapons from the Philippines to Indonesia.[629]

The case of Suryadi Ma'sud also involved using funds for weapons smuggling. Suryadi Ma'sud spent most of the money on four trips to the Southern Philippines to smuggle weapons into Indonesia. During the first trip, between September to October 2015, Suryadi Ma'sud and his wife spent IDR30,000,000 on return airline tickets from Balikpapan point (East Borneo – Indonesia) to Manila (Philippines) through Sabah and Kinabalu in Malaysia. They travelled by bus from Manila to Davao and General Santos in the South. On his first trip, Suryadi Ma'sud visited Camp Khalid in Maasim Sarangani Province and met Nawawi, the field commander of the camp. He was intended to inspect 28 long barrel weapons that he left with Nawawi in 2001. As Nawawi told him he did not have the guns, Suryadi Ma'sud went back to General Santos and approached Marod and Dato, his old colleagues in the Moro Islamic Liberation Front (MILF) group, to explore further weapons trading options.[630]

Since the first trip was considered a failure, Suryadi Ma'sud made a second journey to General Santos from November 2015 to February 2016. He used an additional US$3,000 provided by Adi Jihadi at the end of October 2015 to buy airline tickets, pay for accommodations, and

[629] Indonesian National Police, "Case Interview Report on Behalf of Achmad Supriyanto Als Ahmad Als Damar Als Umar Als Abu Cikal Bin Subur," 11 – 13.
[630] Indonesian National Police, "Case Interview Report on Behalf of Suryadi Mas'ud Alias Anthony Salim Alias Montilia Perez Alias Abu Ridho Alias Omar Avie Alias Kahar Muzakar," 4 – 6.

purchase weapons. After negotiating with Marod, Suryadi agreed to buy 18 long barrel guns (type M14 and M16) and five short firearms, which cost US$30,000 or ₱1,200,000. According to the court documents, Suryadi Ma'sud admitted that the money was provided by Rois and sent through Western Union. Ahmad Supriyanto facilitated the money remittance. However, they split the total amount of US$7,820.78, five ways, sending the funds from Indonesia, Kuwait, and Saudi Arabia, as shown in **Table 9.14.**[631]

Suryadi Ma'sud, who was already in General Santos, then arranged to withdraw the money by using the identity of Marod's wife (Normina Atong Mamalumpong). Those funds were spent on the courier and hiring a guard for the weapons. Suryadi Ma'sud gave ₱30,000 or IDR9,000,000 to Muhammad – a Filipino who worked as an illegal cross-border trader, to guide an Indonesian who was transporting the five short guns. In Jakarta, Rois involved Zainal Anshori, a terrorist group leader of Jama'ah Ansharuh Daulah (JAD) East Java. On Rois's orders, Zainal used US$20,000 from Adi Jihadi to arrange the weapons pickup. To deceive border officers in the Southern Philippines, Zainal Anshori and his colleague Zaenal Hasan, spent IDR8,000,000 on a quantity of clothes in order to masquerade as textile wholesalers. The team flew to Manado before taking a ferry to cross the Southern Philippines border. Zainal Anshori managed to buy a boat and spent IDR17,000,000 on transport, including a GPS. However, security controls in the border area, prevented the team from crossing over to the Philippines.[632]

The efforts to smuggle the weapons continued in January 2016. Hari Budiman was one of the donors who offered US$25,000 cash in hand to support the group. In March 2016, Suryadi Ma'sud and his wife embarked on a ship from Surabaya (East Java) to Nunukan (Borneo) before departing to Basilan. One month later, they met Isnilon Hapilon, A prominent terrorist

[631] Indonesian National Police, "Case Interview Report on Behalf of Suryadi Mas'ud Alias Anthony Salim Alias Montilia Perez Alias Abu Ridho Alias Omar Avie Alias Kahar Muzakar," 5 – 6, 18.
[632] East Jakarta District Court, "Court Conviction No. 862/ PID.Sus/2017 / PN.Jak.Tim on Behalf of Zaenal Anshori Alias Abu Fahry Alias Qomaruddin Bin M.Ali," Jakarta, 2017, 19 – 23; East Jakarta District Court, "Court Conviction No. 861/PID.Sus/2017/PN.Jak.Tim on Behalf of Zaenal Hasan Alias Abu Said Alias Fajar Limolas Alias Tracker," Jakarta, 2017, 11 - 12, 20.

leader who was linked with Moro militants and the IS. They discussed transporting the weapons and military training. Suryadi Ma'sud gave some funds to Isnilon Hapilon, US$5,000 to buy a car and US$20,000 for a boat and training equipment such as weapons, ammunition, and explosive materials. However, because of a military attack by the Philippines Army at the time, Suryadi Ma'sud and his wife fled and returned to Indonesia. Attempts to transport the weapons were made until July 2016, when Kudama, the terrorist leader of Camp Tipotipo, organised the delivery from Basilan and Zamboanga to Indonesia. The team also included Ahmad Supriyanto and three other colleagues who departed from Jakarta. They spent IDR10,000,000 to buy tickets and pay for accommodation.[633]

The case study of Adi Jihadi and his group exemplifies the development of terrorist financing in Indonesia. The assistance to jihadists travelled to Syria, the bombing attack in Thamrin-Jakarta, and arranging the weapons trading and delivery from the Philippines to Indonesia have several practical applications in terms of resourcing, moving, and using funds for terrorism. Self-funding techniques were used by Rois, a terrorist prisoner, his networks, and international supporters such as ISIS members in Saudi Arabia and Kuwait. The group also moved money by using friends to friends connections to carry cash, money changer services to convert the currency and money service businesses for transnational remittances. To camouflage the senders and receivers' names, the group used ATM cards belonging to those who had already gone to Syria as foreign fighters and forged bank documents to create fake identities in order to withdraw money. Finally, the funds raised were mostly spent on operational expenses like airline tickets, accommodation, transport, weapons, ammunition, boats, GPS items, and explosive materials. Partial funding was found to pay the courier and

[633] Indonesian National Police, "Case Interview Report on Behalf of Suryadi Mas'ud Alias Anthony Salim Alias Montilia Perez Alias Abu Ridho Alias Omar Avie Alias Kahar Muzakar," 8 – 11; Indonesian National Police, "Case Interview Report on Behalf of Adi Jihadi," 19.

hire a guard for the weapons. Last, the group allocated a small amount of money to support the families of suicide bombers.

The financial links of the Adi Jihadi group are shown in the below chart:

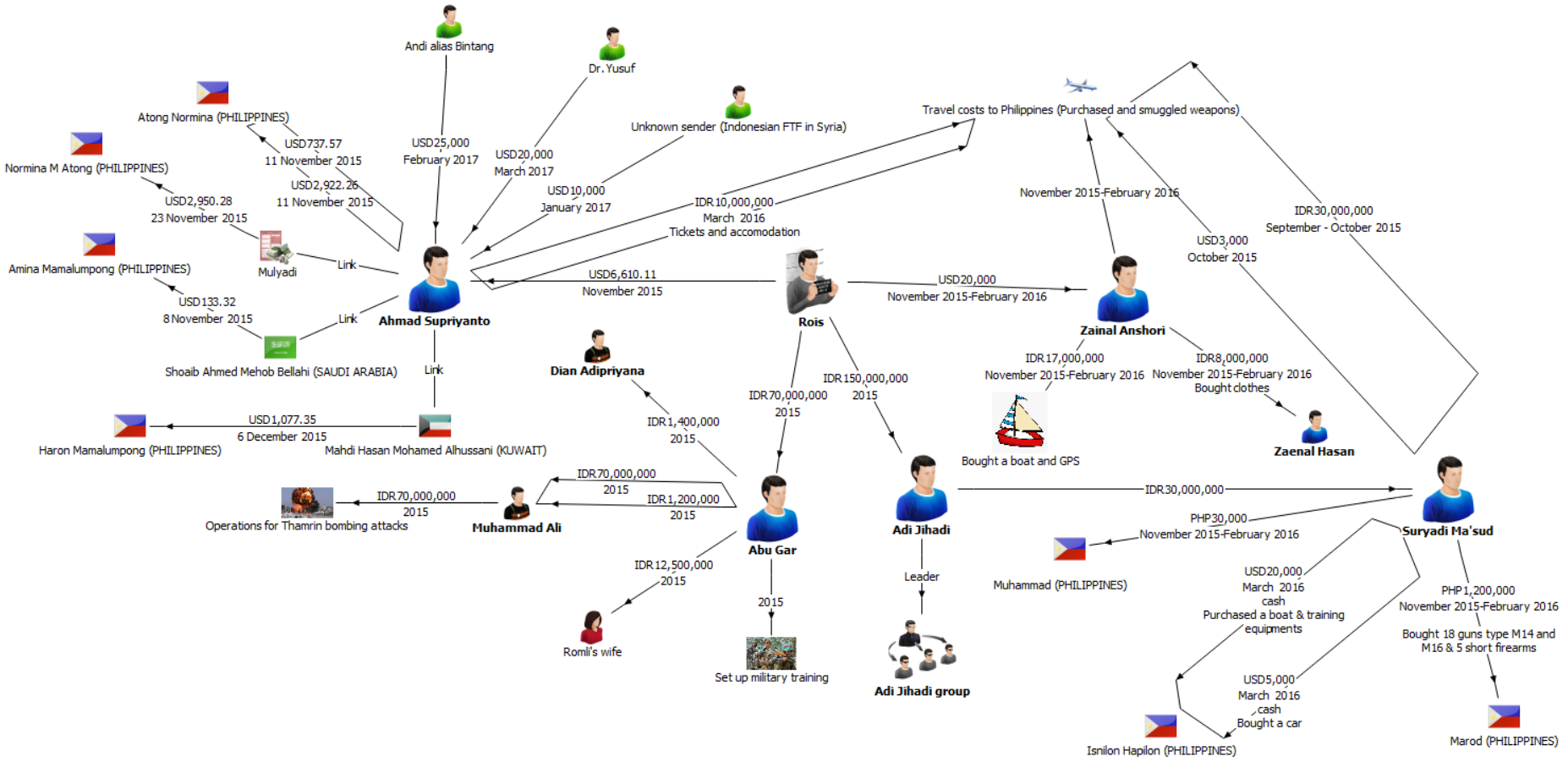

Figure 9.20 Funding Management of Adi Jihadi Group (Source: Multiple Resources Summarised by the Author)

9.2 Case Study 12: Foreign Terrorist Fighters (FTFs) Networks

This last case study features another permutation of terrorist financing. The study draws upon court documents of 23 Indonesians who decided to travel to Syria and the Southern Philippines. They were fighters, facilitators and supporters of the ISIS group between mid-2015 and 2018. Of these 16 people travelled to Syria via Turkey or other Asian routes, six had joined the pro-IS networks in the Southern Philippines. Only one person solicited support for fighters who went to Syria and those who travelled to the Philippines. The analysis here examines how the 23 Indonesian FTFs organised their finances through self-funding, group support, and combining those two resources. Ten people opted for self-funding, six obtained funds from friends and group support, and seven combined those two sources of money. The case study shows how the money was obtained, how it was moved and finally, spent.

9.2.1 Self-Funding Resources

First let us consider the ten indonesians who travelled to Syria and how they covered their costs. They raised money by selling their assets, using their savings, salary, or even withdrawing money from a social security insurance fund. Six people - Dwi Djoko Wiwoho, who worked with Iman Santosa, Agustiningsih, Feri Rolis, Arti Alifah Aviandari Rahardjo, and his partner Uzair Cholid -. sold property in order to travel.

In July 2015, **Dwi Djoko Wiwoho** (Dwi) sold his house for IDR500,000,000 and handed over IDR327,000,000 to his colleague, Iman Santosa (alias Abu Umar) to arrange his travel to Syria, including tickets, travel documents, and hotel.[634] Besides organising Dwi's travel, **Iman Santosa**, made travel arrangements for another 26 people, including his family. He had

[634] West Jakarta District Court, "Court Conviction No. 391//Pid.Sus/2018/PN.Jkt.Brt. on Behalf of Dwi Djoko Wiwoho Alias Abu Bakar Alias Abu Khonsah," Jakarta, 2018) 56.

IDR270,000,000 from his savings, received IDR60,000,000 from his mother-in-law, and collected IDR310,000,000 from Dwi Djoko Wiwoho and Khairul Fajar. He spent IDR17,000,000 on visa documents, IDR405,000,000 on airline tickets (Jakarta-Istanbul Turkey) and the remaining funds for booking two nights at a hotel in Istanbul.[635]

A few months later, in September 2015, another fighter named **Agustiningsih** sold her house for IDR590,000,000 and the household contents for approximately IDR33,200,000. The money was used for travel arrangements for herself and for six women colleagues who also planned to travel to Syria. She spent IDR109,900,000 on the flight from Jakarta to -Istanbul IDR2,400,000 for e-visa documents, and the remainder to book accommodation and to pay for other items such as a mobile phone.[636]

Feri Rolis (Feri) was a fighter who sold his motorbike and used his salary to finance his journey to Syria. He also collected IDR120,000,000 from two colleagues, Anhar and Mery. In May 2016, Feri spent IDR103,830,000 on airline tickets for himself, eight members of Anhar's family and four members of Mery's family.[637]

Later in 2018, **Arti Alifah Aviandari Rahardjo and Uzair Cholid**, sold a motorbike for IDR50,000,000.[638] The court document also shows that they sold their parents' house for IDR9 billion to pay for the whole family to travel to Syria. They initially purchased a tour package in Europe through a travel agent and paid for the visas. According to the court documents, they spent IDR157,360,400 on tickets and paid IDR2,899,200 for each visa application.[639]

[635] West Jakarta District Court, "Court Conviction No. 178/Pid.Sus/2018/PN.Jkt.Brt. on Behalf of Iman Santosa Alias Abu Umar Bin Kosasih Bakri," Jakarta, 2018, 12 – 13.
[636] Indonesian National Police, "Case Interview Report on Behalf of Agustiningsih, SP Alias Nining," Jakarta, 2016, 8, 10 - 12.
[637] Indonesian National Police, "Case Interview Report on Behalf of Feri Rolis," Jakarta, 2018, 6 – 7.
[638] West Jakarta District Court, "Court Conviction No.1339/Pid. Sus/2019/PN.Jkt Brt on Behalf of Uzair Cholid Alias Uzer Alias Ibnu Cholid Alias Husen Ali Segaf," Jakarta, 2020, 5 – 6.
[639] West Jakarta District Court, "Court Conviction No. 1340/Pid.Sus/ 2019/PN.Jkt Brt on Behalf of Arti Alifah Aviandari Rahardjo," Jakarta, 2020, 10 – 12.

For Syahrul Munif, Muhammad Muhaidin, and Muhammad Mustaqim, their savings were their main source of funds. In March 2014, **Syahrul Munif**, a terrorist fighter who travelled to Syria via Turkey, spent IDR10,000,000 on travel documents, accommodation, and airline tickets. He was not alone when he crossed the border between Turkey and Syria.[640]

A few months later, in May 2014, another fighter named **Muhamad Muhaidin** (Muhammad) spent US$1,500 on tickets (from Jakarta to Kuala Lumpur and Istanbul – Turkey). He undertook military training at Camp Telabiat and Muazkar in Turkey. After three months in the camp, Muhammad returned home to Indonesia, having spent US$800 on airline tickets from Istanbul to Jakarta.[641]

In February 2016, the authorities also investigated the departure of **Muhammad Mustaqim** (Mustaqim) and his family to Turkey through Hong Kong. Mustaqim used his savings for travel documents, including passports and visas for himself, his wife, and their three children. He spent IDR275,000 on each passport and US$23 on each visa. He also paid IDR120,000,000 for return tickets from Hong Kong – Istanbul for the entire family.[642]

Mohamad Okasa (Okasa) exemplifies a different kind of financial support for foreign terrorist fighters. Okasa financially assisted his brothers Ade Rahmat and Mohammad Irsya to join the IS group in Syria. On 20 July 2016, he withdrew IDR6,300,000 from Ade Rahmat's social security insurance policy. He deposited the money in Ade Rahmat's account before remitting it to him through a traditional hawala service.[643]

[640] East Jakarta District Court, "Court Conviction No. 1124/Pid.Sus/2017/PN.Jkt.Tim on Behalf of Syahrul Munif S. H. Alias Syahrul Alias Munif Alias Abu Jihan," Jakarta, 2018, 7 – 9.
[641] North Jakarta District Court, "Court Conviction No. 620/Pid.Sus/2018/PN Jkt Utr on Behalf of Muhammad Muhaidin Alias Deni Alias Abu Faros," Jakarta, 2018, 6 – 10.
[642] North Jakarta District Court, "Court Conviction No. 133/Pid.Sus/2019/PN Jkt Utr on Behalf of Muhammad Mustaqim Alias Abu Raisya Alias Riski Maulana Alias Bang Toyib Bin Abdul Rahman," Jakarta, 2019, 12.
[643] Central Jakarta District Court, "Court Conviction No. 334/PID.Sus/2019/PT.DKI on Behalf of Mohamad Okasa Alias Oka Alias Abu Fiqh," Jakarta, 2019, 17 – 18.

9.2.2 Funding Support from Friends' Networks

Further analysis of FTFs funding clarifies the contribution made by circles of friends to assist with travel to conflict zones like Syria and Southern Philippines. According to the court documents, six people were funded by friends or groups, both fighters and facilitators. Following are the stories of fighters Nurul Hakim and Triyono, who planned to depart from Indonesia to Marawi in the Southern Philippines, and Muhammad Iqbal Ramadhan, a Syrian fighter.

While **Nurul Hakim** (Nurul) was preparing to travel to Marawi, his colleagues helped with all the expenses, including accommodation and tickets. Nurul was supposed to transport weapons from the Philippines to Indonesia through the Sulawesi route. However, the plan was foiled. Later, Nurul worked with his groups to travel to Iran and Turkey. All of the expenses were covered by the network. On 14 May 2018, Nurul was arrested by the Turkish police and deported to Indonesia on 26 June 2018.[644]

Triyono was a fighter from Central Java who joined the JAD regional group and received strong financial support from group members for his travel to the Philippines. His original aim was to assist Suryadi Ma'sud, a prominent group leader who planned to smuggle weapons from the Southern Philippines to Indonesia in 2016. However, he also had an opportunity for military training to prepare himself to attack a district police station in West Java. However, he was apprehended by the local police prior to the planned attack on 14 February 2019.[645]

The investigation identified **Muhammad Iqbal Ramadhan** (Iqbal) as another fighter supported by friends' networks to finance his travel to Syria. After Iqbal joined the terrorist group called JI in May 2016, he became acquainted with other members and attended sermons and regular

[644] North Jakarta District Court, "Court Conviction No.1331/Pid. Sus. Teroris/2018/PN Jkt.Utr on Behalf of Nurul Hakim," Jakarta, 2019, 5 – 8.
[645] West Jakarta District Court, "Court Conviction No. 1642/Pid.Sus/2019/PN Jkt.Brt on Behalf of Triyono, S. Pdi Alias Andalus Alias Mas Joko Alias Abu Hilwa Bin Wagimin," Jakarta, 2020, 25 – 31.

meetings. At the end of 2017, he planned to travel to Syria as part of his jihad pathway. Iqbal received US$5,226 in cash from his associates and converted the funds at the Golden Money Changer in Jakarta. Further investigation revealed that he used the money to buy tickets online to fly Jakarta – Singapore – Ho Chi Minh and Ho Chi Minh – Istanbul routes. He asked his colleague, Dede Anung Somantri, to deposit IDR27,187,773 as the downpayment to the travel agent. In November 2017, he received an additional US$1,300 from his colleague Abu Kharom as a travel allowance. However, prior to his arrival in Syria, he was detained by the Turkish Armed Forces at the border between Turkey and Syria. The authorities then deported him to Indonesia on 15 December 2017.[646]

The group's funding method was applied not only to the fighters but also to the facilitators. The following analysis of the court documents shows how three people obtained financial support from friends to accommodate his networks for travelling to Syria and Southern Philippines.

At the end of 2017, investigators captured **Rahman Surahman**, a fighter from West Java, who had received full financial support from his colleagues. He was intended to be a facilitator for those who were volunteering to join terrorist fighters in Marawi. He received approximately IDR10,000,000 from his friends into his bank account. Most of the money was used for operational expenses, including the purchase of two-unit mobile phones for IDR1,300,000; return tickets to Borneo and Jakarta for roughly IDR3,080,000; a motorbike for IDR2,500,000; and also the lease of a house at IDR500,000 per month.[647]

Second, **Ahmad Goni** (Goni), a JAD Tegal member (Central Java), testified that he assisted in the supply of money remittances from Indonesia to the Philippines. Ahmad Supriyanto sent IDR100,000,000 and ordered Goni to transfer the funds to Suhaina, Siti Amina, in Marawi City

[646] East Jakarta District Court, "Court Conviction No. 1037/Pid.Sus/2018/PN.Jkt.Tim on Behalf of Muhammad Iqbal Ramadhan Alias Iqbal Alias Udin Alias Maman Alias Abutofik Bin Sukarman (Alm)," Jakarta, 2019, 4, 8 – 9, 18 – 22.
[647] East Jakarta District Court, "Court Conviction No. 664/Pid.Sus/2018/PN.Jkt.Tim on Behalf of Rahman Surahman Alias Maman Alias Abu Faidil Bin Mudri (Alm)," Jakarta, 2018, 10 – 17.

by Western Union. Goni admitted the source of the money and how it would have been used to support the Southern Philippines' Muslim community.[648]

Third, **Saka Panji Trisno** (Saka) received an incoming funds transfer of IDR50,000,000 from Ardun in May 2017. The money was used to arrange the travel of his colleagues Nana, Gufron, and Agis to Marawi, Southern Philippines. Saka got acquainted with Ardun when he joined a Telegram group named "Cinta Sunah" and used the group as an avenue to communicate with jihadists. After receiving money from Ardun, Saka transferred IDR30,000,000 to Nana and notified him of the purpose of sending money to him on Ardun's orders. In this case, Saka disclosed his motivation to help those preparing to be terrorist fighters in Marawi.[649]

9.2.3 Combined Resources of Self-Funding and Groups Support

The last case study considered in this chapter goes beyond instances where money is acquired by self-funding and from groups or friends. The analysis here examines seven people who were fighters and facilitators and who combined the two sources of funding, which they used for travel to Syria and/or Marawi in the Southern Philippines.

The first example is **Ahmad Supriyanto** (Supriyanto). As discussed earlier, he acted as a facilitator for Indonesian pro-IS fighters who went to the Southern Philippines. From 2016 to 2017, he served as a facilitator to those who intended to join terrorist fighter groups. In 2016, the court document noted that jihadists often contacted him to arrange travel to Syria. Some families handed over their ATM cards to Supriyanto before purchasing tickets and visa documents. Supriyanto later arranged all the accommodation on behalf of the fighters and their families. This continued in 2017 when Supriyanto received money from Dr. Mahmud, a

[648] Indonesian National Police, "Case Resume on Behalf of Ahmad Goni," n.d.
[649] Indonesian National Police, "Case Interview Report on Behalf of Saka Panji Trisno Alias Saka Alias Abu Kana Alias Saka Panji," Jakarta, n.d., 12 – 13.

prominent terrorist leader based in the Philippines who ordered him to organise the departure of Indonesian pro-IS fighters to Marawi city. From January to March 2017, Supriyanto received funds on three occasions, including sums of US$10,000, US$25,000, and US$20,000. He collected the money in cash through intermediaries, including Abu Rizki, Munawar, and Dody. Dr. Mahmud asked Supriyanto to manage the funds for the travel of jihadists to Marawi city and to fund Suryadi Ma'sud's journey to smuggle weapons from the Philippines to Indonesia.[650]

The travel of Indonesian pro-IS fighters to the Southern Philippines was also facilitated by **Rochmat Septriyanto** (Rochmat). In his case interview report, he acknowledged his role in helping jihadists arrange their flights and visa documents using funds from Ustad Munawar and Dr. Mahmud. From 2015 onwards, Ustad Munawar asked him to assist in the purchases of airline tickets for those who pledged allegiance to ISIS and planned to go to Syria. Rochmat always used a bank account of Amir Bahar, to receive money donated by Ustad Munawar, then he used to buy airline tickets for fighters and their families to Turkey. However, in the end, most of them were stranded and detained in Turkey, and the local authorities deported them to Indonesia. In 2017, Rochmat was involved in sending people to Marawi city. As instructed d by Dr. Mahmud, Rochmat worked with Supriyanto to prepare jihadists and their families for travel to conflict zones. The prospective participants sent the funds to Rochmat through the account of Amir Bahar. Then, Rochmat assisted them in arranging travel. Rochmat admitted facilitating the travel of eight people to the Philippines. On the orders of Dr. Mahmud, Rochmat also became the intermediary for money remittances between Indonesia and the Philippines, In January 2017, he received IDR300,000,000 in cash from Supriyanto and remitted the money through Western Union to Suhaina Abdulhamid Khalid dan Sittie Rahma Imam Lucman (Sittie) in the Philippines. A month later, Supriyanto transferred another IDR300,000,000 in three transactions. Rochmat then forwarded the funds to Maricel S Escodero, in the Philippines.

[650] Indonesian National Police, “Case Interview Report on Behalf of Achmad Supriyanto Als Ahmad Als Damar Als Umar Als Abu Cikal Bin Subur,” 12 - 13,16 - 17.

There were no further details about Maricel, but he was believed to be part of the Rochmat's network.[651]

In the same year, the Indonesian police also identified **Deny Hariyansyah Saputra** (Deny) as another facilitator of travel for terrorist fighters, including Iman Namakule, a renowned pro-IS fighter who flew to Syria with his help. Abu Muhammad, the group leader, ordered Deny to facilitate travel for jihadists. Abu Muhammad paid Deny well for being a facilitator. In his court document, Deny admitted to earning IDR1,000,000 – IDR2,000,000 for each of his financial transactions on behalf of the terrorist fighters. He used his bank account to accumulate funds from terrorist fighters, then used the money to pay for airline tickets, hotels, and travel documents online.[652]

Another example of a terrorist fighter using two sources of funding in 2016 was **Darmawan** (alias Wawan). He left Jakarta with his wife and children in June 2016, taking the Turkey route. His travel expenses were covered by his savings of IDR15,000,000, and he obtained IDR60,000,000 from his colleague, Panjaitan (alias Opung).[653]

Agistra Agriyana (Agistra), alias Agis planned to conduct jihad in Marawi, southern Philippines, in mid-2017. He admitted that he did not have enough money to travel to Syria. Instead of joining IS in Syria, he planned to go to Marawi, Southern Philippines. Agistra and two colleagues received money for their travel from their network in the Philippines and used it for tickets and hotel accommodation.[654]

[651] Indonesian National Police, "Case Interview Report on Behalf of Rochmat Septriyanto Alias Asep Alias Bambang Gentolet Alias Abu Muhammad," Jakarta, 2017, 5 – 8.
[652] Indonesian National Police, "Case Interview Report on Behalf of Deny Hariyansyah Saputra Alias Syamil Alias Bemo Bin M.Syafei," Jakarta, 2017, 5 – 7.
[653] North Jakarta District Court, "Court Conviction Report No. 129/Pid.Sus.Teroris/2019/PN. Jkt.Utr on Behalf of Darmawan Alias Wawan Alias Abu Rosyid," Jakarta, 2019, 4.
[654] North Jakarta District Court, "Court Conviction No. 1396/Pid. Sus Teroris/2017/PN. Jkt. Utr on Behalf of Agistya Agriyana Alias Agis," Jakarta, 2018, 4 – 6.

Fathu Yahya Hasan (Fathu) was another example. In August 2017, Fathu and his wife decided to join ISIS in Syria. They sold jewellery worth US$300 to fund their trip. Further investigation revealed they also obtained money from Joko, who contributed IDR80,000,000. The couple planned to travel through Bangkok-Istanbul and used the money for tickets and booking hotel accommodation. However, the Turkish authorities arrested them on 14 May 2018 and deported them to Indonesia on 27 June 2018. On 8 April 2019, the North Jakarta District Court sentenced Fathu to two years and six months in prison.[655]

Sunarto (alias Abu Arsal bin Sakat) was also known as a fighter and a facilitator for people who wanted to go to Syria. He acquired funds from various sources. First, he used IDR115,000,000 of his savings and sold his assets and other inheritance. He also received assistance from his friends' networks. For example, locally, Sunarto collected IDR4,500,000 from his jihadist colleague, Dwi Yulianto Alias Mus'ab. Munawar alias Usdul Wago, an Indonesian pro-IS fighter who lived in Syria, sent Sunarto IDR60,000,000 through Western Union. Sunarto also stayed in a safe house when he arrived in Turkey. Abu Hanifah paid him a daily allowance of US$7 per day during his stay in the safe house and IDR3,700,000 per day when he moved to an apartment.[656]

In summary, this analysis has set out to determine the significant developments in terrorist financing in the era of the ISIS group's existence in Indonesia. First, the study provides insights into the varieties of funding sources for Indonesians who pledged their allegiance to the ISIS group, including obtaining money from selling properties and assets, using savings and salaries, and withdrawing funds from their personal social security insurance.

[655] North Jakarta District Court, "Court Conviction Report No. 1329/Pid.Sus.Teroris/2018/PN Jkt.Utr on Behalf of Fathu Yahya Hasan Alias Fathu Alias Yahya Alias Jabir Alias Joufthoirin Alias Slaunaqi," Jakarta, 2019, 5, 9 - 10.
[656] East Jakarta District Court, "Court Conviction No. 574/Pid.Sus/2018/PN.Jkt. Tim on Behalf of Sunarto S. Sos Alias Abu Arsal Bin Sakat," Jakarta, 2018, 6, 9 - 10.

The figures in this analysis demonstrate three techniques for moving money. First, the money received for travel was in cash and was handed over directly by the donors. Second, some fighters collected funds using bank transfers through a third-party account such as a friend's. Finally, a sum of money was converted to local currency at the money changer or directly deposited to a travel agent. Those who wanted to travel to Syria could then come and collect the tickets from the travel agent.

The fighters and facilitators spent money in various ways. According to case investigation reports and court documents, the defendants spent money on airline tickets, both domestic and international, on travel documents, including passports and visas, accommodation, mobile phones and even for transport costs, including motorbikes.

The financial resources of FTFs networks are shown in the below chart:

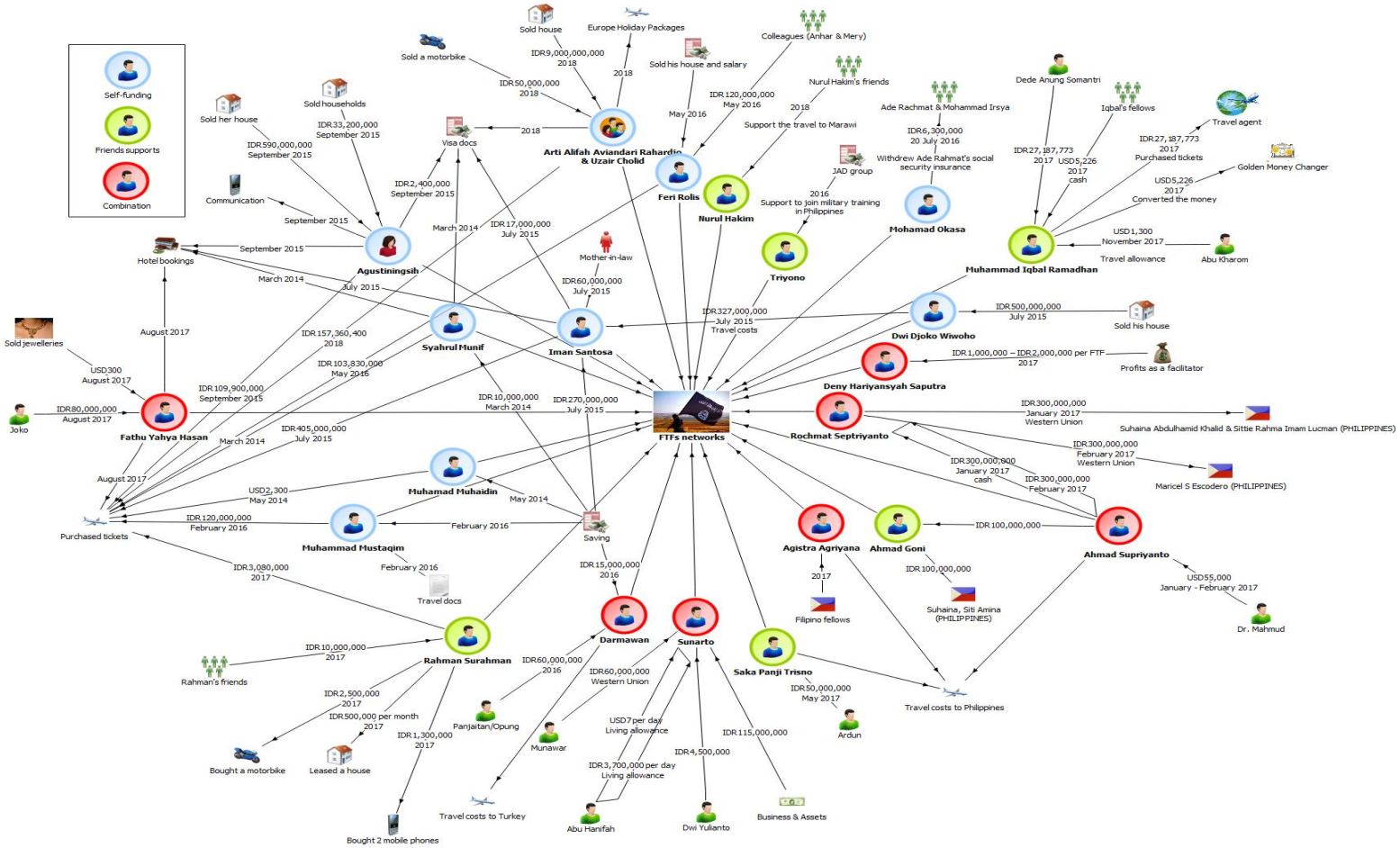

Figure 9.21 FTFs' Funding Resources (Source: Multiple Resources Summarised by the Author)

Conclusion

This chapter is part of the empirical evidence of the development of terrorist financing networks between 2013 – 2019. Chapter 7, Chapter 8, and Chapter 9 discuss changing methods of terrorist funding, particularly in terms of three stages: fund-raising, new strategies of moving money and innovative ways of spending it. Seven cases in the period 2013 – 2019 showed the following main purposes for collecting money. All the terrorist groups recognised they needed to raise money to conduct operations such as bombings and for military training. Another purpose was to strengthen the terrorist organisation using propaganda and through contributions to the religious community, as well as looking after members, widows and families.

Several means of fund-raising were observed. First, terrorist groups modified legitimate fund-raising techniques rather than using illegal ones. Bahraini Agam's network attempted to establish an illegal narcotic business, although the money used came from online crowdfunding. However, the authorities foiled the plan. Most of the funding was generated in legitimate ways, such as the savings from members, contributions from domestic and overseas networks, the formation of NPOs and crowdfunding.

Jihadists intending to travel to Syria and the southern Philippines, for instance, the Adi Jihadi Group and the FTFs networks, also drew on personal savings. The MIT-Poso Group, the KGR group, the Adi Jihadi group and the Solo bombing network also gathered funds from local and international networks. Domestic terrorist groups and terrorist prisoners contributed significantly to operations and organisational purposes. Overseas networks like Indonesian pro-IS leaders in Syria and international colleagues by sending money to support the organisation.

The JAD group exemplifies the establishment of NPOs as a way to collect funds from the community. Through NPOs, the group was able to create crowdfunding platforms both online and offline. They used a marketing strategy in the local mosques to attract the public, thus developing propaganda and 'dakwah.' Besides the JAD group, Bahraini Agam's also opted for crowdfunding through Facebook to collect money from followers. The group used the funds to produce methamphetamine for the illegal drug business.

The study also observed new ways of moving money besides cash and conventional bank transfer. To move money domestically, they forged identities and used third party accounts. There was also a case in the MIT-Poso group where the terrorists used their wives as money couriers from time to time. However, transnationally, a money remittance service was used in several cases for incoming funds from international networks. Another technique is the use of PayPal, a new payment method, enabling the movement of money from overseas to a local bank account. This type of payment was used in the preparation of the Solo attack by Bahrun Naim's group. Last, in the cases of supporting the travel of FTFs, Bahrun Naim established a travel agency as a cover for arranging journeys, including accommodation and airline ticket bookings.

The case studies add to the knowledge of variations on how terrorists spent their funds. The seven cases represent a significant turning point in the way they used the money for operations and organisation. A noteworthy observation is that more money was spent on developing the organisation than on preparing a large scale attack. The JAD and MIT-Poso groups collected funds from members and the public to support families of terrorist prisoners, widows and children, whom they assisted by providing health insurance foster care programs, scholarships and other support. Propaganda and business loans for members were other expenses. The case studies considered within this period also show the expenditures for operations, such as arranging the travel of FTFs, setting up military training, managing the bomb-making processes

and purchasing weapons in the Southern Philippines. The terrorist groups managed funds for accommodation, transport, couriers, communications, and travel documents.

In the following chapter, I continue to discuss how the Indonesian CFT policies were modified in the second period of 2013 – 2019. The review considers the development of countermeasures after the entry into force of the special anti-terrorist financing law in 2013 and analyses the significant policy modifications aimed at addressing the threat of terrorist financing. This is important to the analysis of the evolution of CFT policies evolution that will reveal the relationship between the policies and their impact on preventing and combating crime.

Chapter 10

Understanding Countering the Financing of Terrorism (CFT) Policies in Indonesia During 2013-2019: Part I

> Existing legislation on terrorism financing does not deal with the prevention or eradication of the crime of terrorism financing in a satisfactory or comprehensive way... ratifying a convention is not sufficient for it to become operational, further action is required. The Prevention and Eradication of Terrorism Financing Bill represents an effort to follow up on the ratification of the Convention. When it comes into force, it will form be part of Indonesian law, on an equal footing with other national legislation.
>
> Yunus Husein[657]

Introduction

This chapter describes the continuation of Indonesia's implementation of CFT policies in compliance with FATF Recommendations. The early establishment of CFT policies, and factors that influenced policy modifications, is outlined in Chapter 6, which also covers government strategies from 2002 to 2012. The study then discussed the ways in which actors modified CFT policies according to the mutual evaluation conducted by the FATF. This is reflected in Chapter 10 and Chapter 11. The description of CFT policy development in Indonesia is relevant to the research question: how has the CFT policy been adjusted in response to terrorist financing networks in Indonesia?

[657] Yunus Husein, "Naskah Akademik RUU Pemberantasan Pendanaan Terorisme," Jakarta, 2012, 3.

Chapters 10 and 11 analyse laws and regulations enacted between 2013 and 2019. This chapter, Chapter 10, completes the information on best practices CFT policies by discussing information excerpted from the 2019 FATF MER report, media reports, interviews with Indonesian government officials and other sources. This chapter also provides information about the Anti-Terrorist Financing Law No. 9 Year 2013 (the Anti-Terrorist Financing Law) and new regulations in financial industries. The aim is to provide an understanding of the policy modifications that have effectively disrupted terrorist financing networks and to examine what needs to be taken into account in the formulation of CFT policy. This chapter consists of three parts:

The first part is a discussion of factors that reinforced the government's motivation to improve the Anti-Terrorist Financing Law, such as the FATF MER and the FATF Public Statement. Such factors were essential to establishing a more robust CFT regime, especially in formulating new regulations for the private sector, providing additional authorities for operations and law enforcement, and enhancing international cooperation.

The chapter goes on to consider the definition of terrorist financing in the Anti-Terrorist Financing Law and the new Anti-Terrorism Law Number 5 Year 2018 and how these laws treated terrorist financing as part of terrorism activities or as a predicate crime for money laundering. The significant changes in the legislation to criminalise terrorist financing are then discussed. The foregoing shows that the legislative amendments became an extension of guidance for the financial industry, the FIU and law enforcement to deter and disrupt financial transactions associated with terrorists and related organisations.

The last section of this chapter describes the policy changes to regulate the financial industry, especially the implementation of 'KYC policies and Customer Due Diligence (CDD) strategies. Besides customer identification regulations, The internal CFT programs of the financial regulators and private sector and their capabilities to detect suspicious financial transactions

linked to terrorist financing are also discussed. Finally, the differences between the first and second periods regarding how the authorities regulated the financial industry according to the new legislation are highlighted.

10.1 The Establishment of Law Number 9 Year 2013

Following is the background to the Anti-Terrorist Financing Law of 2013: the 2008 MER by the APG,[658] and the 2012 FATF Public Statement, which described Indonesia as a jurisdiction with deficiencies in applying CFT standards, had persuaded the government to modify the legislative framework for countering terrorist financing.

10.1.1 Mutual Evaluation Review (MER) of Indonesia

The FATF has been conducting the fourth round of mutual evaluation with member jurisdictions. According to the former President of the FATF, mutual evaluation is essential to assess the effectiveness of anti-money laundering and countering terrorist financing policies at global and regional levels. Moreover, through mutual evaluation, the FATF can help strengthen members' capabilities, thus ensuring compliance with the FATF Recommendations.[659]

The FATF has complemented its mutual evaluation programs by evaluating technical and effectiveness compliance. The technical evaluation scrutinises the implementation of recommendations into ‘legal and institutional frameworks’ of each country and how capably the competent authorities enforce the procedures. The effectiveness evaluation highlights the

[658] The APG is the FATF regional body for the Asia Pacific region.
[659] Biersteker, Eckert, and Romaniuk, “International Initiatives to Combat the Financing of Terrorism,” 234.

adequacy of the country's implementation of the FATF recommendations and devises strategies for a robust AML/CFT regime.[660]

Indonesia has experienced two mutual evaluations. The first, in 2008, identified some deficiencies in complying with nine special recommendations on counter-terrorism financing. Indonesia was found non-compliant with five out of nine recommendations and partially compliant with four recommendations. Six significant issues were identified in the 2008 MER report.

The non-compliance evaluation demonstrated the absence of regulations and policies to implement the UN Terrorist Financing Conventions, including the UN Security Council Resolution (UNSCR) 1267, UNSCR 1373 and their successor resolutions. UNSC Resolution 1267 imposes sanctions on Osama bin Laden and associated terrorists and entities associated with Al Qaeda. UNSCR 1373 is a counter-terrorism measure adopted in 2001 following the 11 September attacks in the United States. The resolution encouraged countries to use best practices related on preventing and suppressing the financing of terrorist acts. Furthermore, the deficiencies found by the APG were not only the absence of laws to implement the resolutions but also the absence of laws criminalising terrorist financing as required by the UN Convention, for example, the scope of CFT policies and the mechanisms in freezing and confiscating properties related to terrorist financing assets in Indonesia.[661]

Second, the assessor also recognised a deficiency in the laws regarding the obligation to report suspicious financial transactions related to the use of legitimate funds by terrorist organisations or terrorist financiers. The existing reporting mechanism was identified as deficient and ineffective in monitoring the financial flows suspected of being related to terrorist

[660] FATF, "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations," *FATF website*, June 2019, 5, http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf.
[661] APG, "APG 2nd Mutual Evaluation Report on Indonesia," 203 - 204.

activities. This assessment was a result of evaluating Indonesia's compliance with the FATF special recommendation number V.[662]

Third, the 2008 MER report stated that Indonesia had not addressed the issue of unregistered informal money remittance channels to the Central Bank. Therefore there was no monitoring of the money value transfer services that complied with FATF recommendations. Furthermore, the deficiencies noted were not limited to the monitoring of money remittance services. The APG assessors also found that the authorities had not set up a satisfactory arrangement to manage financial transactions through wire transfers. Requirements to provide complete information about senders should have been established. Indonesia had no monitoring and supervising controls in place for wire transfer services.[663]

Fourth, the 2008 MER report highlighted inadequate government strategies to review the potential misuse of its NPO sector for terrorism purposes. The assessor identified a lack of capacity to ensure the good governance and transparency of NPO's. This meant that competent authorities were unable to determine whether NPOs were being exploited by terrorists. In conclusion, the report showed Indonesia was lacking in its capacity to identify and address significant terrorist financing risks within the NPO sector.[664]

Another concern in the report was bearer negotiable instruments as one of the cash courier methods. There was an absence of regulation of bearer negotiable instruments so that terrorists could potentially misuse them to move money. The lack of capacities included the absence of declaration and detection systems to mitigate the risk of terrorist financing.[665]

The last deficiency found by the assessors was the scope of terrorist financing as a serious offence and how to apply dual criminality principles in a terrorism conviction. There was a risk

[662] Ibid, 204.
[663] Ibid.
[664] Ibid, 204 - 205.
[665] Ibid.

that this would be an obstacle to international mutual legal assistance, including requests for information and information exchange.[666]

According to the 2008 MER report above, Indonesia had major deficiencies in complying with FATF special recommendations in countering terrorist financing. By analysing the result of five Non-Compliant (NC) and four Partly-Compliant (PC) aspects, the range of CFT policies in Indonesia was identified as deficient.[667] As the global standard-setting body for countering terrorist financing, the FATF then identified Indonesia as a jurisdiction that had strategic deficiencies in AML/CFT policies and posed a risk to the international financial system. The next section discusses Indonesia as one of the countries mentioned in the FATF Public Statement of 2012.

10.1.2 Indonesia in the FATF Public Statement

As explained above, after the 2008 MER result was published, the FATF issued the list of 21 high-risk jurisdictions in June 2012. The FATF categorised those jurisdictions with deficiencies in implementing the AML/CFT standards in the FATF Public Statement. The purpose was to protect the global financial system from money laundering and terrorist financing risks and work with those that pose a risk to address it. Although Indonesia had undertaken to develop action plans to comply fully with the FATF recommendations, Indonesia was still identified as one of those high-risk jurisdictions. To avoid being singled out in the Public Statement, the government should by then have taken appropriate steps to address the deficiencies in national AML/CFT policies[668] and had not done so.

[666] Ibid.
[667] APG, "APG 2nd Mutual Evaluation Report on Indonesia," 203 – 205.
[668] FATF, "High-risk and non-cooperative jurisdictions, FATF Public Statement," *FATF website*, June 22, 2012, https://www.fatf-gafi.org/media/fatf/documents/FATF%20Public%20statement%2022%20June%202012.pdf.

The FATF Public Statement highlighted two of Indonesia's shortcomings in tackling terrorist financing issues, including the failure to criminalise terrorist financing and inadequate procedures for freezing terrorist assets. There was a need for Indonesia to modify and implement laws or other legal instruments to fully comply with the 1999 International Convention for the Suppression of Financing of Terrorism. Two concerns discussed above are consistent with the FATF Public Statement. First, FATF found that Indonesia had neither criminalised terrorist financing nor categorised terrorist financing and terrorism as a crime. Second, there was an absence of policy for freezing terrorist assets without delay, as part of the nation's compliance with the UNSC Resolutions No. 1267 and 1373. All countries, including Indonesia, are obliged to suspend any financial transactions and assets of terrorists and their affiliations, 'without delay and without prior notice to targets.'[669]

In response to the FATF Public Statement's release, the Indonesian government drafted an initial bill on anti-terrorist financing legislation. This was included in the National Legislation Programs (Prolegnas) list for 2010 – 2014 and discussed exhaustively in 2012.[670] Since Indonesia was one of the G20 countries with shortcomings in legal countermeasures for terrorist financing, the new bill was essential for the country's eligibility to conduct international financial transactions. Thus, the action was both urgent and essential as the deficiency would have adverse consequences for Indonesia's economy and international trade.[671]

The enactment of the new CFT Law was key to the subsequent development of robust strategies to prevent and combat terrorist financing in Indonesia. The following discusses several key modifications in CFT policies, including the definition of terrorist financing in the

[669] Yunus Husein, "Naskah Akademik," 29 - 30.
[670] Badan Legislasi, "Baleg Sampaikan Usulan Perubahan Prolegnas," *DPR-RI Website*, July 4 2012, https://www.dpr.go.id/berita/detail/id/4170/t/Baleg+Sampaikan+Usulan+Perubahan+Prolegnas.
[671] "RUU Pendanaan Terorisme, Negara G20 Punya Kecuali Indonesia," *Republika.co.id,* December 13, 2012, https://republika.co.id/amp_version/mexo8g.

legislation. This definition influenced how the strategies were applied in the financial regulatory frameworks, law enforcement, and international cooperation.

10.2 Defining Terrorist Financing in the Legislation

This section shows the Indonesian Government's changes to the law, specifically the criminalisation of terrorism and terrorist financing activities and the Government's efforts to enforce those laws. The Indonesian authorities sought to develop robust compliance with the FATF recommendations and respond to the FATF Public Statement. There are two major modifications in the legislation.

The first legislative amendment was in 2013 when the government enacted Law Number 9 the Year 2013[672] on the prevention and eradication of terrorist financing (the CFT Law). The law introduces countermeasures to terrorist financing in line with legislation on counter-terrorism. Article 1 of the CFT law provides the basic definition of terrorist financing.

The CFT law designates terrorist financing as a crime under Articles 4, 5, and 6. Article 4 classifies as terrorist financing offences all actions by anyone who knowingly provides, collects, gives or lends funds, either directly or indirectly, with intentions of using wholly or partly to do terror or violent activities and engage with terrorist organisations or individual terrorists. Article 5 expands the definition of terrorist finance by applying the law to any person who conducts a meeting, a trial, or collaborates with other parties to commit activities related to the financing of terrorism. Article 6 adds to terrorist financing offences as it includes any kind of financing

[672] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 9 Tahun 2013 tentang Pencegahan dan Pemberantasan Tindak Pidana Pendanaan Terorisme (Indonesia)," https://www.dpr.go.id/dokjdih/document/uu/UU_2013_9.pdf .

terror activities associated with individuals or groups who deliberately initiate, organise, and encourage others to commit terrorist financing crimes.[673]

Five years after the CFT law was passed in 2013, the government amended the Anti-Terrorism law. Law Number 5 Year 2018[674] (the New Anti-Terrorism Law) was enacted to complement the definitions of terrorism in the former legislation. Seven supplementary articles explain the expanded definitions of terrorism as an offence.

Article 6 defines the offence of terrorism as concerning every person who willfully uses violence or threats of violence to create an atmosphere of terror or fear among the public; causes mass casualties through threatening the independence of life and property of others or causes destruction of vital strategic objects, environment or public facilities or international facilities.[675]

Article 10A expands the definition of terrorism to include activities conducted by persons who deliberately make, receive, acquire, submit, control, carry, stock or possess, store, transport, hide, or move chemical weapons, including biological, radiological, microorganism, nuclear, radioactive weapons or their components from the country territory, with the intention of committing terrorism. The law also applies to individuals who trade chemical weapons, including biological, radiological, microorganism, nuclear, radioactive weapons or their components, with the motivation to conduct terror activities.[676]

Article 12A outlines the new measures criminalising individuals who are based in Indonesia or overseas and intended to plan, initiate or organise terror activities, including efforts to become or recruit members of the terrorist organisation; thus, those who act as founders, leaders,

[673] Ibid Article 4-6.
[674] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 5 Tahun 2018 tentang Perubahan atas Undang-Undang Nomor 15 Tahun 2003 tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 1 Tahun 2002 tentang Pemberantasan Tindak Pidana Terorisme menjadi Undang-Undang (Indonesia*),"* https://sipuu.setkab.go.id/PUUdoc/175528/UU%20Nomor%205%20Tahun%202018.pdf .
[675] Ibid Article 6.
[676] Ibid Article 10A.

administrators or beneficial owners of the terrorist organisation shall be punished with imprisonment under the law.[677]

In addition to Article 12A, Article 12B includes activities of deliberately hosting, delivering, joining military or paramilitary training, or other training conducted within or outside the country, with the intention of planning, preparing, or committing a criminal act of terrorism and/or waging war. The Article also states that every person who purposely recruits, accommodates, or sends people to join military training as mentioned above shall be convicted with imprisonment. The punishment also applies to those who intentionally generate, collect and/or distribute written documents, both electronic and non-digital, for the purpose of utilising them in training shall be sentenced under the law.[678]

Furthermore, the new Anti-Terrorism Law emphasises engagement with terror organisations as one of the provisions under the criminalisation of terrorism. Article 13A also mentions that the punishment shall be applied to every person who knowingly spreads propaganda in the forms of oral or written documents with the aim of inciting the public to conduct violent activities and/or commit terrorism.[679]

Lastly, the law defines the scope of terrorism applied to the perpetrator and those who initiate and aggravate others to be involved in terrorism. Article 14 confirms this definition by referring to the definition of terrorism as stipulated in Article 6, Article 7, Article 8, Article 9, Article 10, Article 10A, Article 12, Article 12A, Article 12B, Article 13 letter b and letter c, and Article 13A.[680]

Consistent with the development of two aforementioned pieces of legislation in criminalising terrorism and terrorist financing, the APG also highlighted the improvements undertaken by

[677] Ibid Article 12A.
[678] Ibid Article 12B.
[679] Ibid Article 13A.
[680] Ibid Article 14.

the Indonesian government through the Mutual Evaluation Report published in September 2018. The APG identifies five critical areas as significant improvements in criminalising terrorist financing.

The first area is the definition of 'funds' as stated in Article 1 (7) of the CFT Law, which corresponds to the designation provided in the UN Convention on Terrorist Financing. The law defines funds as 'all assets of movable or immovable goods, tangible or intangible, however, acquired in any manners and any forms, including digital or electronic, evidencing title to, or interest in, such assets, but not limited to, bank credits, traveller's cheques, bank cheques, money remittance orders, shares, securities, bonds, drafts and letters of credit.'[681]

The second area is the criminal liability for terrorist financing offences, as mentioned in Article 1 and Article 4. The Law applies to 'legal and natural persons' which covers not only any persons or individuals, but also corporations involved in collecting, transferring, or lending funds, directly or indirectly, with the purpose that they will be used in part or in full for committing terrorism as well as for a 'terrorist or terrorist organisation.'[682]

The third area, spanning Articles 4, 5 and 6, comprehensively emphasises that criminalising terrorist financing also covers funds spent for the financing of travel undertaken knowingly for committing a terrorist act or providing or involving terrorist training as well as 'intentionally planning, organising, or provoking' any persons to commit terrorist funding.[683]

Last, the CFT Law stipulates sanctions in line with the FATF Guidance on Criminalising Terrorist Financing by applying a maximum penalty for committing the crime of terrorism financing to include both imprisonment and a fine of up to one billion IDR (~74,000 USD).

[681] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 9 Tahun 2013,' Article 1 (7).
[682] APG, "Anti-money laundering and counter-terrorist financing measures: Indonesia," *Mutual Evaluation Report*, September 2018, 127 - 128.
[683] Ibid.

Additional sanctions shall be applied to any corporations through the freezing of part or the entire assets, activities, revocation, and prohibition of business permits and entities.[684]

In summary, the above discussion shows that two improvements were implemented in the legislation by offering new definitions of terrorism and terrorist financing, including the establishment of a specific law for countering terrorist financing and the amendment of the Anti-Terrorism Law. This analysis shows the rationale for national counter-terrorist financing policies and for strategies in financial regulations, law enforcement, and cooperation among agencies. The information provided informs the analysis in Chapter 12. In addition, the discussion covered strategies to address failed attempted transactions by terrorists, activities of foreign fighters and returnees, and funding for social services. The following is an in-depth analysis of amendments to financial regulatory frameworks.

10.3 Regulatory Frameworks to Financial Institutions

The following shows the authorities' development of financial regulations covering: the strategies for improving AML/CFT programs by applying a risk-based approach, strengthening the implementation of customer due-diligence procedures and improving the financial transaction reporting system. The configuration of CFT policies in the financial regulatory sector is described, and insights are offered into Indonesia's compliance with FATF recommendations as identified in the 2019 MER report. An excerpt from the report and information from interviews with officials from the Indonesian Financial Service Authority (FSA) and the financial industry are included. These resources support the analysis of how the

[684] Ibid.

Indonesian government formulates financial regulations in implementing terrorist financing countermeasures.

A policymaker and officials from the private sector who were interviewed for this study described how the process of developing CFT policies was based on the recommendations of the FATF. One respondent, a senior official in FSA, said that:

> The regulations modified by the central authority in monitoring financial industries were conducted by adopting FATF recommendations. Such developments were accommodated to generate, from a rule-based to risk-based regulation.[685]

FATF Recommendation One introduces a risk-based approach (RBA) as a new countermeasure to strengthen existing CFT policies by obliging countries to identify and designate regulatory provisions based on the high risk of financial sector consumer products. By referring to the Recommendation, the post-2012 regulatory frameworks emphasise the application of risk assessment to money laundering and terrorist financing. This enables the authorities to apply mitigation strategies effectively. The policymaker acknowledged this way of thinking in describing the strategy:

> Before the new amendment occurred in the private sector, the regulations generalised the issues and generated uniform policies. Lately, the process of formulating strategies is based on the risk exposed to certain products or payment facilities. Occasionally, financial industries identify common risk in countering terrorist financing, but the implementation of such strategies are diverse. For instance, the policy improvements are considered according to four risks: customer risks, products and services risks, geographical area risks, and channel distribution risks.[686]

Other respondents from the financial industry sector told their stories about how the private sector meets the objective formulated by the central authority. They implement the risk-based approach in countering money laundering and terrorist financing by ’using the objectives as

[685] RI027, Financial Service Authority (FSA) official.
[686] Ibid.

tools to monitor the activities of the customers and set up as indicators to conduct international transactions with high-risk jurisdictions.'[687]

The FATF regional body in the Asia Pacific, APG, produced a report on Indonesia's compliance in implementing the AML/CFT measures. The report provides four key findings from an evaluation of the compliance of national AML/CFT policies to FATF recommendations, especially regarding preventive measures. The findings lead to further interpretation of financial regulatory frameworks and offer several key points that contribute to the analysis of the policy effectiveness. These are explained in Chapter 12.

The first area to focus on here is understanding how the financial sector defines money laundering and terrorist financing risks and commitments. The Financial Service Authority (FSA) and Central Bank of Indonesia, as financial regulators for banks and non-banks institutions, have taken a significant step by proposing rules that refer to the risk-based approach as mandated by FATF. These rules cover 'customer due-diligence' policies, 'enhanced due-diligence' strategies, suspicious transactions reporting, targeted financial sanctions, record-keeping and other obligations related to AML/CFT. However, there is still a caveat in the implementation of policies for money value transfer services and money changer businesses. Other financial institutions like DNFBPs, the post office, futures traders, savings, and cooperatives have not yet applied an RBA either. [688]

The second aspect evaluated by the APG is targeted financial sanctions. The assessor found that the authority should regulate and monitor the implementation of how the financial sector

[687] RI003, Indonesian financial industry officers.
[688] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," Sydney, 2018, 73.

served an individual or entity registered on the UN Sanctions Lists, beyond simply filing the financial transactions as suspicious and reporting the records to the FIUs.[689]

Third, the APG revealed that the domestic financial services have not yet applied the provisions on identifying and verifying Beneficial Owners (BOs), including higher-risk customers. The industries faced challenges in identifying the ultimate BOs because of 'the layers of legal ownership.'[690]

Finally, NPOs are at high risk in Indonesia, which needs to be addressed in the counter-terrorist financing strategy. The evaluator urged the authorities to improve risk mitigation policies to prevent misuse of NPOs for terrorist financing.[691]

The above is a description of the development of CFT policies in the period 2013 – 2019. Further details of major aspects of policies for financial sectors, such as the risk-based approach, customer identification procedures and suspicious transaction reporting mechanisms, were reflected in the eight new established industries regulations designed to prevent money laundering and terrorist financing crimes as presented in **Appendix 12.**

10.3.1 The Risk-Based Approach in Financial Industries (AML/CFT Programs)

During the period between 2013 and 2019, a significant modification to the national CFT policies is the new provision on formulating financial regulations based on the risk-based approach as mandated by the FATF Recommendations. FSA, as the central supervisory body

[689] Ibid.
[690] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 76.
[691] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 73.

for financial industries, issued Regulation No.12/POJK.01/2017 regarding the Implementation of Anti-Money Laundering and Counter-Terrorist Financing in the Financial Service Sector. In addition, four derivations of rules were produced in the same year to demonstrate commitment to preventing money laundering and terrorist financing crimes:

1. FSA Circular Letter Number 32/SEOJK.03/2017 regarding the Implementation of AML and CTF Programs in the Banking Sector;

2. FSA Circular Letter Number 47/SEOJK.04/2017 regarding the AML and CTF Programs Implementation in the Capital Market Sector;

3. FSA Circular Letter Number 37/SEOJK.05/2017 regarding AML and CTF Programs Implementation in the Non-Bank Financial Industry Sector; and

4. FSA Circular Letter Number 38/SEOJK.01/2017 concerning Guidelines for the Instant Blocking of Customer Funds in the Financial Services Sector Whose Identity is listed in the List of Suspected Terrorists and Terrorist Organizations (LSTTO).

This section describes the adoption of risk mitigation strategies into the legal setting. The strategies were used as the core guidance for the financial industry to monitor financial transactions. This section also includes reviews of the implementation of the strategies according to the APG MER document. This analysis is relevant to the research as it includes several significant developments in prevention countermeasures related to CFT policies. In the FSA regulation, in addition to the definition of terrorist financing in Article 1 (7), the provisions on risk mitigation strategies are in Articles 2, 3, 4 and 5.[692]

[692] FSA, "Regulation No.12/POJK.01/2017 regarding the Implementation on Anti-Money Laundering and Counter-Terrorist Financing in the Financial Service Sector," 2017.

Article 2 highlights the obligation of FSPs to identify, assess and determine risks associated with money laundering and terrorist financing in relation to customers' financial transactions, the location of the transactions, products, services, and distribution network channels. Article 2 requires documentation and updating of the risk assessment evaluation, consideration of all relevant risk factors before formulating the comprehensive risk levels, and the creation of adequate mechanisms to provide sophisticated risk assessments to the relevant agencies.[693]

Article 3 emphasises the obligations on the FSPs, including issuing policies, supervision and management to mitigate risks associated with money laundering and terrorist financing crimes. The authorised power should monitor the implementation and supervision procedures to anticipate risk.[694]

Articles 4 and 5 describe the commitment of FSPs to apply programs in anti-money laundering and counter-terrorist financing that include strategies to manage and mitigate risks as assessed by the industries. The programs should include active supervision by the Board of Directors and the Board of Commissioners, policies and procedures, internal controls, management information systems, human resources developments, and training.[695]

Not only new regulations, but also the document provided by the APG in 2018 discusses some improvements made by the Indonesian government in compliance with the FATF recommendation. The APG assessor identified the following changes: the national risk assessment, the establishment of the National Coordination Committee, and the categorisation of financial institutions, included as reporting parties.

The authorities have conducted an exclusive national assessment to identify the risks of terrorist financing. According to the MER, the assessment applied a comprehensive

[693] Ibid Article 2, 9.
[694] Ibid Article 3, 9.
[695] Ibid Article 4 and Article 5, 10.

methodology in accordance with the FATF guidance and focused on 'domestic terrorist networks' associated with ISIS. The assessment result also reported categorisations of high, medium and low risks, including the classification on a geographical/regional basis and the connection with other crimes.[696] Furthermore, the assessment report also covered risks relating to fund-collection, fund-transfer and fund-use in terrorist financing. This was in a document produced by the Indonesian FIU, confirmed by two respondents.

> We conducted a National Risk Assessment by collecting testimonies from domestic agencies to examine the effectiveness of tackling the terrorist financing issue. The national risk assessment involved financial industries and law enforcement agencies to analyse and detect suspicious financial flows related to terrorism. We then generated parameters or indicators based on threats, modus, perpetrators' profiles, locations and consumer products potentially misused by criminals. Furthermore, we categorised the risks to produce conclusions and recommendations.[697]

The second change was the establishment of a National Coordination Committee (NCC) on Prevention and Eradication of Money Laundering. This committee will be discussed further in the section on coordination policies below. This committee, comprising strategic domestic agencies, coordinated the implementation of national and regional risk assessment of terrorist financing and produced the National Strategy on the Prevention and Eradication of Money Laundering and Terrorist Financing (STRANAS) 2017 – 2019. This was a guide for government institutions and private sectors to identify and address issues highlighted in the national risk assessment documents.[698]

The third change is the classification of all financial institutions as reporting parties to the FIU. The MER reviewed all financial institutions, and DNFBPs stated on the FATF recommendations are included, except casinos, as illegitimate businesses. The FSA

[696] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 117.
[697] RI019, Indonesian FIU officials.
[698] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 118.

supervises banks, while other non-bank institutions, including non-bank payment service providers such as money remittance services, card payment industries, e-money or e-wallet services, and money changers, are administered by BI - the central bank. The Head of Commodity Futures Trading Regulatory Agency (Bappebti) monitors commodities futures trading companies. The Ministry of Cooperatives controls cooperative industries, and the FIU supervised other institutions not included in the aforementioned administrations, such as postal service providers and DNFBPs.[699]

As already noted, the application of the risk-based approach in AML/CFT programs is important to demonstrate the extent of compliance by the government with the FATF recommendations. However, further examination of implementation is necessary to test the effectiveness of the CFT policies in addressing terrorist financing risks and threats. Chapter 11 will analyse how this approach is implemented and demonstrate its limited success in the policy application. Following is a discussion of, another CFT measure, namely customer identification procedures for the private sector.

10.3.2 Customer Identification Procedures

This section describes how financial institutions implement identification and verification procedures for customers. The policy information here was obtained from the regulations enacted by financial regulators, including FSA and Bank Indonesia. Information from interviewees provides further detail on the application of CDD policies by the private sector.

In February 2012, the FATF revised the AML/CFT strategies standards by replacing 40 recommendations and nine special recommendations with 40 recommendations combining

[699] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 119.

provisions for money laundering and terrorist financing. Two specific recommendations were formulated on the enhancement of customer verification. The FATF Recommendation 10 devised rules on CDD policies, and Recommendation 11, requires every member jurisdiction to keep all customers' financial records for at least five years.

Recommendation 10 required financial institutions to identify and verify customers, including those who were anonymous using fictitious account names. CDD measures come into effect on three conditions: (1) conducting business relations; (2) doing 'occasional transactions' which is determined by a threshold, red flags, or 'suspicion of money laundering or terrorist financing'; (3) the financial institution has uncertainties about the accuracy of the information obtained from the customers. Furthermore, the FATF recommendation requires member jurisdictions to enhance their customer identification measures by conducting verification on the identity of customers, the information of beneficial owners, the understanding of the business relationship, and the intended nature of conducting financial transactions associated with the business profiles, including information on the sources of funds. Finally, financial institutions should also implement technical policies for commencing high-risk business relations or involving customers in a high-risk jurisdiction. They should consider terminating those relations and report in a timely manner to the FIU if there are suspicions of money laundering or terrorist financing.[700]

Recommendation 11 is that financial institutions maintain customers' information and all necessary data related to financial transactions that may be used for investigation or prosecution of criminal activity. The record-keeping procedure is applied under CDD measures that require maintaining the information for at least five years after a financial transaction is

[700] FATF, "The FATF Recommendations," Paris, 2012, 14 – 15.

conducted, both domestic and international, or after the closure of a business relationship with the customer.[701]

To comply with these FATF recommendations, the Indonesian government has taken several steps. The Anti-Terrorist Financing Law includes two articles stating that CDD measures are part of prevention strategies. Article 11 describes strategies applied in the legislation of preventing terrorist financing. These include the implementation of customer's identification policies for financial industries, reporting and compliance monitoring for financial institutions, supervising money remittance activities through transfer systems or other remittance services, and managing cash-carrying and/or other banks negotiable instruments to the country or outside the region. Article 12 sets out detailed strategies to develop CDD principles where the private sector formulates rules and regulations to mitigate risks of terrorist financing.

The FSA and Bank Indonesia, the central regulators for banks and payment systems in Indonesia, demonstrate compliance with the law by formulating two regulations that emphasise the obligation of financial institutions to apply CDD measures to their customers and business relations to prevent money laundering and terrorist financing.

In FSA Regulation No.12/POJK.01/2017, CDD measures are found in Articles 15, 16 and 17. Article 15 requires financial institutions to apply CDD policies when there are conditions for commencing business relations; conducting financial transactions using local or foreign currency with a value equivalent to one hundred million rupiahs; money value transfers; identifying suspicious financial transactions related to money laundering and/or terrorist financing; or where financial institutions doubt the veracity of the information provided by the customers, power attorneys, or beneficial owners. This provision corresponds to FATF Recommendation 10 concerning how member jurisdictions should require financial institutions to identify and verify customers' information. Furthermore, the FSA regulation, especially in

[701] Ibid.

Article 16, explains in detail the importance of categorising customers based on the analysis of risk exposure in relation to money laundering and terrorist financing. Article 17 confirms the application of CDD measures and requires customer verification, including both face-to-face and digital, to ensure the authenticity of customers before initiating business relations with the financial service providers.

Bank Indonesia issued two regulations in 2016 and 2017 that oblige money payment services to implement AML/CFT programs. These include Regulation of Bank of Indonesia Number 18/9/PBI/2016[702] and Regulation of Bank of Indonesia Number 19/10/PBI/2017[703]. The regulation issued in 2016, Article 22 (1) f, requires financial institutions to implement AML/CFT programs that are consistent with the legislative frameworks. This regulation was complemented by Regulation of Bank of Indonesia Number 19/10/PBI/2017, which contains rules for applying AML/CFT measures to non-bank payment system services providers and non-bank currency exchange business activities (CEBA). This includes setting up internal policies and procedures, risk management strategies, CDD Measures, and supervision of consumer products and financial transactions.[704]

10.4 Suspicious Financial Transactions Reporting Systems

As mentioned in Chapter 6, in line with the obligation to comply with the FATF Recommendations, the law requires financial industries to file STRs. These reporting requirements are in the Anti-Terrorist Financing Law. This section discusses some additional

[702] Central Bank of Indonesia, "Regulation of Bank of Indonesia Number 18/9/PBI/2016 concerning Regulation and Supervision of the Payment System and Money Management in Rupiah," 2016.
[703] Central Bank of Indonesia, "Regulation of Bank of Indonesia Number 19/10/PBI/2017 regarding the Application of Anti-Money Laundering and Terrorist Financing for Non-Bank Payment System Services Providers and Non-Bank Currency Exchange Business Activities (CEBA)," 2017.
[704] Ibid.

legislative amendments between 2013 to 2019, including procedures for reporting suspicious financial transactions, new mechanisms for identifying entities listed in the LSTTO, and the implementation of asset freezing measures.

Article 1 (6) of the Anti-Terrorist Financing Law, includes two definitions of suspicious transactions related to terrorist financing. The first definition refers to any financial transactions with intentions to use and/or known to employ to conduct or be involved in terrorism. Secondly, the law identifies suspicious financial transactions as any financial activities that involve individuals or entities, listed in the LSTTO.[705]

Financial institutions should submit reports on terrorist financing to the FIU within three days of suspicious financial flows being identified. The obligation to file STRs is regulated by Article 13 of the Anti-Terrorist Financing Law. The law also regulates administrative sanctions of up to one billion rupiahs against those who deliberately violate the provisions.[706]

In the implementation stage, financial industries develop red flags or alerts in their systems to detect potential suspicious financial transactions involving crime, including money laundering and terrorist financing.

> The bank conducts monitoring and updates any indicators to detect suspicious financial transactions. After 2013, the updates related to AML/CFT policies include monitoring suspicious money flows involving high-risk countries. We elaborate the indicators by checking on domestic and global information like the Office of Foreign Asset Control (OFAC) or World-Check lists. In addition, the bank also develops indicators based on information supplied by national media accounts and the Indonesian FIU through its circulated newsletter.[707]

The FSA as the central regulator for banks, also provides guidance consistent with the FATF Recommendations in FSA Regulation No.12/POJK.01/2017 regarding the Implementation of Anti-Money Laundering and Counter-Terrorist Financing in the Financial Service Sector, and

[705] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 9 Tahun 2013," 3.
[706] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 9 Tahun 2013," 11.
[707] RI003, Indonesian financial industry officers.

Regulation of Bank of Indonesia Number 19/10/PBI/2017 regarding the Application of Anti-Money Laundering and Terrorist Financing for Non-Bank Payment System Services Providers and Non-Bank Currency Exchange Business Activities (CEBA). In the implementation aspect, these regulators conduct supervision in collaborating with the FIU.

> As a regulator, the FSA monitors the result of the supervision of AML/CFT policies. We conduct active monitoring activities under the coordination of the Indonesian FIU. This collaboration includes the imposition of administrative sanctions on those who violate the provisions in accordance with the laws and regulations.[708]

The second modification of the financial regulatory frameworks is designed to enhance the identification and verification of customers based on LSTTO. Financial industries also play an important role in filtering individuals or corporate customers listed in LSTTO. FSA circulated letter Number 38/SEOJK.01/2017, which was then updated by a letter Number 29/SEOJK.01/2019 as guidance for financial industries on internal policies for freezing terrorist assets without delay. The letter directs financial industries to conduct risk assessments on individuals or corporations listed on the LSTTO, check and monitor their customers' identities according to the circulated lists, freeze the assets, and report any suspicious financial transactions related to terrorist financing to the FIU.[709] In 2019, the guidance was updated with an electronic information system as a platform to integrate data in reporting individuals or entities on the LSTTO.[710]

[708] RI027, Financial Service Authority (FSA) official.
[709] FSA, "Financial Service Authority (FSA) Circulated Letter Number 38/SEOJK.01/2017 concerning Guidelines for the Instant Blocking of Customer Funds in the Financial Services Sector Whose Identity Listed in the List of Suspected Terrorists and Terrorist Organizations (LSTTO)," 2017, 3.
[710] FSA, "Financial Service Authority (FSA) Circulated Letter Number 29/SEOJK.01/2019 concerning the Amendment of Guidelines for the Instant Blocking of Customer Funds in the Financial Services Sector Whose Identity Listed in the List of Suspected Terrorists and Terrorist Organizations (LSTTO)," 2019, 3 - 4.

Conclusion

This chapter reviews the implementation of the FATF Recommendations by the Indonesian government during 2013-2019. Chapter 10 and Chapter 11 discuss best practices regarding the government's response to terrorism and terrorist financing, including factors that influenced the development of policy in accordance with the FATF recommendations. Evidence was obtained from regulations and laws concerning regulatory frameworks and law enforcement mechanisms. The analysis also examines the results of mutual evaluations undertaken in 2018 – 2019, as reported in the MER document. Information from interviews with government officials and community experts contributes to the understanding of the extent to which CFT policies played a role in interdicting and combating terrorist financing networks in Indonesia.

This chapter discusses how the government developed CFT policies to address terrorist financing networks in Indonesia. The first part explained that the government was prompted to generate the CFT law by the 2018 MER program and the 2012 FATF Public Statement that categorised Indonesia as a high-risk jurisdiction for terrorist financing. The chapter went on to discuss terrorist financing as an offence as outlined under the CFT Law and the new Anti-Terrorism Law. This definition is essential as a basis for criminalising terrorist financing offenders and other parties associated with terrorist funding activities. The chapter also identified key changes to financial regulations focusing on applying a risk-based approach to financial rules, customer identification procedures, and suspicious financial transaction reporting mechanisms.

The analysis of CFT policies in the second period of 2013-2019 continues in Chapter 11. The following section explores law enforcement and international cooperation as critical aspects of combating terrorist financing. It shows the role of law enforcement in addressing terrorist financing through financial intelligence, formulating the RBA strategy, applying targeted financial sanctions and leveraging policies on monitoring NPOs. The following chapter also

discusses the role of international cooperation in establishing robust strategies to counter terrorist financing, particularly intelligence information exchange, mutual legal assistance, asset freezing and confiscation and extradition. The survey of CFT policies aims to expand understanding of how they evolved and adjusted to the growing threat of terrorist financing in Indonesia.

Chapter 11

Understanding Countering the Financing of Terrorism (CFT) Policies in Indonesia During 2013-2019: Part II

> Money underpins all terrorist activity. The disruption of terrorist financing is a key element of the government's overall fight against terrorism. It requires government, law enforcement agencies, and the financial and charitable sectors to work closely together and the measures outlined in the strategy will ensure a partnership approach to the new and increasing challenges we face.
>
> Tony McNulty[711]

Introduction

This chapter adds to the understanding of CFT policies developed in the period 2013 to 2019. Chapter 10 discussed the government's changes to laws and regulations on the criminalisation of terrorist financing activities, the definition of terrorist financing as an offence under the Anti-Terrorist Financing law, the provisions on financial regulatory frameworks, and the regulations on reporting suspicious financial transactions related to terrorist financing. The chapter noted modifications and adaptations by the government in response to the dynamic of terrorist financing networks in the second period examined in this study.

This chapter provides information on modifications to law enforcement and international cooperation, which are important to the success or otherwise of CFT policies. The expansion of law enforcement powers discussed in this chapter focuses on two aspects, including the

[711] Tony McNulty, speech, *The Launch of Anti-Money Laundering and Counter-Terrorist Finance Strategy* (HM Treasury, The Financial Challenge to Crime and Terrorism Report, issue 10, 8 March 2007) [online]. Available at: www.hm-treasury.gov.uk/documents/financial_services/money/fin_money_index.cfm.

additional authority of the FIU to formulate a risk-based approach for financial industries and to ensure the enforcement of sanctions in accordance with UN Resolution 1267 (1999), its successor resolutions; or designated by that country pursuant to Resolution 1373 (2001).

The last part of this chapter discusses how Indonesia has established regional and international collaboration in tackling terrorist financing offences. The strategic relationship among countries in the Southeast Asia region and partnerships with Australia and New Zealand are also discussed. The key areas highlighted are intelligence information exchanges, Mutual Legal Assistance (MLA) mechanisms, extradition, and public-private partnerships.

11.1 Strengthening Law Enforcement Mechanisms

Another aspect of CFT law is law enforcement. This chapter describes the following provisions: applying a financial intelligence approach, implementing a risk-based approach, and regulations on NPO sectors and restrictions according to the UN Sanctions List. These four concepts are implemented at the national level as the principles adopted from the FATF recommendations. In this section, I discuss government strategies in those four areas as an answer to such questions as: To what degree does CFT policy in law enforcement play a role in undermining terrorist activities? How does it maximise the financial intelligence approach, and how successful has it been in confiscating terrorist assets?

11.1.1 The Financial Intelligence Approach

As discussed in Chapter 7 to Chapter 9, terrorist groups modified their sources of funding for terrorism expenses. Despite their aim to attack designated targets, terrorist groups also managed their finances to pay for capacity building and social programs to win support for their

networks. Some key enabling activities were identified, including military training, support for families of terrorist offenders, widows, and children, paying for health insurance, welfare programs, foster care and scholarships. Besides funding for operations and for support to vulnerable members, terrorist groups also allocated some money for business loans and for travel for foreign fighters.

Combating terrorist financing using a financial intelligence approach involves actionable intelligence. The FATF requires member jurisdictions to maintain functions of law enforcement and investigation. This section discusses critical aspects of these, including the expansion of investigative powers mandated by Recommendations 29, 30 and 31, and their incorporation in the CFT law. It then evaluates the results of enforcement of the law on terrorist financing offences by the APG. This demonstrates the extent to which legal provisions using financial intelligence are integral to law enforcement.

Recommendation 29 describes the power of FIUs that serves as a hub for information from financial industries and for processing reports and other relevant information before disseminating them to the competent authorities. The FIU should also be able to provide timely access to financial, administrative, and law enforcement information.[712]

Recommendation 30 requires member jurisdictions to undertake financial investigations within the framework of AML/CFT strategies. An investigation includes detecting, tracking, and freezing suspected assets or properties related to predicate offences, including terrorist financing. Fund tracing covers both domestic and foreign cases. Furthermore, countries are called upon to ensure that collaboration with other competent authorities is available in order

[712] FATF, “The FATF Recommendations,” Paris, 2012, 24 - 25.

to pursue mutual cooperative investigations in preventing and combating money laundering, terrorist financing and associated predicate offences.[713]

Recommendation 31 outlines provisions for empowering law enforcement and investigative authorities to conduct operations. Investigative operations include 'undercover activities, computer system access, intercepting communications, and controlled delivery.' Law enforcement and investigative authorities should also be authorised to exchange all relevant information with the FIU.[714]

Indonesia incorporated these recommendations into the domestic CFT law, expanding law enforcement powers as follows: authorisation of freezing terrorist accounts, freezing without delay power against domestic and international LSTTO, and powers of investigation, prosecution, and examination in the courts. The investigation, prosecution and examination powers are also in the Indonesian Penal Code. Article 37 regulates the conduct of an examination during an investigation. As a result, law enforcement agencies are able to access and demand all relevant information related to suspicions of terrorism and terrorist financing in financial industries.[715]

Furthermore, the CFT law also confers additional powers on law enforcement and investigative authorities to use financial intelligence to freeze any suspected accounts relating to terrorism and terrorist financing. The freezing mechanism in Article 22 applies to funds that are directly or indirectly or known or presumed to be used, either fully or partially, for terrorism purposes. The procedures are explained comprehensively in Articles 23 and 24. The CFT law also contains provisions on freezing and seizing terrorists' assets pursuant to the domestic and international terrorist lists.[716]

[713] Ibid.
[714] Ibid.
[715] Government of Indonesia, "Undang-Undang Republik Indonesia No. 9 Tahun 2013," 25.
[716] Government of Indonesia, "Undang-Undang Republik Indonesia No. 9 Tahun 2013," 14 – 15.

The APG published an assessment report on Indonesia in 2018 which adds to the information on law enforcement in terrorist financing investigations. The report focused on Detachment 88 as the central authority for the investigation of terrorism and terrorist financing. The assessors measured compliance with FATF recommendations by observing the statistics of investigations and prosecutions in Indonesia, as outlined below.

Category of Final Use	Agency and Number							Total
	Detachment 88	KPK	DG Tax	INP[17]	NNB	AGO	DG Customs	
Number of proactive disseminations	*48*	*288*	*119*	*90*	*10*	*100*	*11*	666
Final use in the different stages of a ML/TF or predicate crime investigations/prosecution								
Preliminary investigation	24	32	10	17	4	6	0	93
Primary investigation	8	35	4	27	2	10	2	88
Prosecution	0	1	0	2	1	3	0	7
Trial (*proactive dissemination has been followed up by investigation, prosecution, and case reached trial)*	8	13	0	5	0	11	2	39
Final use in other LEAs actions								
Termination of LEAs Actions	0	0	0	1	0	3	0	4
Review *(reviewed by investigator, which may include checking into databases and identifying the predicate crime allegations and parties involved)*	1	53	21	9		11	1	96
Asset tracing	0	4	0	0	0	0	0	4
Agency-specific uses *(this includes a range of activities such as cross-checking against agencies' data or internal investigations)*	0	14	45	0	0	3	0	62
Total	**41**	**160**	**80**	**61**	**7**	**47**	**5**	**401**
% of disseminations used	**85%**	**55%**	**67%**	**68%**	**70%**	**47%**	**45%**	**60%**

Table 11.15 Use of PPATK Intelligence (2013-October 2017)[717]

Between 2013 and October 2017, Detachment 88 received 48 active intelligence reports from the Indonesian FIU and used 41 of them mainly for preliminary investigations. These financial intelligence reports were based on suspicions of terrorism and terrorist financing offences.

[717] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 36.

However, there was a lack of information on whether the investigators used the reports for prosecuting terrorist financing only. The following is an excerpt from the 2018 MER report:

> In many of Indonesia's TF cases, the individual was also convicted of charges under the terrorism law for involvement in a terrorist act, as well as under the CFT Law. The AGO indicated that sentences for individuals directly involved in terrorist acts will carry harsher sanctions, while convictions for crimes where the individual is involved in planning or support (including financial support) will receive more lenient sentences. However, in those few cases provided to the assessment team, where the individual was charged only under the CFT Law, the criminal sanctions were five years, seven years, ten years and 13 years, which the assessment team finds to be effective, proportionate, and dissuasive.[718]

The assessment highlighted how terrorist financing was detected and investigated. First, the examination focused on how terrorist financing cases are linked to a terrorist attack, finding that Detachment 88 investigated suspicious financial transactions connected with particular terrorist attacks and made less effort to identify terrorist financing activities that are not linked to a specific terrorist act.[719]

My interviews with two investigators from Detachment 88 revealed the differences in investigations and examinations after the enactment of the CFT law in the country. Both of them agreed that the law expands the focus of using financial intelligence to support terrorism investigation. They also revealed the benefits of applying the CFT law, especially using a financial intelligence approach to support terrorism investigations:

> The CFT law requires investigators and prosecutors to apply a financial intelligence approach in tracking down the involvement of persons of interest. This mandate enables us to request financial records from the FIU and helps us to obtain detailed financial records from financial industries. Respective stakeholders assisted us in completing the evidence before continuing the investigation to the prosecution.[720]

[718] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 64.
[719] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 61.
[720] RI016, Densus 88 official.

> Since the establishment of the CFT law, the understanding of funds used for terrorism purposes is developed. The roles of perpetrators are not only limited to lend, give or support the terrorists in the form of fiat money, but the investigators should also probe the use of logistics and other kinds of assistance provided for individual terrorists or organisations. To support the terrorist financing investigation, the investigators received financial intelligence reports from the FIU and developed them into intelligence information. This information would be combined with other data resources, including surveillance, tapping communication, and social media profiling. The FIU report has become a supporting document for formulating police intelligence information.[721]

Despite the benefits of financial intelligence in implementing the CFT law, limitations on investigating and prosecuting offenders still obstruct the identification of terrorist financing perpetrators and facilitators.

> In terms of terrorist financing inquiries, we execute the investigation power according to the law. The investigators track down the money trails associated with terrorist activities. However, if suspected terrorists spent the money only for general expenses, the investigators had difficulties continuing the investigation procedures because, by law, they should identify the linkages between the outgoing funds and the use for terrorism purposes.[722]

Terrorist financing investigations trace financial flows associated with terrorism. However, Indonesian authorities complain that terrorist money is usually in cash and difficult to trace. Densus 88 did not say what other investigative or intelligence tools used to identify suspected terrorist facilitators.

> Financial records obtained from the banks did not reveal the complete information uncovering the use of money. We could not examine the money expenses, but according to the CFT law, we could continue the investigation, arrest the actors, and prosecute them only if we could prove that the money would have been used to finance terrorist activities.[723]

The Indonesian authorities identified several cases where funds were not directly connected to a terrorist operation. As explained in Chapter 7 to Chapter 9, the evolution of terrorist

[721] RI017, Indonesian investigator.
[722] RI016, Densus 88 official.
[723] RI016, Densus 88 official.

financing networks in Indonesia showed that terrorist groups predominantly used their money to support terrorist organisations. The groups supported families of terrorist offenders, widows, and children by offering health insurance, other welfare support, foster care programs, and scholarships to study at Islamic boarding schools or *pesantren*. In some cases, money was used to improve members' lives through loans and business programs to encourage them to be entrepreneurial. Money was also spent on military training, and purchasing weapons was not necessarily linked to an imminent bombing. Therefore, the information used in the investigations was obtained from the FIU but also corroborated by information from external parties, including intelligence information from the State Intelligence Agency/SIA, international sources, as well as information from the internet and social media.[724]

11.1.2 The Application of the National Risk Assessment to Terrorist Financing

My interviews with Indonesian authorities also indicated how the documents of the National Risk Assessment on Terrorist Financing (NRA) produced by the FIU might contribute to law enforcement and prosecution. The following is a brief explanation of NRA documents and their uses for law enforcement and the community.

NRA was first published in October 2015 to measure and identify terrorist financing risks in Indonesia. It produced a risk map and recommendations for future strategies to combating terrorist financing crime. This was to demonstrate Indonesia's compliance with international recommendations on disrupting international transactions suspected of terrorist financing. The report arrived at the following key findings.

[724] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 62.

First, the misuse of NPOs is the highest risk of terrorist financing where terrorist groups are able to misappropriate donations to a religious foundation for unlawful activities, using cash to manage and develop terrorist networks. Second, the report also identified NPOs, foundations, associations and business companies as the highest risk for corporates. Students, businessmen, the boards of foundations, and religious leaders are vulnerable to involvement in terrorist financing activities. Another finding in the report is that the misuse of electronic/online payment tools, new payment methods, gold bullion traders, motor vehicle sellers, money changers, and cross border cash couriers are at the highest risk of exposure to terrorist financing, besides the use of banks. Fake identities and third parties accounts have remained significant obstacles to combating terrorist financing in Indonesia. Finally, the 2015 NRA report mapped nine provinces as places where terrorist financing activities are prevalent, including DKI Jakarta, West Java, Central Java, East Java, Banten, North Sumatra, Nangroe Aceh Darussalam, South Sulawesi, and West Nusa Tenggara.[725]

During my interviews with middle-level officials from the Indonesian FIU, the purpose of the NRA report was explained as a guide for examining the effectiveness of tackling terrorist financing by involving respective national agencies and financial industries.

> We involved law enforcement in our assessment project in order to gather their perspectives of existing threats of terrorism and terrorist financing before we concluded several indicators of risks based on modus, profiles, regions and financial products that terrorists often misuse for terrorist financing purposes.[726]
>
> The NRA documents are important to direct stakeholders in mitigating future risks. In a particular sector like NPOs, the authorities should monitor the use of funds, especially to the families of terrorist inmates or widows. Furthermore, as a public document, we hoped that NRA

[725] Pusat Pelaporan dan Analisis Transaksi Keuangan, "Penilaian Risiko Indonesia terhadap Tindak Pidana Pendanaan Terorisme," *PPATK Website,* (https://www.ppatk.go.id/backend/assets/images/publikasi/1499326479_.pdf, October 2015), viii-ix.
[726] RI019, Indonesian FIU officials.

> documents would significantly enhance community awareness, particularly in responding to terrorist incidents.[727]

To make the risk assessment more comprehensive, the Indonesian government issued a new, updated NRA document in 2019. This document identified national risks of terrorist financing from the perspectives of modes, profiles, consumer products and regions. The report also includes international threats, emerging trends, and NPO issues. This was a strategy to enhance government programs for preventing and combating terrorist financing crime.

The 2019 NRA report includes the following key points: First, the additional information regarding the high-risk mode of terrorist financing concerns the use of social media to raise donations for terrorist groups. Second, the other trends of moving and using funds for terrorist financing were identified in the same way as with previous results identified in the 2015 NRA report. The 2019 report described the use of funds in more detail, including financial support for travel by terrorist members and their networks like FTFs, military training and financial compensation for terrorists and organisations. Third, the assessment team described funds from foreign terrorist networks supporting terrorist groups in Indonesia as the new emerging threat of terrorist financing. External funding was recognised as supporting the existence of domestic terrorist networks.[728]

One respondent commented on the NRA documents as a guide for stakeholders, noting that there was still a lack of a rigorous assessment since the publication of the documents, so it was doubtful that the authorities, the private sector and the community had implemented the recommendations.[729]

[727] RI011, Indonesian FIU official.
[728] Pusat Pelaporan dan Analisis Transaksi Keuangan, "The Updated 2015 Indonesia's Risk Assessment on Terrorist Financing Crime," *PPATK Website*, (https://www.ppatk.go.id/backend/assets/uploads/20200221111751.pdf, May 2019), xi.
[729] RI023, Indonesian FIU official.

The following is a brief explanation by officials interviewed for this research who work as investigators, prosecutors, intelligence, and community experts in Indonesia. They noted several limitations on using NRA documents to support their work in combating terrorist financing crime. A high-level prosecutor said the NRA documents were not a suitable point of reference for terrorist financing cases,[730] while an attorney from the operational level found the NRA documents of limited use, even as a piece of additional information. [731] Densus 88 investigators and a high-level official from the State Intelligence Agency (SIA) echoed the limitations, describing the reports as additional general information rather than CFT policy documents.

> We used the NRA documents as a piece of information to map terrorist financing issues in Indonesia. There is no obligation to vigorously implement the recommendations proposed in the NRA reports, as the documents are descriptive and general. There should be mutual efforts between the Indonesian FIU that published the reports with the NCA as the forefront of counterterrorism.[732]

Likewise, another investigator indicated that the information in the NRA documents is very limited and not suitable for investigation purposes.

> The documents would have benefited the central authorities that generate policies in countering terrorist financing but are not relevant to be used by the investigators. The information provided by the Indonesian FIU was still limited and not sufficient to support the investigations. Synchronisation in accommodating required information requested by the investigators is essential. However, our agency has specific indicators or red flags that our personnel have used during the investigations.[733]

An official from the intelligence community had a similar experience in using the NRA documents.

> The SIA has not used the NRA reports for our works. The agency refers to our thorough assessment of identifying risks and threats to terrorism.

[730] RI013, Indonesian prosecutor.
[731] RI015, Indonesian prosecutor.
[732] RI016, Densus 88 official.
[733] RI017, Indonesian investigator.

> We focus on analysing terrorist group networks that prepare their resources to execute an attack, including those affiliated with international terrorist organisations.[734]

A middle-level official from the NCA found that the NRA documents had not been helpful in a preliminary investigation of terrorist financing. Thus, the information in the NRA documents does not lend itself to policy development. As a result, agencies working on terrorist financing investigations may face challenges in tracing funds suspected of being associated with terrorist financing activities.[735]

Following is a review from five respondents who are community experts in the field of terrorism that revealed their evaluation of NRA documents in the public domain. None of them understood the documents, but they acknowledged the importance of such documents to improve community awareness in identifying funds suspected of being directed to terrorist groups. As community experts who also lead non-profit organisations working in counterterrorism, they complained that the government's socialisation programs for the community on the role of society in detecting terrorist financing activities were inadequate.[736]

Nevertheless, in 2019, the FATF gave Indonesia a good rating for implementing a risk assessment approach against money laundering and terrorist financing crimes. The assessment team reviewed the NRA documents and separate white papers on money laundering and terrorist financing by government agencies. The FATF assessed that the documents mapping terrorist financing activities were sufficient tools against crime. The NRA documents on terrorist financing were complemented by the publication of a White Paper by the NCA, which explains linkages of Indonesians who travelled overseas to fight for ISIL. The White Paper identified FTFs' financial facilitators in Indonesia and prominent Indonesian ISIL financial operatives. The NRA documents and the White Paper are two critical sets of

[734] RI005, Indonesian intelligence official.
[735] RI021, Indonesian counterterrorism agency official.
[736] RI001, RI020, RI022, RI025, RI026, Indonesian counterterrorism experts.

documents that reveal the emerging threat posed by terrorists, especially the financial aspect.[737]

11.1.3 Targeted Financial Sanctions Related to Terrorism and Terrorist Financing

The Indonesian government also introduced targeted financial sanctions against terrorism and terrorist financing in response to the FATF Recommendation 6. The application of Recommendation 6 is in turn in compliance with United Nations Security Council Resolution (UNSCR) 1267 (1999) and its successor resolutions and Resolution 1373 (2001).

> The resolutions require countries to freeze without delay the funds or other assets of, and to ensure that no funds or other assets are made available, directly or indirectly, to or for the benefit of, any person or entity either (i) designated by, or under the authority of, the UN Security Council under Chapter VII of the Charter of the UN, including in accordance with resolution 1267 (1999) and its successor resolutions; or (ii) designated by that country pursuant to resolution 1373 (2001).[738]

Furthermore, according to the MER document published in 2019, Indonesia was assessed on its compliance with Recommendation 6 by analysing the extent to which it met the prerequisite of immediate outcome 10 in order to prevent terrorist, terrorist organisations and terrorist financiers from raising, moving and using funds. The assessment team rated Indonesia partially compliant[739] in fulfilling the mandate based on the evaluation of the legal framework

[737] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 59 - 60, 118.
[738] FATF, "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations," 13.
[739] According to the formulation of technical compliance criteria, partially compliant rating refers to the considerations made by the FATF assessment team where moderate shortcomings were still identified.

established under the CFT Law, the Joint Terrorist Financing Freezing Regulations of 2015 and PPATK[740] Decree Number 122 of 2017 and their respective annexes.[741]

The CFT law regulates domestic listings and foreign requests. The following discusses regulations for listing the names of terrorists and their organisations and freezing their assets without delay according to the lists published by the government, as stated in Articles 27 and 28 of the law. Article 27 outlines the procedures for adopting the UNSCR 1267 and 1373 listings into domestic lists through a court order at the district level. Before submitting the application, investigators are required to work with the FIU, financial industries and relevant authorities to consider the listings. After the domestic listings are set by the court, the national police authority is required to circulate the names to financial institutions for 'freezing without delay' terrorists' assets or property. Article 28 standardises the mechanism for freezing assets. Further comprehensive procedures for domestic listings are in the following provisions in Article 29 to Article 34.[742]

The APG assessment team conducted a compliance evaluation of the implementation of the aforementioned provisions by law enforcement in 2019. The following emerged from the evaluation: listing individuals and entities, timeliness, and response to foreign requests. First, the assessor team noted that the publication of listed individuals and entities is one of the critical points for the successful freezing of terrorists' assets. The enactment of the Joint TF Freezing Regulations of 2015 authorised the government to issue domestic lists of individual terrorists and terrorist organisations. In 2020, Indonesia listed all the UN listed individuals and entities, including 28 Indonesian individuals and 11 entities. Second, the timeliness of listing individuals and entities is also critical according to the law. The assessor team found an

[740] PPATK stands for Pusat Pelaporan dan Analisis Transaksi Keuangan, known as the Indonesian Financial Intelligence Unit.
[741] This includes the issuance of The Head of PPATK Regulation Number 18 of 2017 regarding the socialisation of requiring financial industries to postpone financial transactions in accordance with UNSCR 1267 listings.
[742] Government of Indonesia, "Undang-Undang Republik Indonesia Nomor 9 Tahun 2013 tentang Pencegahan dan Pemberantasan Tindak Pidana Pendanaan Terorisme," 17 - 23.

administrative issue that hindered the promptness of listing procedures. The report mentioned that it would cause a delay of up to four additional days from the three days for which the TF Freezing Regulations of 2015 provide. Another essential consideration is the capability of Indonesia to designate individuals and entities based on a request from foreign jurisdictions pursuant to UNSCR 1373. The MER report noted that financial industries in Indonesia have not acknowledged or frozen any funds or assets possessed by these individuals or entities. The incompleteness of the information provided upon request of a foreign jurisdiction has become another weak point exposed by Indonesian authorities, as mentioned in Article 44 of the CFT Law.[743] This issue is further discussed below in the context of international collaboration in combating terrorist financing.

The MER report concludes that there are deficiencies in the application of targeted financial sanctions for terrorism and terrorist financing in Indonesia. The timeliness and availability of individuals' and entities' listings are among the concerns that the assessment team highlighted. The listings are not consistent with the identified risks. Indonesia sufficiently met the requirements for the application of UNSCR 1267 through freezing listed accounts, property and one life insurance policy associated with individuals and entities. However, the team found a lack of compliance with UNSCR 1373, including on the use of the listings of names to mitigate terrorist financing risks.[744]

The interviews with officials from law enforcement, the attorney-general's office, financial regulators and the FIU also shed light on the government authorities' application of targeted financial sanctions. They were critical of the imposition of financial sanctions to comply with international mandates. As the strategic counterterrorism coordinator, the NCA initiates

[743] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 65 - 66.
[744] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 4.

intelligence-sharing among domestic institutions and financial service providers. However, even the special task force formed to build such partnership, the NCA, mainly works with Detachment 88 as the counter-terrorism investigator, including implementing the enforcement of sanctions according to the UNSCR 1267 and 1373.[745]

Furthermore, at the levels of investigation and prosecution, an official from Densus 88 argued that a lack of negative consequences could be attributed to the names listings. His only criticisms were of some administrative shortcomings.[746] However, the listings do not involve prosecutors in enforcing financial sanctions. The information is essential to support prosecutors in their analysis of terrorist networks.[747] By contrast, an FIU official said the data provided in the terrorist listings was difficult to use because of the lack of detail and relevance to the FIU's analysis. Following the response of the financial regulators, they were forced to freeze funds based on the published listings produced by investigators and set out by the District Court.[748] In disseminating the information to the regulator and financial institutions, timeliness is vital to meet the 'freezing without delay' standard.[749]

11.1.4 Targeted Approach, Outreach and Oversight of At-Risk Non-Profit Organisations

From 2013 to 2019, the last regulatory modification in the law enforcement sector focused on mitigating the risk of abuse of NPOs for terrorism and terrorist financing. Since 2012, the FATF has required member jurisdictions to review the effectiveness of laws and regulations regarding NPOs. Proportionate measures based on the risk-based approach, as prescribed

[745] RI021, Indonesian counterterrorism agency official.
[746] RI016, Densus 88 official.
[747] RI015, Indonesian prosecutor.
[748] RI027, Financial Service Authority (FSA) official.
[749] RI008, Central Bank official.

Recommendation 8, are needed to publicise the nature of NPOs as legal incorporations that are susceptible to misuse for terrorist financing purposes. Misuse can occur in the following ways: (1) by terrorist organisations operating as lawful institutions, (2) by abusing legal entities as channels for financing terrorism or avoiding 'asset-freezing measures', and (3) by covering with legitimate activities other covert activities that legitimate direct funds to terrorist organisations.[750]

An interview with two officials from the APG revealed a new perspective on the misuse of NPOs for terrorist financing purposes. Instead of imposing 'one size fits all rules', they advocated a targeted approach to at-risk NPOs:

> The standard has been driven to a risk-based approach, but that has not been necessarily taken up very well yet. Some countries have made tremendous efforts about it, and we have seen that many countries have done enough about supporting the charity sectors and understanding that these sectors are vulnerable. There is a risk-based approach to implement in order to support these organisations by conducting supervision and monitoring programs. We have observed that some countries have done a lot more about controlling strategies in identifying and verifying donors and beneficiaries by setting up regulations.[751]

Endeavouring to comply with Recommendation 8, Indonesia also focused on NPO awareness. Between 2015 and 2017, the government issued the National White Paper on Terrorist Financing, a National Risk Assessment on Terrorist Financing, Regional Risk Assessment on Terrorist Financing (RRA), and the Presidential Regulation Republic of Indonesia No. 18/2017. These documents reflect the urgency of the government's effort to tackle the risk and potential abuse of NPOs for terrorist financing purposes.

In response to the growing risk of NPOs being abused by terrorists, the Indonesian FIU publicised it in the 2015 NRA document. NPOs were examined as high-risk conduits to support

[750] FATF, "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations," 13.
[751] AU001 and AU002, APG officials.

terrorist financing. Individual terrorists invited the society to donate their money through charity boxes, members' contributions, and online platforms facilitated by the internet.[752] The former head of PPATK stated in a press interview:

> The FIU identified three risks: (1) abuse by terrorist groups of unregistered local NPOs operating religious schools. The government found there were obstacles to controlling and monitoring this type of foundation; (2) suspected terrorists were the masterminds behind the registered NPOs, and (3) terrorist groups established orphanage foundations as a cover for their clandestine violent movements.[753]

At the regional level, notwithstanding a small number of cases of terrorist financing involving NPOs, the general risk assessment on terrorist financing conducted by the FIUs from Australia, Indonesia, Malaysia, the Philippines, Singapore and Thailand in 2016 revealed NPOs are highly vulnerable due to their capacity to collect unobserved, large amounts of money from across the region.[754] However, just a year later, Australia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei and New Zealand collaborated to produce a regional risk assessment on NPOs that lowered the risk from high to medium. Indonesia and the Philippines rated NPOs as highly vulnerable to terrorist financing risk, while other countries in the region rated the risk as medium. However, because it was based on the understanding of the threat, the vulnerability of NPO's and terrorist financing risks involving them, the assessment also produced a number of proposed actions to mitigate the risk. For example, countries should: improve information sharing, develop 'red flag' indicators of high-risk NPOs activity involving terrorist financing across the region, NPOs verification of personnel, and initiate 'targeted and proportionate outreach and monitoring or supervision of NPOs.'[755]

[752] Pusat Pelaporan dan Analisis Transaksi Keuangan, "Penilaian Risiko Indonesia terhadap Tindak Pidana Pendanaan Terorisme," 2015, 23.
[753] Febriana Firdaus, "PPATK Ungkap Sumber Dana Terorisme," *Tempo,* January 4, 2014, https://nasional.tempo.co/read/542077/ppatk-ungkap-sumber-dana-terorisme/full&view=ok.
[754] Commonwealth of Australia, "Regional Risk Assessment on Terrorist Financing," *AUSTRAC website*, (https://www.austrac.gov.au/sites/default/files/2019-07/regional-risk-assessment-SMALL_0.pdf, 2016), 4.
[755] Commonwealth of Australia, "Regional Risk Assessment on Non-Profit Organisations and Terrorism Financing," *AUSTRAC Website,* (https://www.austrac.gov.au/sites/default/files/2019-06/regional-NPO-risk-assessment-WEB-READY_ss.pdf, 2017), 45.

After the publication of RRA documents in 2017, the NCA issued a white paper on terrorist financing, with a risk map of funding related to the IS group in Iraq and Syria. The white paper stated that NPOs activities were rated as a medium risk because of the change in the way terrorist groups collected money through social media platforms instead of voluntary donations. Although the white paper rated NPOs as a medium risk, the recommendations required government agencies to optimise communication and coordination with NPOs and civil society to monitor any financial flows, including donations and the use of money related to community activities that are susceptible to misuse by individual terrorists and organisations.[756]

In the same period of 2017, the government enacted a Presidential Regulation (Perpres) concerning donations to civil society organisations and the risks of their exposure to terrorist financing offences. The regulation covers all organisations that may receive voluntary donations, both domestic and overseas, including their capabilities to send donations abroad. There is an obligation for organisations to identify and conduct verification procedures in two cases, as mentioned in the law:

a. Donations to be received come from donors with citizenship or domicile in a country that has been declared inadequate in implementing international conventions and standards in the field of prevention and eradication of money laundering and terrorist financing crimes;

b. Donations to be received are intended to be given to recipients in countries that have been declared inadequate in implementing international conventions and standards in preventing and eradicating money laundering and terrorist financing crimes.[757]

[756] National Counter-Terrorism Agency, "White Paper: Pemetaan Risiko Tindak Pidana Pendanaan Terorisme terkait Jaringan Teroris Domestik yang Terafiliasi dengan Islamic State of Iraq and Syria (ISIS)," 2017, 14 and 22.
[757] Government of Indonesia, "Peraturan Presiden Republik Indonesia Nomor 18 Tahun 2017 Tentang Tata Cara Penerimaan Dan Pemberian Sumbangan Oleh Organisasi Kemasyarakatan Dalam Pencegahan Tindak Pidana Pendanaan Terorisme" (2017), 5 - 6.

Article 3 of the regulation stated the mechanism for identifying donors, both individuals or corporations. First, the minimum threshold for a donor is IDR5,000,000 or the equivalent amount. Second, the organisation should monitor and identify in detail donors who are foreigners or domiciled in the countries listed as high risks for money laundering and terrorist financing. Third, the funds donated were intended for recipients in high-risk money laundering and terrorist financing countries. Finally, the organisations should reject donations from individuals or entities listed in the domestic lists of individual terrorists and entities issued by the District Court.[758]

Articles 8 and 9 of the law describe verification of donors and receivers by examining the identity, the purpose of donations, the deliverable activities involved. In addition, the assessment on corporates monitors activities by organisations or individuals associated with the NPOs in delivering programs to the receivers, in compliance with Articles 12 and 13 of the law.[759]

To assess the effectiveness of the aforementioned regulations and laws, the FATF team conducted an evaluation of compliance with the Indonesian government in mitigating risks of NPOs' abuse by terrorists. Indonesia was rated as largely compliant with Recommendation Eight. The compliance assessment reached the following findings:

First, Indonesia had identified the risks and threats to the NPO sector and set up measures to verify and monitor their activities. Second, the assessment found minor deficiencies in reporting and recordkeeping on donors and beneficiaries based on the provisions regulated by the government. The regulations notes the importance of 'accountability, integrity and public confidence' for NPOs, both legal and non-legal.[760] Third, the assessment emphasised the need

[758] Ibid.
[759] Government of Indonesia, "Peraturan Presiden Republik Indonesia Nomor 18 Tahun 2017 tentang Tata Cara Penerimaan dan Pemberian Sumbangan oleh Organisasi Kemasyarakatan dalam Pencegahan Tindak Pidana Pendanaan Terorisme," 8 – 11.
[760] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 138.

for a central supervision authority to monitor the application of risk-based measures to overcome the terrorist financing misuse for NPOs. Fourth, the assessment identified limited engagement and outreach to NPOs, including the efforts to mitigate emerging terrorist financing risks.[761] Last, the law enforcement action against the suspected NPOs affiliated with terrorist groups was still unclear. The court convicted suspected individuals linked with an NPO and a terrorist group, but compliance required action where organisations were suspected of being associated with terrorist groups.

According to a senior official of Densus 88, law enforcement regarding NPOs has been facing particular challenges:

> NPOs are very active in fund-raising activities. As part of law enforcement, we conduct investigations on suspected funds associated with terrorist groups. If there was an indication of abuse, Detachment 88 is responsible for starting the investigation and the arrest. However, the investigators have not identified yet any suspected funds directed to finance terror activities so far. Therefore, the team discovered it problematic to impose law enforcement on NPOs. We focused on investigating the financial flow, including revealing those who received the funds, and the expenses, in order to probe the connections to the terrorist groups' networks. The linkages to funds employed for social activities like terrorist groups' families are very obscure to prove.[762]

A senior prosecutor from the Attorney General's Office (AGO) had similar concerns regarding criminal justice procedures against suspected NPOs that were linked to terrorist financing. The prosecutor described an unintended consequence as follows:

> In Indonesia, there is a religious custom or obligation of giving "infaq" or voluntary alms to the community. Because religious donations are considered a sensitive issue to discuss, therefore, the law enforcement apparatus faced a challenge in bringing conversations about the potential linkages of religious donations to be misused for terrorist financing purposes. The investigator should probe that the religious or

[761] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 67-68.
[762] RI012, Densus 88 official.

> social foundation was established to cover the terrorist groups, thus investigating the money flow from the organisations to the groups.[763]

APG officials have echoed the concern of regulating NPOs since the team had evaluated Indonesia in compliance with Recommendation Eight.

> The observation demonstrated that the regulatory regime of charities mainly focuses on governmental policies in controlling the political environment. There is an overlapping framework among monitoring and control strategies on charities because the government aims at the political risk rather than the risks of terrorism and terrorist financing.[764]

Overall, in practice, the implementation of such regulations and laws according to the MER report is still unclear and far from successful when considering the growing threats to the NPO sector, as explained in Chapter 9.

11.2 Leveraging International Collaboration in Combating Terrorist Financing

As mentioned earlier in this chapter, any analysis of CFT policies must include international cooperation in both prevention and eradication measures. The FATF sets standards for international cooperation, including mutual legal assistance (MLA), asset freezing and confiscation, extradition, and information exchange. The following is relevant to the research as it explains how the Indonesian government complied with international recommendations and how Indonesia is involved regionally and globally in combating terrorist finance. The following describes specific programs and activities run by the government as evaluated by the APG assessment team and reported in the MER document. In addition, this section includes interviews with counterparts in Malaysia, Singapore, the Philippines, and Australia.

[763] RI013, Indonesian prosecutor.
[764] AU001 and AU002, APG officials.

The FATF recommendations regulate how member jurisdictions engage internationally in preventing and combating money laundering, terrorist financing, and other associated predicated offences. Recommendations include obligations to use constructive and effective mechanisms to build a mutual relationship spontaneously and upon request based on a lawful foundation in bilateral or multilateral agreements or through a Memorandum of Understanding (MOU) and reciprocating principles. Recommendations 37 and 38 demonstrate specific requirements for countries to establish robust procedures to strengthen MLA cooperation to safeguard the information exchanged, and in the freezing, seizing, and confiscating of assets and properties.[765]

Recommendation 37 discusses the obligations of member jurisdictions to collaborate effectively in providing MLA in relation to money laundering, terrorist financing and associated crimes, including investigations, prosecutions, and related proceedings. This recommendation regulates the commencement of MLA cooperation with other countries, ensuring transparent, efficient, and timely prioritisation and implementation of MLA requests and responses. Countries should also monitor the requests' and responses' progress through a case management system in which confidentiality applies according to domestic law to protect the integrity of the inquiry procedures. The recommendation also confirms the necessity to develop MLA cooperation with strategic counterparts to provide 'complete factual and legal information by using expeditious means', even in cases of dual criminality.[766]

> Countries should render mutual legal assistance, notwithstanding the absence of dual criminality, if the assistance does not involve coercive actions. Countries should consider adopting such measures as may be necessary to enable them to provide a wide scope of assistance in the absence of dual criminality.[767]

[765] FATF, "The FATF Recommendations," 27 – 29.
[766] Ibid.
[767] Ibid.

The FATF also requires members to take 'expeditious action' on request of examining, freezing, seizing, and confiscating assets or property used, or intended for use, in money laundering, terrorist financing, and other associated predicate crimes. Recommendation 38 calls on the government to respond to foreign requests which are consistent with domestic law. The authorities should also there are effective procedures for coordinating and arranging seizure and confiscation proceedings, including mechanisms for determining shared assets.[768]

Furthermore, Recommendation 39 formulates mechanisms for executing extradition requests without 'undue delay.' Countries should ensure effective, constructive, simple, and expeditious means of extraditing persons under an adequate legal framework. The execution of requests should be in accordance with domestic law and should prioritise the efficiency and integrity of the procedures.[769]

Indonesia has complied with the aforementioned standards by including provisions on international cooperation in the CFT Law. Article 42 of the law provides for MLA procedures, extradition, and other forms of cooperation based on a formal arrangement or reciprocating principles. All engagement with foreign counterparts shall be carried out according to international conventions and provisions of domestic laws and regulations regarding extradition and MLA in criminal matters.

The CFT Law also sets out the procedures for requesting and responding to foreign requests concerning 'freezing without delay' related to terrorist assets and properties suspected to be in Indonesia. Article 43 emphasises the imperative to cooperate in requests of a person or corporation whose identity is listed on the lists of individual terrorists or terrorist organisations issued by a foreign country or foreign jurisdiction. In accordance with the principle of reciprocity, Indonesia should submit requests to foreign counterparts concerning freezing,

[768] Ibid.
[769] Ibid.

seizing and confiscating terrorists' assets and properties that should be presumed related to terrorism cases in a foreign jurisdiction. Overall, all requests and responses shall be conducted on the basis of national foreign policy interests, agreements, or mutual relationships according to the principle of reciprocity.[770]

Three examples of collaboration involving Indonesia and Southeast Asia countries are identified as best practice, applying the bilateral financial intelligence approach, multilateral intelligence information exchanges, regional risk assessments on terrorist financing issues (RRA), and public-private partnerships (PPP). The strategic cooperation was initially established by Indonesia and Australia as founders of CFT cooperation in the Southeast Asia region, based on the mutual trust framework and country legal basis application.

First, the arrangement of multilateral intelligence information exchanges was started when FIUs of Indonesia and Australia first hosted the 1st CFT Summit in 2015, which resulted in the Sydney Communiqué document. The forum discussed evolving trends and challenges in terrorist financing in the region by recognising the rise of ISIS and FTFs, the spread of youth radicalisation and the rapid growth of the ‘lone-wolf’ phenomenon. Participant countries agreed to develop a regional commitment to improving capacity and expertise in counter-terrorism financing in the region by strengthening legal, regulatory and operational frameworks to identify, interrupt, and prosecute terrorist financiers, including those foreign terrorist fighters. Such collaboration then continues until 2021, with New Zealand also involved.[771]

Furthermore, multilateral programs established through the strategic collaboration among the Southeast Asian, Australian and New Zealand FIUs include the Analyst Hubbing, the multilateral analyst exchange program, the regional Financial Intelligence Analysis Course and

[770] Government of Indonesia, “Undang-Undang Republik Indonesia No. 9 Tahun 2013," 28 – 29.
[771] Australian Transaction Reports and Analysis Centre (AUSTRAC), “International Partners,” *AUSTRAC Website,* (https://www.austrac.gov.au/about-us/international-engagement/international-partners).

regional information-sharing platform, which would be used as a digital communication alternative to provide urgent responses to terrorist incidents and exchange information on suspicious financial transactions associated with individuals or terrorist organisations.[772]

Second, the regional collaboration among FIUs in Southeast Asia produced RRA documents that identify trends, typologies and risks of terrorist financing. The 2016 assessment examined the risk environment regarding fund-raising, fund-moving, and fund-using, which resulted in the identification of the following main risks: self-funding from legitimate sources, a cross-border movement of funds/value, the potential misuse of NPOs and funding from external sources into the region.[773] Besides a general assessment of terrorist financing, the regional jurisdictions also produced an RRA document on NPOs in 2017. The document presented the risk of NPOs by a number of cases of abuse of NPOs for terrorist financing purposes and the adequacy of strategies adopted among Southeast Asian countries.[774] Overall, countries produced RRA documents to enhance regional understanding, thus strengthening legal, regulatory and operational frameworks in countering terrorist financing, including foreign terrorist fighters.

Finally, the collaboration initiative has been improving since 2018 and establishing a public-private partnership. The partnership involves the FIU, law enforcement agencies, and the private sector to build strategic cooperation among institutions for information intelligence exchange purposes. A strong partnership in the public sector is needed to ensure that access to information on targets is timely and to enhance the quality of intelligence information

[772] Sylvia Laksmi, "Countering terrorist financing: Strengthening Indonesia–Australia collaboration," in *Counterterrorism Yearbook 2021,* eds. Leanne Close and Daria Impiombato (Canberra: The Australian Strategic Policy Institute Limited, 2021), 50.
[773] Australian Transaction Reports and Analysis Centre (AUSTRAC), "Regional Risk Assessment Terrorism Financing Southeast Asia & Australia," *AUSTRAC Website,* (https://www.austrac.gov.au/sites/default/files/2019-07/regional-risk-assessment-SMALL_0.pdf, 2016).
[774] Australian Transaction Reports and Analysis Centre (AUSTRAC), "Regional Risk Assessment: Non-Profit Organisations & Terrorist Financing," *AUSTRAC Website*, (https://www.austrac.gov.au/sites/default/files/2019-06/regional-NPO-risk-assessment-WEB-READY_ss.pdf, 2017).

exchanged. Thus, the collaboration would benefit all parties engaged in tracking, interrupting, prosecuting and recovering assets of terrorist financiers, including foreign terrorist fighters.[775]

The following discusses the results of the evaluation of Indonesia by the FATF. Notwithstanding the absence of extradition requests related to terrorist financing, the MER report showed that Indonesia had implemented the cooperation effectively, aligned with its terrorist financing risk profile.[776] The report highlights that Indonesia has engaged in strategic cooperation through intelligence information exchanges with foreign counterparts and made four terrorist financing or terrorism MLA requests in 2015 and 2016.[777] However, the report had no further details of the effectiveness of MLA requests for supporting the investigation or prosecution proceedings.

In relation to the aforementioned results, Indonesian agencies, primarily Detachment 88 and the Ministry of Politics, Law and Human Rights, pointed out that international collaboration against terrorist funding has benefitted domestic counter-terrorism strategies by enabling the detection of overseas money remittances[778] and suspending financial transactions with high-risk countries alleged to be related to terrorist financing.[779] Officials from other government agencies were also interviewed for this research. The interviews sought additional information on the types of collaboration taking place in the fight against terrorist financing, including examples of best practices of the MLA and 'freezing without delay' policies.

One investigator responded to an interview question on obstacles to MLA cooperation with respective counterparts. As mentioned earlier in the discussion on information exchange, the

[775] Sylvia Laksmi, "Countering terrorist financing: Strengthening Indonesia–Australia collaboration," 51.
[776] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 107.
[777] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 111.
[778] RI012, Densus 88 official.
[779] RI002, Ministry of Political, Law and Human Rights official.

confidentiality of bank information and the fact that domestic law differs between countries have become obstacles to executing MLA requests.[780]

Intelligence officers from the Indonesian FIU also emphasised the urgency of developing intelligence information exchanges focusing on the details of terrorists listed in accordance with UNSC Resolutions.

> Indonesia has been actively involved in regional forums, including the CFT Summit, which leveraged several strategic policies concerning intelligence information exchanges, such as bilateral and multilateral joint analysis programs.[781]

Another official added a similar perspective but exposed another challenge in gathering information on terrorists who were mentioned in the domestic and international lists.

> However, the biggest hurdle to address is the issue of obtaining comprehensive information regarding the identities of terrorists listed in domestic and international lists. More detailed data is highly required to assist the work of intelligence agencies and financial industries in reporting and interrupting suspicious financial transactions related to the persons of interest.[782]

These results are similar to the arguments of a senior investigator who conveyed his view on executing the policies of 'freezing without delay' against UN Lists on terrorists. If the government agencies were able to implement the freezing strategy without any delay, then the prevention strategies against terrorist financing could be implemented effectively.

The impediment to this, however, was the timeliness of complying with assets seizure and confiscation provisions. There was a policy opinion gap among the five Indonesian government ministries in completing all the procedures for seizing terrorist assets, primarily related to the freezing procedures to Indonesian individual's mentioned on the lists. Furthermore, the bureaucracy process and coordination among respective agencies have been obstacles to

[780] RI016, Densus 88 official.
[781] RI006, Indonesian FIU official.
[782] RI011, Indonesian FIU official.

achieving timely confiscation and asset freezing procedures. As an investigator, the freezing without delay policy is critical to disrupting terrorist funding assets, especially to those involved in domestic or homegrown terrorism.[783] In addition, one official from the Ministry of Foreign Affairs indicated that implementing the 'freezing without delay' procedures was also about technical issues, such as sharing the information among respective agencies by considering the confidentiality of the information used in pre-investigation and investigation processes.[784]

Conclusion

This chapter concludes the review of the implementation of the FATF Recommendations by the Indonesian government between 2013 and 2019. It discusses how the government has developed CFT policies in response to counter terrorist financing following the FATF recommendations. The analysis in this chapter corroborates evidence from regulations and laws, the results of mutual evaluations undertaken by the APG in 2018 – 2019 and from interviews with government officials and community experts.

In accordance with the primary objective of the research, further investigation of policy responses to the growing threats of terrorist financing in 2013 – 2019 is to canvass the arguments as to whether changes to policy based on compliance with international standards or on other factors have influenced changes in terrorist financing activities in both Indonesia and the region. Correlations between policy and the threat of terrorist financing are relevant to the detailed analysis provided in Chapter 12.

[783] RI017, Indonesian investigator.
[784] RI024, Ministry of Foreign Affairs official.

Two main developments are conclusively shown in this chapter. The first is the expansion of law enforcement, with additional authority given to agencies to enforce a risk-based approach for financial industries, improving the financial intelligence approach to the investigation proceedings, enforcing sanctions against the targeted individuals and terrorist organisations as listed in the UN lists, and improving efforts to detect any abuse of NPOs for terrorist financing. Second, international collaboration has become a feature of policy in the period from 2013 to 2019. The analysis here emphasises robust cooperation in the Southeast Asia region by examining strategic partnerships in the fields of intelligence information exchanges, extradition strategies, MLA requests and responses, and public-private partnerships in preventing, disrupting, and combating terrorist financing.

In conclusion, Chapter 10 and Chapter 11 have explored best practices CFT policies. They also summarise the literature and evidence showing the dynamic of policy responses to the growing threats of terrorist financing from 2013 to 2019. This examination demonstrates how CFT policies have worked in accordance with the objectives in the regulations and laws. Furthermore, the analysis in Chapter 10 and Chapter 11 lays the foundation for the arguments developed further in Chapter 12, which discusses: whether the operational improvements so far have had intended and unintended consequences, to what extent the development of CFT policies could increase the likelihood of success in tackling terrorist financing offences, and what other factors are at work that may influence the evolution of terrorist financing networks in Indonesia.

Chapter 12

Policy Slippage in the Implementation of CFT Measures

> Effective Counter-Financing of Terrorism (CFT) action must be based on the latest and best information we have. These updates help to provide that.
>
> David Lewis[785]

Introduction

Previous chapters explained the changes in terrorist financing and Indonesian CFT policies from 2002 to 2019. The chapters analysed terrorist financing networks and their changing techniques for raising, moving and using funds. They also traced the alterations and modifications to the Indonesian government's measures to counter terrorist financing in the same period. The government took a significant step in 2013 by enacting the ATF Law, which has underpinned and influenced government strategies to counter terrorist financing.

This chapter discusses further some aspects which have been surveyed in the previous chapters. By applying the policy evaluation framework presented in Chapter 3, this chapter stipulates that the study of CFT policy effectiveness requires an analysis of some key dimensions, including the evidence of terrorist financing networks and the development of CFT policies. Following is a review of how and to what extent Indonesian CFT policies enabled the combating of terrorist financing flows.

[785] David Lewis, speech, *The Counter-Terrorism Financing Summit*, Bangkok, November 8, 2018.

First, terrorist financing networks in Indonesia have dynamic and adaptable structures. Terrorist groups have responded to legislation, policy and procedures, technology, and social trends. Second, the Indonesian government has adopted measures in countering terrorist financing that are consistent with the recommendations made by the FATF, but CFT policies in Indonesia have not kept pace with terrorist financing innovations. This research identifies that CFT policies have had a limited impact on diminishing terrorist financing networks. Such limitations are in financial regulations, law enforcement, and international cooperation. Finally, the study identifies unintended consequences for the financial system of the application of CFT policies, including positive and negative unintended consequences. The positive unintended consequence shows that CFT policies benefit the AML regime in Indonesia. Existing and potential negative unintended consequences comprise undue targeting of NPOs, prohibition of the use of cryptocurrencies, and additional costs for financial industries and law enforcement agencies.

Figure 12.1 illustrates the analytical framework applied in analysing how CFT policies have had impacts in combating terrorist financing networks in Indonesia, which evolved between 2002 to 2019.

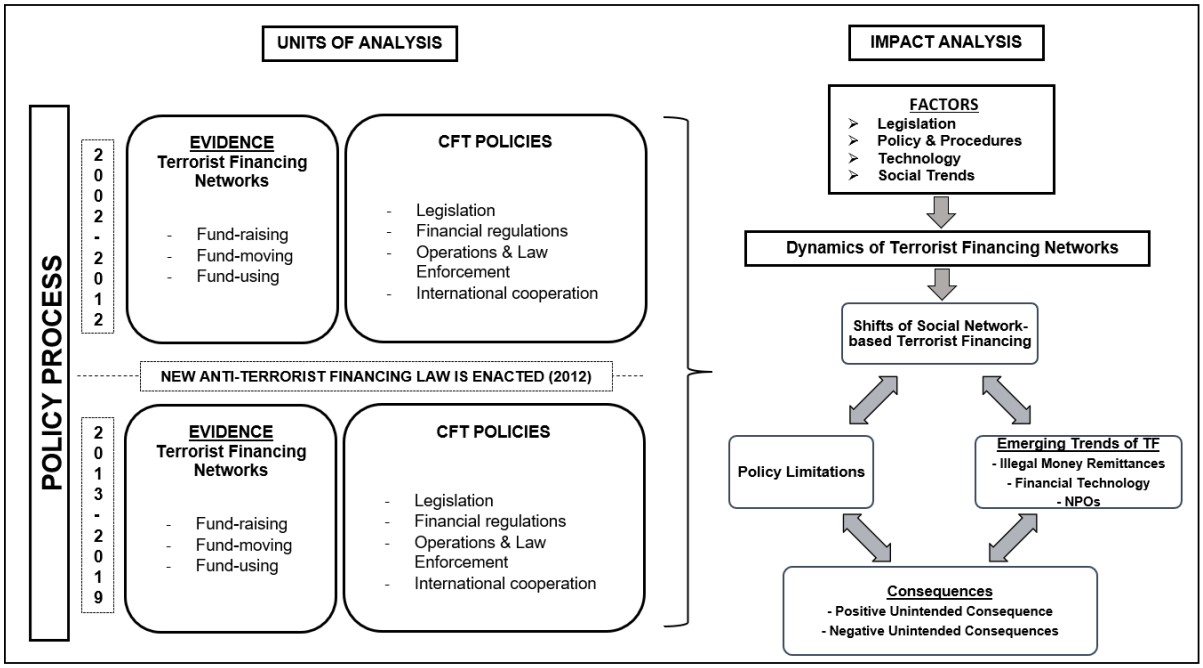

Figure 12.22 The Policy Evaluation Framework in Analysing CFT Policies in Indonesia

12.1 The Dynamic of Terrorist Financing Networks in Indonesia

Using the FATF's concept of terrorist financing, this chapter concludes the analysis of case studies presented in previous chapters. Drawing on court documents and interviews, the examination of how terrorists raised, moved and used money in the period 2002 – 2019 demonstrates that terrorist financing networks in Indonesia are dynamic and adaptable. The networks involved multiple agents' interactions in illicit financial flows for terrorism. The observation of such dynamic and adaptable networks is of direct relevance to the later analysis of Indonesian CFT policies.

This chapter will show the shifts of social networks in relation to terrorist financing activities. The changing methods of terrorist financing between 2002 and 2019 underline the expansion of domestic and international linkages used by terrorist groups to develop their financial structures. The chapter will also identify emerging trends and typologies of financing channels

used by terrorist groups. These include the use of money remittance services, the influence of advanced technology on payment systems, and the exploitation of NPOs as a cover for terrorist financing activities.

12.1.1 The Shifts of Social Network-Based Terrorist Financing

Terrorist groups, which most scholars characterise as covert networks[786], use social networks to promote and facilitate financial flows. Social networks mean relational among individuals, who comprise actors or key players and the connections among them are then identified as nodes and ties.[787] Hierarchical and decentralised are the two types of relational ties. Richard M. Medina presents a hierarchical structure in the network as one with a distinct leadership core. However, a decentralised network reflects a spread leadership type, which is more difficult for investigators to detect. Interestingly, most relatively recent terrorist networks are decentralised. They work clandestinely on terrorist attacks and to raise money. The decentralised type is identified by analysing the structural, geographic and authoritative system.[788]

The following explains the shifts of social networks in relation to terrorist financing. Trust and operations are factors that influence the development of terrorist financing networks in Indonesia. According to Sean F. Everton, friendship, kinship, and religious affiliations shape

[786] Richard M Medina, "Social Network Analysis: A Case Study of the Islamist Terrorist Network," *Security Journal* 27 (2012): 97 – 121; Jorg Raab and H Brinton Milward, "Dark Networks as Problems," *Journal of Public Administration Research and Theory: J-Part* 13, no. 4 (2003): 413 – 439; Valdis E Krebs, "Mapping Networks of Terrorist Cells," *Connections* 24, no. 3: 43 – 52; Justin Magouirk, Scott Atran, and Marc Sageman, "Connecting Terrorist Networks," *Studies in Conflict & Terrorism* 31, no. 1 (2008): 1 - 16; Christina Hellmich, "Marc Sageman: Leaderless Jihad: Terror Networks in the Twenty-First Century," *Democracy and Security* 4, no. 3 (November 18, 2008): 318 – 320; Marc. Sageman, *Understanding Terror Networks* (University of Pennsylvania Press, 2004).
[787] Jeffrey Scott McIllwain, "Organized Crime: A Social Network Approach," *Crime, Law and Social Change* 32 (1999): 301 – 323; Uffe Kock Wiil, Jolanta Gniadek, and Nasrullah Memon, "Measuring Link Importance in Terrorist Networks," *Proceedings - 2010 International Conference on Advances in Social Network Analysis and Mining, ASONAM 2010*, 225 – 232.
[788] Medina, "Social Network Analysis: A Case Study of the Islamist Terrorist Network."

the social network of terrorists, which is the basis for internal communications, logistics coordination, operations, terrorist financing programs, recruitments and training.[789] The case studies in Chapters 5, 7, 8 and 9, show how terrorist groups apply the above principles in distributing funds from sources to the end-users. The information obtained from interviews in Indonesia confirmed that changes in terrorist financing are influenced by friendships, kinship, and religious associations.

The second finding on analysing terrorist financing networks in Indonesia is the importance of the dynamic of domestic relationships among terrorists to secure financial support and channel funds for the networks. The first five case studies that show the evolution of terrorist financing networks before 2013 demonstrate how terrorist syndicates extensively used friends as their trusted networks to launch operations and expand their organisations.[790] The Hambali group used family and friends to set up their strategy to get funds, particularly for executing operations and assisting members to undertake military training. These cases also exemplify the contribution of friends who pledge support for jihadist groups.

The examination of domestic connections continues in the next seven case studies after 2013.[791] In this period, terrorist groups used friends and family networks extensively to facilitate financial flows. Women's networks, including terrorists' wives and domestic migrant workers, and local NPOs are significant financial backers for terrorist groups. These trusted networks provide communication over social media, logistics support, operations and social services for the families of members, terrorist prisoners, and widows.

[789] Sean F. Everton, "Network Topography, Key Players and Terrorist Networks," 2009, 16; Gerben Bruinsma and Wim Bernasco, "Criminal Groups and Transnational Illegal Markets A More Detailed Examination on the Basis of Social Network Theory," *Crime, Law & Social Change* 41 (2004): 81.
[790] Chapter 5 presented five case studies, including the Bali Bombing attacks, the Hambali's brotherhood network, the Jalin Jantho military training network, the Abu Roban's group, and the Cahya Fitrianta's network.
[791] For the examination of case studies after 2013, this thesis presents seven case studies in Chapter 7, Chapter 8 and Chapter 9. They are the Mujahidin Indonesia Timur (MIT) group, the Khatibah Gonggong Rebus (KGR) group, the Jama'ah Ansharud Daulah (JAD) group, financing of narco-terror networks, the Solo bombing attack, the Adi Jihadi group, and foreign terrorist fighters (FTFs) networks.

To test these findings, a question relating to trends of terrorist financing before and after 2013 was put to interviewees who worked in counter-terrorism and counter-terrorist financing in Indonesia, and also to those from neighbouring countries including Malaysia, Singapore, the Philippines and Australia. Most Indonesian respondents agreed that there had been a development of terrorist financing tactics from 2002 to 2019. However, one participant from the policymaker group had little insight into this matter because he was new to the position and focused on managing international cooperation rather than crime typologies.[792]

Discussing the evolution of terrorist financing networks before 2013, one Indonesian policymaker highlighted domestic connections in funding terrorism activities in Indonesia.

> Before a new law in countering terrorist financing was established, the funding tactics undertaken by terrorist groups were from internal groups. The members donated money as volunteer contributions called “infaq.” After 2013, terrorists abused social media and NPOs as their financial resources. However, there was still an issue to convict the NPOs as corporations.[793]

Furthermore, two policymakers who worked with the Indonesian FIU noted the use of domestic social networks in terrorist financing.

> Robberies by local syndicates were another essential resource for terrorist groups before 2013. Afterwards, legitimate channels, like donations through crowdfunding activities on social media, have become another alternative for terrorist groups in generating funds. They collected money from person to person rather than in a larger community.[794]

Besides domestic networks, international networks provided significant funds to terrorist groups in Indonesia between 2002 and 2019. For instance, Al Qaeda and ISIS networks of friends, members, and supporters contributed substantially to local terrorist groups in

[792] RI002, Ministry of Political, Law and Human Rights official.
[793] RI021, Indonesian counterterrorism agency official.
[794] RI019, Indonesian FIU officials.

Indonesia, including funds for developing the organisations, launching attacks, and sending fighters to Afghanistan, Syria and the Philippines.

Two Indonesian interviewees who were subject-matter experts spoke in more detail of how Al Qaeda assisted the JI group in preparing the Bali bombing attack circa 2002.

> At the beginning of 2002, Al Qaeda played an important role in providing funds for the Bali bombing. The JI Group also obtained money from conducting local robberies. The group also distributed the funds to local Mujahidin groups in conflict areas, including Poso. In raising money to purchase weapons, the group gathered money from the local community by using humanitarian issues as a cover. After the Bali bombing attack, the terrorist group used domestic networks to generate funding, including from sympathisers. The JI group changed the tactics by utilising wider overseas networks in the period after 2014. I identified incoming funds from Indonesian pro-ISIS leaders in Syria transferred money to Indonesia to support terrorist groups in the country. Afterwards, the financial structures within terrorist groups were also developed into several strategies, including the use of NPOs and families.[795]

Another Indonesian expert also acknowledged the influence of international networks in the early generation of terrorist groups in Indonesia.

> Al Qaeda supported the first generation of terrorist groups in Indonesia through the JI group. Al Qaeda sent the money through wire transfers and cash couriers. Locally, the JI group also developed domestic fundings by establishing businesses selling propaganda DVDs and fund-raising activities. Hambali, a prominent terrorist leader, also financed his networks to go to Saudi Arabia, Kuwait or Qatar to gather funds through humanitarian foundations located in those countries. Most terrorists spent the funds for sending fighters to Ambon.[796]

To continue the study on overseas networks' support for local terrorist groups, evidence shows that terrorist groups in Indonesia had financial linkages with Malaysia and the Philippines, for example, the Khatibah Nusantara group and the Marawi incident.[797] This was echoed by other respondents.

[795] RI025, Indonesian expert.
[796] RI026, Indonesian expert.
[797] MY009, MY002, Malaysian experts.

> Wanndy's networks existed in Malaysia and actively solicited donations from Malaysia, Indonesia and the Philippines through third-party accounts, direct transactions and hawala services.[798]

Furthermore, an Indonesian respondent assigned to the Malaysia office identifies transnational financial flows that were linked to past relationships with Indonesian terrorists.

> Money transfers are identified from Malaysians who recruited Indonesian terrorists and promised to accommodate their travel to Syria.[799]

The case studies also found financial linkages between Indonesia and the Philippines where multiple national passports and forged identities were used to transfer money.

> The case involving Fathur Rahman Al-Ghozi, a terrorist who exploded a car bomb at the Philippines Embassy office in Jakarta in 2000, showed that he had Indonesian and Filipino passports. He used an Indonesian passport by the name of Rony Azad bin Ahmad, and Randy Adam Alih for his Filipino passport. Also, he had a Philippines postal identification card using the name of Edris Anwar Rodin. He opened a bank account in the Philippine National Bank using the identification card of Edris Anwar Rodin with his picture. So, we detected a connection that Fathur Rahman Al-Ghozi is Edris Anwar Rodin. So, we were sure that Fathur was Edris.[800]

A Filipino expert also confirmed transnational financial linkages between Malaysia, the Philippines and Indonesia.

> When ISIS came to the Philippines, the Abu Sayyaf Group and other terrorist groups in the Philippines continued to kidnap for ransom, but ISIS provided funding using the Malaysian and Indonesian conduits. In the Philippines, when we spoke of ISIS activities, I identified two central locations. If you observed their activities in Sulu, Basilan, and Tawi-Tawi, those financiers came mainly from Malaysia. Those groups operated in Sarangani, General Santos, Maguindanao, and Sultan Kudarat, where the Indonesians usually provided financial and logistical support, especially when the Santoso's networks provided the solid logistical support for several groups in Mindanao to support many groups, including the Ansar Khalifa Philippines, Bangsa Moro Freedom Fighters, and Khilafah Islamiyah Mindanao. They are all pro-ISIS groups. There are four identified pro-ISIS groups in the Philippines, including the Abu Sayyaf Group, Bangsa Moro Islamic

[798] MY007, Malaysian expert.
[799] MY005, Indonesian policymaker assigned in Kuala Lumpur office.
[800] PH004, Filipino law enforcement.

> Freedom Fighters, the Ansar Khalifa Philippines, and the Maute Group. It was no longer Maute Group but changed to the Abudar Group because Abudar was the leader and one of the key officials of Maute Group.[801]

A Filipino policymaker highlighted the importance of overseas financial flows to the Maute group in the Battle of Marawi in 2017, Dr Ahmad, a Malaysian professor, played an essential role in providing airline tickets for Indonesian foreign fighters to travel to the Southern Philippines. The Filipino authorities detected seven foreign terrorist fighters who took part in the Marawi siege.[802] In addition, there were also incoming transfers from the Middle East countries. A Filipino law enforcement official described the potential for funding destined for terrorists to be concealed as remittances from Overseas Filipino Workers (OFWs).[803]

The observation of the above domestic and international linkages brings us to further analysis of the dynamic structure of Indonesian terrorist financing networks. McIllwain points out that 'social networks are never static. Rather, they are constantly changing, evolving, adapting and expanding due to internal or external forces and contingencies. These social networks also transcend time and space, allowing professional criminals to engage in activities on a global scale.'[804] The case studies show that network dynamics have been influenced by ideology and the nature of connections, resources influenced by globalisation and communications facilitated by technology.[805]

Furthermore, in the case of Indonesia, terrorist groups worked underground and used actors to manage and sustain the organisations. An actor, as described by McIllwain as 'a discrete individual, corporate, or collective social unit', is the centre of the discussion of social

[801] PH007, Filipino academic.
[802] PH001, Filipino policymaker.
[803] PH003, Filipino law enforcement.
[804] McIllwain, "Organized Crime: A Social Network Approach," 320.
[805] Benjamin Acosta and Steven J Childs, "Illuminating the Global Suicide-Attack Network," *Studies in Conflict & Terrorism* 36, No. 1 (2013): 68; Fiona B Adamson et al., "Cambridge Review of International Affairs Globalisation, Transnational Political Mobilisation, and Networks of Violence Globalisation, Transnational Political Mobilisation, and Networks of Violence," *Cambridge Review of International Affairs* 18, no. 1 (2005): 33; Roy Lindelauf, Peter Borm, and Herbert Hamers, "The Influence of Secrecy on the Communication Structure of Covert Networks," *Social Networks* 31, no. 2 (May 1, 2009): 136.

networks.[806] Besides key actors, terrorist networks also use local fixers, super fixers and shadow facilitators who serve in communication and intelligence structures. Shadow facilitators work and connect persons of interest, including but not limited to move weapons, transport commodities, launder money, and conduct any fraudulent activities. These people would become the highest priority targets for intelligence operations.[807]

ISIS has played a critical role in developing and expanding the social networks of terrorists in Indonesia and the region. An Australian respondent commented on how it influenced the local networks.

> The ISIS group's ideology struck a chord with lone actors, relatively small cells, and also several existing structures with allegiance to the Islamic State as their common characteristic and connected the terrorist financing of these groups with other countries in the Southeast Asia region and the Middle East.[808]

After rolling up the networks, the strategy to eliminate terrorist networks should also focus on destabilisation. Shaikh, Jiaxin and Carley state that destabilising the terror network comprises the observation of network structure, key players, network efficiency, resource flow within the network, and centrality of both links and nodes.[809] Network disruption is a strategy to remove one or more nodes in the network, determine dependent nodes, and examine the hidden hierarchy.

The evidence also shows emerging trends and means used by terrorists to channel funds. The following explores these channels, including illegal money remittance, the influence of technology in funding strategies, and the exploitation of NPOs to conceal terrorist financing.

[806] McIllwain, "Organized Crime: A Social Network Approach," 305.
[807] Michael Miklaucic et al., *Convergence : Illicit Networks and National Security in the Age of Globalization* (Washington: National Defense University Press, 2013), 79, 81.
[808] AU001, Australian policymaker.
[809] Kathleen M. Carley, "Destabilization of Covert Networks," *Comput Math Organiz Theor* 12 (2006): 51–66; Muhammad Akram Shaikh and Wang Jiaxin, "Investigative Data Mining: Identifying Key Nodes in Terrorist Networks," *10th IEEE International Multitopic Conference 2006, INMIC*, 2006, 201 – 206.

12.1.2 Emerging Trends and Types of Terrorist Financing

Besides identifying the impact of social networks on terrorist financing, this research includes the increasing use by terrorist groups of illegal money remittance services and financial technology, as well as the misuse of NPOs. The research also found that technological advances influence terrorist groups' funding strategies. The following examines why those methods are used for terrorist financing in Indonesia, contributing to the dynamics of Indonesian terrorist financing networks.

12.1.2.1 Illegal Money Remittance Issue: "Unknown but Existed"

This research has demonstrated that the use of money remittance services for moving funds for terrorism is an emerging trend in Indonesia. The groups use both formal and informal money remittances services to move money globally and access funds to finance their terrorist activities. From the available evidence, it appears they are more likely to use legal services than informal services. However, the lack of information on informal money remittances does not mean they are not used by terrorists. Interviews with experts in Indonesia, Malaysia, Singapore, and the Philippines show the potential for the use of illegal money remittance services by terrorist groups. Although there were no convictions relating to illegal services between 2002 and 2019, experts observed significant underground money transfers through informal channels.

According to a FATF study, illegal money remittance is also recognised as '*hawala*[810] and other similar service providers' (HOSSPs). Chapter 1 discussed the definition of HOSSPs, which

[810] Hawala is a term used in a number of countries and referred to unregistered money remittances operated mostly in South Asia in the past. However, the term recently uses extensively to such method existed in the Middle East

offer both legal and illegal services. However, in this study, money remittance businesses that are susceptible to misuse by terrorist groups are referred to as informal. The following analyses the use of informal money remittances for terrorism from 2002 to 2019.

The 2003 case of Gun Gun Rusman Gunawan, who was part of the Hambali brotherhood networks and received funds from Hambali through a money remittance service via Amar, an Arab, is an early example of a money transfer through an informal channel.[811] An Indonesian expert also detected the practice in 2005, in a case suspected of links with the Al Qaeda group.[812] In the same period, a Malaysian academic found that terrorist groups had been using the *hawala* system since the 1990s. The affiliates of Al Qaeda and the JI group posed transnational security threats, including the international transfers of funds for terrorism.[813]

In the period between 2012 and 2019, court documents showed that terrorist groups opted for money remittance businesses like Western Union for their overseas transfers. Western Union, a legal service, was found to have been used by the MIT group, the KGR group, the Adi Jihadi group, and the FTFs networks, as examined in Chapters 7, 8 and 9. Even though the authorities detected only the formal service, a senior Indonesian prosecutor said it was a safe assumption that terrorists were also using underground channels. Therefore, illegal money transfers between Indonesia, the Philippines, Malaysia, and other hotspot areas are likely to continue, including the use of forged identities to execute the money transfers. In the past, the authorities recognised Dr Mahmud, a Malaysian doctor, as a major donor to pro-IS groups in Indonesia. This information came from investigative interviews, but there was no financial record of transfers of Dr Mahmud's money.[814]

and Africa and run by individual or entitites to avoid 'currency controls, tax obligations, and sanctions. Please see: FATF, "The Role of Hawala and Other Similar Service Providers in Money Laundering and Terrorist Financing," Paris, 2013, 9.

[811] Indonesian National Police, "Case Resume Report on Behalf of Gun Gun Rusman Gunawan," Jakarta, 2004.

[812] RI026, Indonesian expert.

[813] MY007, Malaysian academic.

[814] RI013, Indonesian prosecutor.

Several respondents noted that people chose informal money remittances over formal ones for international transactions. An Indonesian official based in Malaysia, observed that the Indonesian diaspora uses informal channels.

> Indonesian migrant workers often used informal money remittance services to send money overseas. I handled one case in the past involving Indonesian individuals who tried to facilitate money remittances from Malaysia through Turkey by carrying cash. The Malaysian authorities then deported three Indonesians, including one suspected as the coordinator of moving money transnationally.[815]

One Malaysian expert suggested that the Malaysian authorities should make a major effort to monitor illegal money remittances, including those involving money changers.

> The mechanism applied by money changers works like hawala. For instance, official migrant workers in one country transfer money through their official bank accounts to B. B, then withdraw the money and give it to the family. There is no paper trail for the money given to the family. The authorities find it difficult to monitor this type of transaction.[816]

A top official in the Philippine National Police admitted that money remittance services have been a conduit for terrorists to move their money.[817] This was confirmed by Filipino experts who noted the extensive use of money remittances.

> Overseas Filipino Workers (OFWs) usually send money into the country by Western Union. The money comes from Malaysia, is sent to Indonesia and then to the Philippines. Most OFWs used money remittances to avoid detection by the authorities. The transactions involved several individuals, with one acting as a central collector. If I used you to be the recipient of this money, you would get a percentage. They primarily used women because they found women were trustworthy and less suspicious.[818]

The Marawi siege was a notable example of suspicious financial transactions using informal money remittances conducted by terrorist groups. Two Filipino terrorism experts revealed the

[815] MY005, Indonesian policymaker resided in Malaysia.
[816] MY001, Malaysian expert.
[817] PH006, Filipino law enforcement.
[818] PH007, Filipino academic.

existence of informal remittance centres in the Southern Philippines, particularly in the 15 villages of Cagayan de Oro.

> The OFW workers in United Arab Emirates, Qatar, Saudi Arabia and Kuwait usually use remittance services. Hawala is attractive because of its simplicity and anonymity of operations, less expensive, and less bureaucratic than the formal financial sector. This system was also used for terrorist financing. In the Philippines, the public usually recognises it as a *padala system*. Before the Marawi attack occurred, a surge in local remittances was identified and suspected of being linked with the IS, particularly three months before the attack in Northern Mindanao.[819]

In Singapore, however, hawala is not a primary payment method for radical groups. Self-radicalised people use online platforms to gather information, recruit members, and move their funds.[820] Discussing the influence of modern technology, the following analyses how technology has advanced the way terrorists communicated with networks, recruited more supporters, and raised and moved the money.

12.1.2.2 The Influence of Technology on Terrorist Funding

Technological advances in communications and payment systems is an emerging trend of terrorist financing. In the second period of 2013–2019, advances in technology modernised terrorist groups' communications. They used social media and encrypted messaging platforms to recruit members and sympathisers and to raise money. The second highlight of key point of the previous analysis of terrorist financing networks in Indonesia is the abuse of a new payment method for moving funds from overseas to a local terrorist cell to carry out an attack. The following discusses how terrorist groups exploit technology for financing, as shown through case studies and insights offered by experts.

[819] PH012, Filipino experts.
[820] SG004, Singaporean academic.

Having mapped the use of financial technology as a payment method for terrorists, a Malaysian expert observed that terrorists still use traditional, cash transactions and conventional bank transfers. However, they have also branched out to the cyber for the purpose of moving funds.[821] This change was further explained by Indonesian respondents who recognised the uses of emerging financial technology trends for terrorism. A senior Indonesian law enforcement official recalled a lone-wolf case in 2015, using bitcoin for a terrorism purpose. The convicted person demanded bitcoins from the shopping mall owner. He threatened the owner with an attack using a TATP bomb. This case showed the potential for new sophisticated payment technology to facilitate a financial transaction, in particular by terrorists.[822] Another Indonesian expert observed that Indonesian terrorists, including Bahrun Naim, used online games and bitcoins as tactics for raising and moving money. Bahrun Naim actively recruited IT experts to develop and modify their strategies in financial technology.[823]

Singaporean and Filipino respondents agreed that terrorist groups had shifted their funding tactics from traditional to modern technology.

> I have seen the abuse of advanced technology for terrorism in the case of Bahrun Naim. This added to the list of new payment methods exploited by terrorist groups besides PayPal and Western Union.[824]

Besides virtual currencies, Filipinos representatives mentioned other digital means of payment terrorist groups were suspected of using, including mobile payments and the dark web.

> We have GCash, which is used through cellphones. Bitcoin has not been popular in the Philippines. The manner of remitting money is mostly through local remittance services, like Padala and Cebuana, which are based in Manila and establish small branches for general use. Terrorists usually use relatives for channelling the money and do not do it themselves. Two telecommunication companies, Smart and Globe in the Philippines, are potentially abused as new payment

[821] MY004, Malaysian policy maker.
[822] RI012, Densus 88 official.
[823] RI022, Indonesian expert.
[824] SG004, Singaporean academic.

> methods for terrorist groups. I think they use such new methods more for trading firearms, selling drugs, and kidnapping.[825]

Another Filipino expert recognised the use of the dark web as a financial tool.

> Yes, terrorist groups use the dark web for payment and delivery, especially when purchasing weapons.[826]

An Indonesian policymaker mentioned that such financial technologies were identified in the NRA.

> At the national level, the government banned people who intended to use cryptocurrencies as payment methods, both in payment settlement and exchanges. Other issues faced by the government in financial technology are the absence of Indonesian-based companies for PayPal and problems of payment settlement for money remittance services like Western Union and MoneyGram. These caused the two companies to function as legalised-'hawalas' rather than formal money remittance businesses.[827]

12.1.2.3 Exploiting Charities/NPOs as Fronts for Terrorist Financing Activities

The last emerging type of terrorist financing discussed in this research is the abuse of NPOs for terrorist financing. Chapter 8 explored the establishment of three NPOs linked with the JAD group. Such NPOs have functioned as Islamic microfinance institutions which supported the Muslim community but covertly accommodated funding activities run by the JAD group. These organisations collected mandatory and voluntary donations from members and sympathisers. Crowdfunding activities on behalf of socio-religious and humanitarian concerns were recognised as the primary fundraising tool, including offline, social media platforms, and paid online promotion.

[825] PH003, Filipino law enforcement.
[826] PH007, Filipino academic.
[827] RI008, Central Bank official.

Interviews with Indonesian respondents confirmed these types of funding from the abuse of NPOs. One of the respondents emphasised the significance of NPOs for terrorists' families:

> I never found NPOs that channelled their funds directly to sponsor terror operations. I identified particular NPOs that spent their money supporting terrorist networks. For instance, some NPOs, like the Infaq Dakwah Center (IDC), the Azzam Dakwah Center (ADC) and Gerakan Sehari Seribu (Gashibu), spent money giving social and financial help to families of terrorist prisoners. The IDC helped the wife of terrorist inmates by paying her medical costs during her pregnancy, the children's school or even when the families need money for medicine.[828]

However, there have been no convictions of NPOs related to terrorist financing because the transactions are clandestine, using humanitarian and religious camouflage. Another Indonesian expert agreed with this finding and emphasised the need to tackle terrorism by focusing on cutting off the money supply.

> I observed the IDC, which had a strong connection with pro-ISIS groups. They had different names to cover their activities and collected donations from the community. Lately, they have promoted charity programs to help suffering people and broadcasted their messages on social media, including Facebook. Therefore, the most important way to combat terrorism is by stopping the funding.[829]

12.2 Limitations in Implementing CFT Policies

Chapter 2 discussed policies for countering terrorist financing. Indonesia has been developing its policies in compliance with international standards, with particular reference to the FATF recommendations. Financial regulations, operations and law enforcement strategies, and international cooperation are key policy areas. The government's policies regarding financial regulations incorporate monitoring and supervision of the implementation of FATF recommendations on identifying customers and record-keeping, reporting suspicious financial

[828] RI001, Indonesian expert.
[829] RI022, Indonesian expert.

transactions and applying a risk-based approach. Second, operations and law enforcement strategies focus on criminalising terrorist financing under national legislation, applying financial intelligence, freezing terrorists' assets, and developing national risk assessments. Finally, international cooperation emphasises the importance of international collaboration in combating terrorist financing. Effective cooperation covers intelligence information exchanges and mutual legal assistance.

As mentioned earlier in this chapter, the study examines both the development of terrorist financing networks and the changes to CFT policies that the Indonesian government has made over the years. Chapters 6, 10, and 11 have examined changes in implementing Indonesian CFT policies in relation to the policy analysis. Chapter 6 described initial strategies of criminalising terrorist financing under AML legislation in the first period of 2002-2012. In this first period, CFT initiatives were implemented in three sectors. The first sector was developing AML/CFT programs for financial service providers, establishing a mechanism to report suspicious financial transactions to the Indonesian FIU, and establishing customer identification and record-keeping. Next, the government established important institutions in the operations and law enforcement sectors, including Special Detachment 88 of the Anti-Terrorism Police Unit, the NCA and the Indonesian FIU. Policymakers also established intelligence information exchanges between law enforcement agencies. Finally, the authorities promoted transnational information exchange and mutual legal assistance procedures as CFT initiatives.

The examination of Indonesian CFT policies continued in Chapters 10 and 11. Several changes and modifications to the policies were highlighted. First, the government added a risk-based approach and fine-tuned customer identification policies for financial institutions. Second, for operations and law enforcement, the policies required respective agencies to draw on the financial intelligence approach in investigations, to generate national risk assessments

on terrorist financing, targeted financial sanctions mechanisms, and oversee at-risk NPOs strategies. Thirdly, the government took some steps in international cooperation, including 'freezing without delay' procedures, extradition mechanisms, regional risk assessments, and multilateral intelligence information exchanges with counterparts.

The following analyses the implementation of the abovementioned CFT policies in countering terrorist financing networks in Indonesia between 2002 and 2019. The policy analysis will clarify how CFT policies were developed and their impact on disrupting illicit financial flows of terrorist groups. Limitations in policy implementation are identified, including financial regulations, operations and law enforcement, and international cooperation. Unintended consequences for the financial system of CFT policies, including distrust of Islamic charities, financial exclusions, prohibition of the use of cryptocurrencies, and cost consequences for financial industries and law enforcement agencies, are also discussed.

12.2.1 Financial Regulations

As mentioned above, the evaluation of CFT policies in Indonesia examines limitations in financial regulations. First, the assessment identifies inadequate customer identification in informal money remittances and digital payment methods, including virtual currencies and other financial technology services. Second, there are insufficient red flags or indicators and detections of financial transactions suspected of being related to terrorist financing. The third limitation identified is the inadequate application of the risk assessment approach in financial industries.

The first evaluation of CFT policies finds that customer identification in Indonesia is still inadequate, particularly related to informal money remittances, such as hawala, and digital payment systems including financial technology (fintech) and cryptocurrency. In the hawala

sector, an Indonesian policymaker acknowledged the limited capacity to monitor and supervise the application of KYC policies by informal money remittance companies, including cross-border financial transactions linked with high-risk jurisdictions prone to terrorist financing activities.[830]

The Central Bank, Financial Service Authorities, and the Commodity Futures Trading Supervisory Body are three prominent government agencies issuing regulations and supervising fintech companies. The existing regulations are presented in **Appendix 13**.

The regulations do not include laws to mitigate the risk of fintech being used for terrorist financing. The regulations leave a legal vacuum where there need to be laws for the implementation of robust KYC policies and protection of consumers' funds and personal data from criminal activities. The regulations are insufficient to deal with illegal activities, including fraud, hacking, cybercrime, and personal data theft, which are considered to be considered criminal acts. An Australian respondent noted that the absence of regulations on cryptocurrency was a weak link in countermeasures to terrorist financing and was an obstacle to strategic cooperation between Australia and Indonesia.

> The current legislation needs to be updated as a result of MER as well. One of the overall issues that could hinder the cooperation between Australia and Indonesia is the inability to provide information on the use of cryptocurrency. In Australia, there is a KYC requirement for registering and monitoring cryptocurrency. Digital currency providers must register with AUSTRAC, the Australian FIU, and comply with the AML/CFT regulation, including reporting suspicious financial transactions. However, Indonesia cannot fulfil our request for information related to cryptocurrency and even payment getaway industries like PayPal. This reflects the lack of scope of the AML/CFT provision in Indonesia, particularly as technology is moving on and Indonesia is increasingly left behind. Indonesia would not be an effective partner for Australia and other countries because Indonesia does not have that type of information to share.[831]

[830] RI008, Central Bank official.
[831] AU002, Australian policymaker.

The next evaluation of CFT policies shows that financial industries have not developed sufficient red flags or indicators of suspicious financial transactions. Interviews with the Indonesian FIUs indicate that the reports they receive from financial service providers on indications of terrorist financing are of low-quality and are mostly responses to requests from the reporting parties, rather than proactive reports. The inability of financial industries to detect suspicious financial transactions indicating terrorist financing poses another challenge to the implementation of CFT policies.[832]

Experts identified the following issues that should be addressed in detecting illicit financial flows related to terrorist financing. First, officers from financial industries found a lack of parameters to identify what constitutes a suspicious financial transaction in relations to NPOs' activities, such as donations or charities.[833] Second, even though the FTFs phenomenon is a trend of terrorist financing networks in Indonesia, and listed as such in the updated 2015 Indonesia's risk assessment on Terrorism Financing Crime, there is no guidance from the Indonesian FIU on the characteristics of financial transactions suspected of being linked to FTFs. There is a growing risk of FTFs exploiting social media and payments systems to raise money for to travel to Syria and the southern Philippines, including those who plan to return.[834] Third, existing parameters to identify suspicious financial transactions focus on financial flows related to terrorist operations, ignoring other uses of money by terrorists, including social activities and fund-raising activities.

> Most of the court convictions are in relation to the investigation of predicate offences instead of the other way around, including attempts to fund terrorism, although no terrorist act had happened.[835]

[832] RI006 and RI007, Indonesian policymakers.
[833] RI003, Indonesian financial industry officers.
[834] Sylvia Laksmi, "Handling Returning Terrorist Fighters Is a Big Problem, Monitoring Their Funds Is Another," *The Conversation*, March 9, 2020, https://theconversation.com/handling-returning-terrorist-fighters-is-a-big-problem-monitoring-their-funds-is-another-132107.
[835] AU002, Australian policymaker.

The third evaluation of Indonesian CFT policies shows that the policy implementation has had limited success in persuading financial industries to adopt a risk-based approach. The implementation of national risk assessment on terrorist financing requires the optimisation of using existing resources in financial industries to identify, assess and understand the risks associated with money laundering and terrorist financing on customers' products, funds, countries, high-risk jurisdictions, or delivery channels.[836] The national risk assessment plays an important role in directing financial services providers to formulate risk-based policies. It is essential that the community knows about it, and therefore, the risk assessment document should be widely publicised and disseminated. [837] One of the Indonesian experts criticised the inadequate follow up to the publication of the national risk assessment document.

> I understand that the national risk assessment document was published for the public; however, if there is no socialisation program introducing the document for the community, there is a lack of understanding of terrorist financing, including those working in the NPO sector.[838]

12.2.2 Operations and Law enforcement

The implementation of Indonesian CFT policies in operations and law enforcement is discussed in Chapters 6, 10 and 11. In the first period between 2002 and 2012, as examined in Chapter 6, the Indonesian government established AML policies that criminalised terrorist financing as a predicate crime to money laundering offences. This criminalisation is critical to developing measures for combating crime, particularly in the scope of FIU operations and law enforcement. In order to address gaps in interdicting illicit financial flows linked with terrorist groups, the government developed CFT policies by enacting a CFT Law in 2013. This law

[836] RI003, Indonesian financial industry officers.
[837] RI011, Indonesian FIU official.
[838] RI022, Indonesian expert.

leverages the power of law enforcement and FIU in enforcing a risk-based approach, improving financial intelligence, imposing sanctions against individuals and terrorist organisations in the UN lists, and strengthening efforts to discover any potential abuse of NPOs for terrorist financing.

The following evaluates the operations of law enforcement and intelligence agencies in combating terrorist financing and mitigating further risk. The policy assessment shows certain limitations: insufficient application of risk assessment approach for operations, ineffective coordination among domestic law enforcement agencies, and inadequate capabilities to monitor and develop a domestic List of Suspected Terrorists and Terrorist Organizations (domestic LSTTOs).

The evaluation of the government's implementation of CFT policies in operations and law enforcement illustrates that since the issuance of NRA documents in October 2015, there has been growing concern on how law enforcement could make use of the documents in their work in combating terrorist financing. The Indonesian FIU has published a report that maps risks and threats in terrorist financing, including recommendations for future CFT strategies. An updated NRA report was published in 2019 to complement the previous one and includes a broader description of terrorism threats, and emerging trends, including NPOs as one of the top priorities.[839]

According to Indonesian FIU officials, these documents aimed to assist law enforcement agencies to develop tactics to target perpetrators and to develop intelligence analysis for use during investigations and prosecutions.

> The Indonesian FIU generated the NRA documents in 2015 and 2019 based on how policymakers assessed the effectiveness of handling terrorist financing cases. We involved financial industries to observe

[839] Pusat Pelaporan dan Analisis Transaksi Keuangan, "The Updated 2015 Indonesia's Risk Assessment on Terrorist Financing Crime, *PPATK Website*, (https://www.ppatk.go.id/backend/assets/uploads/20200221111751.pdf, May 2019), xi.

> illicit financial flows linked with terrorist financing activities. Besides that, we collaborated with law enforcement agencies to provide thoughts on examining terrorism and terrorist financing threats. In the end, we ranked risks and threats associated with terrorist financing and offered recommendations on profiling terrorist groups and their financial behaviour based on the particular indicators.[840]

However, interviews with Indonesian police agencies revealed different perspectives on how they used the documents to support their investigations.

> The NRA document would be more beneficial for the law-making process. In practice, we did not use the document. We have our institutional assessment as our guidance. During the investigations, our officers in the field were unlikely to use the NRA information.[841]

Another law enforcement officer found it difficult to implement the NRA report because of the limited information provided.[842] This was echoed by their colleague from the National Counter-Terrorism Agency:

> For us, the NRA documents merely benefit the investigations by providing information about priorities. The risk and problem mapping offered would be useful as background information in developing investigations. However, we could not fully utilise the information. For instance, the document rated NPOs as a top priority, but there is a lack of detail defining NPOs as a high-risk sector.[843]

Such problems have been presented comprehensively in Chapter 11. This reflects a key issue in the implementation of Indonesia CFT policies. An officer from the Indonesian FIU noted the lack of an assessment method for evaluating the impact of applying NRA reports to investigations conducted by police and intelligence agencies.[844]

Next, the assessment of how the government applied the CFT policies identified two limitations of improving coordination among domestic law enforcement and intelligence agencies, including in field operations and information exchange. Interviews with officers from law

[840] RI019, Indonesian FIU officials.
[841] RI016, Densus 88 official.
[842] RI017, Indonesian investigator.
[843] RI021, Indonesian counterterrorism agency official.
[844] RI023, Indonesian FIU official.

enforcement and intelligence agencies revealed obstacles to coordination among domestic agencies, particularly in the field of operations to protect state borders.

> The Indonesian FIU indicated that cross border cash-carrying is one of the red flags in monitoring terrorist financing. However, coordination with intelligence agencies in controlling and supervising borders is complicated, particularly with customs and immigration offices.[845]

Another impediment to domestic coordination is bureaucratic. During the investigation, intelligence agencies faced challenges in communicating with the Indonesian FIU because the law allows the FIU to share its intelligence reports only with the Indonesian police, and not with intelligence officers.

> There has been an issue to shortcut the bureaucracy. A longer waiting time in receiving preliminary information from the Indonesian FIU would have challenged intelligence works in the field. In addition, the dynamic modus operandi of terrorist groups in managing finance has added as another hurdle to intelligence agencies in detecting terrorist financing activities.[846]

Furthermore, the policy evaluation in this research shows limited collaboration among law enforcement and intelligence agencies, including the Indonesian FIU, in domestic information exchanges.

> The limitation of collaboration that we had with the Indonesian FIU is related to the intelligence information in the reports. Not all intelligence reports disseminated to us had details of financial records. If the FIU did not give good quality information, it would be difficult for us to follow up on the information and unlikely to contribute to the investigation process. It is important to receive the information in a timely manner because we need to establish the case; otherwise, terrorists would have already moved the money covertly or carried out violent attacks. Besides coordination, provisions regarding investigation authorities in the CFT law and Penal Code restrict us from developing evidence, giving us a very limited period to investigate and arrest perpetrators or associated networks. In addition, different perspectives between investigators and prosecutors on terrorist financing offences obstructs the handling of cases, including the information investigators submit to prosecutors for following the court proceeding.[847]

[845] RI016, Densus 88 official.
[846] RI005, Indonesian intelligence official.
[847] RI016, Densus 88 official.

Commenting on these matters, one respondent from law enforcement highlighted the need for a secure information exchange platform and a liaison officer who works closely with the Indonesian FIU. The officer would facilitate the information exchange process.[848]

One of the Indonesian FIU officers reviewed domestic collaboration among law enforcement and intelligence agencies in processing terrorist financing cases.

> We have cooperated with the Indonesian police by disseminating intelligence information regarding suspicious financial flows indicated by terrorist financing activities. We analysed the information provided in our database and added to it by requesting financial service providers to submit additional information on the persons of interest. At the end of the year, we usually request feedback from law enforcement agencies regarding our information. The feedback that we receive from them is related to the speed of delivering information or intelligence reports to them. This is a critical element to domestic cooperation among law enforcement and intelligence agencies.[849]

The last limitation identified in CFT operations and law enforcement is inadequate resources to monitor and develop domestic LSTTOs. The NCA is the leading agency to coordinate with investigators, the Indonesian FIU, and government ministries in formulating international and domestic LSTTOs.[850] I asked Indonesian interviewees how investigators, intelligence and policymakers applied the freezing without delay' mechanism, which led to the use of domestic LSTTOs in disrupting terrorist financing transactions.

> In the area of crime prevention, the use of domestic LSTTOs developed from UNSC Resolutions 1373 is very important to disrupt potential suspicious transactions by individuals, NPOs or terrorist organisations. There were two perspectives in handling terrorist financing cases among law enforcement and ministries in formulating domestic LTTOs. The Ministry of Foreign Affairs preferred not to include all Indonesian individuals on the list. However, from our viewpoint as law enforcement, early detection of suspicious entities and freezing their assets are two effective instruments to interdict illicit financial flows for terrorism purposes.[851]

[848] RI017, Indonesian investigator.
[849] RI007, Indonesian policymaker.
[850] RI021, Indonesian counterterrorism agency official.
[851] RI017, Indonesian investigator.

Furthermore, one official from the Indonesian FIU had reservations about the validity of the information provided in LSTTOs, noting the lack of detail regarding the entities. This intelligence analyst found it difficult to examine and verify the profiles against their database.[852]

The abovementioned perspectives of intelligence and law enforcement show a rising concern about designating persons and entities under LSTTOs. Besides complying with FATF Recommendation 6, the identification and designation are very important to these agencies in conducting intelligence analysis and investigations. Freezing assets using LSTTOs is a preventive or disruptive tool that complements criminal proceedings. However, as explained earlier, the effective implementation of the policy should be accompanied by adequate and substantial information on designated persons and entities. This is essential to the application of the asset freezing mechanism, which involves coordination of key government stakeholders, including the Ministry of Foreign Affairs, the SIA, the NCA, the Indonesian National Police, the Indonesian FIU, and Court District. In the end, it is the financial regulators who mandate the financial service providers to execute the court order and freeze any assets or accounts associated with individuals and entities listed under LSTTOs.

12.2.3 International Cooperation in CFT Operations

The analysis of the impact of the Indonesia CFT policies also reveals limitations in international cooperation. These include ineffective information sharing among jurisdictions caused by the divergence of country capabilities in handling terrorist financing cases. Such limitations affect the success of international cooperation between Indonesia and its strategic counterparts. This

[852] RI023, Indonesian FIU official.

research examines, in particular, Indonesia's bilateral partnerships with countries with which we share a border, including Malaysia, Singapore, the Philippines and Australia.

The first limitation of information sharing between Indonesia and other countries is in the level of information exchanged. As explained in Chapter 11, key government agencies recognised the importance of information sharing because of the nature of transnational transactions involving terrorism and terrorist financing. Therefore, countries exchange intelligence information. Collaboration takes place in a financial intelligence group or forum attended by countries from the Asia Pacific region. Multilateral analyst exchange programs assist in building regional capacity.

The analysis of international cooperation shows the following: As explained in Chapter 11, the first finding is that timeliness in sending and receiving information, and the use of secure communication platforms has become a top priority in bilateral and regional cooperation. Second, FIUs are concerned with culture and mutual trust, and these factors inevitably influence the type of information shared by two parties. This applies particularly to information shared between Indonesia and Australia.[853]

Next, the third finding to highlight is the sharing of information between government agencies, including FIUs. One Australian interviewee explained that Indonesia should be able to share intelligence information concerning new technologies that advance payment methods, including cryptocurrency that has been used in Indonesia. This is the information that other countries would like to exchange, as fintech is an emerging trend in financial industries.[854] A Malaysian representative agreed that cyber security is a terrorist financing issue that government agencies should be aware of and monitor.

[853] AU002, Australian policymaker.
[854] AU002, Australian policymaker.

> There is a need to enhance cooperation in the exchange of intelligence information between Indonesia and Malaysia. Collaboration in the cyber environment is essential for regional terrorist financing countermeasures.[855]

Differences in capabilities and infrastructure is an issue that affects Indonesia's relationships with other countries. The analysis of policy documents and interviews with overseas representatives examined obstacles to cooperation between Indonesia and other countries. First, the national legislation and practices in information sharing with counterparts play an important role in bilateral and multilateral cooperation. This is related to the principle of mutual trust among jurisdictions, as mentioned before.

> The existing barrier to cooperation is national practice, which can either facilitate or delay countermeasures. Each country has its general principle of 'need to know' basis. They only share information if one jurisdiction considers that the other party needs to know it. There is no transparency because of the high level of confidentiality.[856]

Furthermore, the domestic political situation becomes an obstacle to cooperation. Conditions in one country may affect how that country prioritises its CFT policy. A Filipino law enforcement official explained that the Philippines FIU, for instance, prioritises tackling corruption and money laundering cases over terrorist financing. Therefore, there is a lack of data on suspicious financial flows linked with terrorism to respond to requests from other FIUs.[857]

The second obstacle is the human resource capabilities to handle intelligence analysis and investigation. Representatives from Singapore, the Philippines, and Australia described this as an obstacle to information sharing.

> The problem of CFT cooperation is with the FIUs. In comparison, the cooperation between agencies in counterterrorism covered an excellent exchange in financial intelligence, but not between the FIUs. The FIUs must cooperate more like intelligence and law enforcement. The FIU' officers should be trained. I have recently participated in the first FIUs regional Financial Intelligence Analysis Course. However, I found the knowledge of the participants is limited. Some people are

[855] MY004, Malaysian policymaker.
[856] PH007, Filipino academic.
[857] PH003, Filipino law enforcement.

> very good, but some people do not know who Bahrum Naim is. They know about the intelligence process and analysis, but they do not understand the threats.[858]

This perspective was echoed by a Singaporean academic who was commenting on human resource capabilities and the handling of terrorist financing cases.

> Analysts from the FIUs do not fully understand the threat levels posed by terrorism and terrorist financing. This includes knowing how to anticipate and detect potential abuse of advanced technology for terrorist financing purposes, in particular, the capabilities of judges and prosecutors in the court proceeding. To exchange high quality information, law enforcement should comprehend the national and regional situation, for instance, common channels used for terrorist financing activities and new trends applied by terrorist groups. The challenge would be the ability of law enforcement to understand the legislation and the dynamic trends of terrorist financing.[859]

Finally, the last obstacle to international CFT cooperation in sharing information is the diversity of information technology (IT) capabilities and infrastructures. High-quality information can be obtained if sophisticated technology supports the analytical process. However, differences in IT infrastructures and analytical software for intelligence analysts are another obstacle to effective information sharing.

> In terms of information sharing, different analytical tools used by the Indonesian FIU compared with the one applied in the Australian FIU most likely affect the quality of information to exchange. This includes the details and complexity of information provided by one party to share with another party. Therefore, to result in effective cooperation, there is a greater need to evaluate the efficacy of collaboration, particularly in information exchange mechanisms.[860]

However, an assessment of the quality of the information should include an assessment of the quality of data that the FIUs received from reporting parties, including financial service providers. The absence of coordination among key public agencies and government institutions are another obstacle to CFT cooperation. Indonesian FIU officers acknowledged

[858] SG005, Singaporean academic.
[859] SG004, Singaporean academic.
[860] AU002, Australian policymaker.

that banks face challenges in detecting and proactively reporting suspicious financial transactions. The officers notice the importance of conveying information from law enforcement to the banks to improve their red flag indicators before submitting reports to the FIU.

> The information submitted as STRs by financial providers, particularly the proactive ones, still lacks detail and has inadequate information to detect. The reporting parties have difficulties setting parameters to report suspicious financial transactions that indirectly connect with terrorism activities.[861]

12.3 Identification of Emerging Unintended Consequences

The government of Indonesia has been implementing national policies in countering terrorist financing in order to diminish illicit financial flows linked with terrorist groups. This includes strategies to degrade the capabilities of individuals and entities intending to prepare or commit acts of terrorism, policies to protect and monitor financial systems against misuse by terrorists, and efforts to mitigate risks of donations to charitable organisations being misused for terrorism. Besides examining the intended consequences of the CFT policies, the evaluation also identifies some unintended consequences.

Baert, Daase and Friesendorf define unintended consequences as an "effect of purposive social action which is different from what was wanted at the moment of carrying out the act, and the want of which was a reason for carrying it out."[862] Unintended consequences mean positive and negative consequences that are relevant to policy implementation. Positive

[861] RI023, Indonesian FIU official.
[862] Christopher Daase and Cornelius Friesendorf, "Introduction: Security Governance and the Problem of Unintended Consequences," in *Rethinking Security Governance: The Problem of Unintended Consequences*, ed. Christopher Daase and Cornelius Friesendorf (London and New York: Routledge, Taylor & Francis Group, 2010), 9.

consequences show that the application and effect fulfil the policy intentions, while the negative ones show a gap between the objectives and the outcomes.

T. J. Biersteker considers that the implementation of CFT policies has positive consequences. For instance, the policies benefit the AML regime by disrupting financial flows for illicit activities, including financial crimes and corruption by politically exposed persons (PEPs).[863] This was echoed by Indonesian policymakers who say that strengthening CFT policies positively affected business[864] and by Indonesian financial industry officers, who agreed that the implementation of robust CFT policies would protect the bank against risks of abuse by terrorist financiers.[865]

However, besides the positive impact, CFT policies also have unintended negative consequences. The FATF acknowledged that the implementation of the FATF standards might have such consequences as, removing the risk of access to financial service providers, financial exclusions where individuals prefer to go with a cash-based community instead of engaging with basic financial services, 'undue targeting of NPOs' through the incorrect implementation of a risk-based approach, and the violation of core elements of global human rights norms.[866]

Besides examining the development of terrorist financing networks and the impact analysis of CFT policies in Indonesia, this research also analyses four existing and potential negative unintended consequences of countering the financing of terrorism.

[863] Thomas J Biersteker, "Unintended Consequences of Measures to Counter the Financing of Terrorism," in *Rethinking Security Governance: The Problem of Unintended Consequences*, ed. Christopher Daase and Cornelius Friesendorf (London and New York: Routledge, Taylor & Francis Group, 2010), 132.
[864] RI027, Financial Service Authority (FSA) official.
[865] RI003, Indonesian financial industry officers.
[866] "Mitigating the Unintended Consequences of the FATF Standards," *The FATF Website*, 2021, https://www.fatf-gafi.org/publications/financialinclusionandnpoissues/documents/unintended-consequences-project.html.

The first consequence concerns Islamic charities or charitable organisations. According to the MER 2018 report, Indonesia showed an understanding of terrorist financing risk for its NPO sector by enacting Presidential Regulation on NPO in 2017. The aim of the regulation was to improve transparency in financial activities by NPOs, including charitable organisations and religious boarding schools. The special anti-terror police unit has examined the linkages between civil society organisations and terrorist groups. For instance, immediate action has been taken to list some terrorist groups under LSTTOs, including Hilal Amar Indonesia, Infaq Dakwah Center, and Azzam Dakwah Center. However, the report mentions that current strategies to mitigate terrorist financing risks to NPOs are insufficient for NPOs that have links to a terrorist group or are listed in LSTTOs.[867]

Although Indonesia has examined the threat posed by the NPO sector, the risk of potential abuse by terrorist groups is not adequately addressed. The risks are related to a lack of policies promoting 'accountability, integrity, and public confidence in high-risk NPOs' and insufficient or ineffective outreach to NPOs at risk.[868] As NPOs are susceptible channels for terrorist financing, the government needs to tighten regulations to detect activities and mitigate risk. However, inappropriate application of policies could lead to unintended consequences with reference to the FATF Recommendations Number 8.

In the case of Indonesia, as explained in Chapter 8, there has been growing concern about the misuse of NPOs as a conduit for terrorist financing. The NPO sector was rated as a high-risk corporate in the first National Risk Assessment (NRA) 2015 document. However, instead of developing more robust regulation of the NPOs, the government did the opposite by lowering the risk rating of NPOs from high to medium in the NCA White Paper of 2018.[869]

[867] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," Sydney, 2018, 8.
[868] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report," 187.
[869] RI021, Indonesian counterterrorism agency official.

Another concern regarding the NPO sector in Indonesia is the potential for undue suspension of accounts of NPOs where there is insufficient evidence linking the NPO with suspicious terrorist activities. In January 2021, the Indonesian FIU suspended 92 bank accounts of one radical Islamic organisation.[870] The authorities did this to implement the policy of suspending financial transactions to prevent moving and using funds suspected of being for terrorist purposes.[871] However, no further information about the connection between the NPO and terrorism activities was announced publicly. The media reported that the authorities had been unable to confirm any relationship between the bank accounts of the Islamic Defender Front and terrorist financing.[872] Government action in freezing the accounts of an Islamic radical group might potentially be categorised as a risk mitigation policy as it limits the exposure of the organisation to risk and puts a stop to any activities. A thorough examination of the suspected connection between Islamic organisations and terrorism before freezing and suspending the bank accounts is necessary; otherwise, an adverse social reaction and public indignation over unfair treatment of Islamic charities could be the result.

Another unintended consequence involving the NPO sector particularly affects Islamic boarding schools, known as *Pesantren*. False hits in designating inefficient policies might cause unintended consequences for Islamic schools. There is a public debate about the generalisation that Islamic boarding schools are related to terrorist groups. Because Islamic boarding schools are not audited by a central authority, their operation and management are potentially at risk and that risk extends to stigmatisation of the Muslim community.[873] In

[870] Aditya Budiman, "PPATK Sudah Bekukan 92 Rekening Terkait Front Pembela Islam," *Tempo.com*, January 18, 2021, https://nasional.tempo.co/read/1424400/ppatk-sudah-bekukan-92-rekening-terkait-front-pembela-islam.
[871] "Keterangan Pers : Penghentian Transaksi Dan Aktivitas Rekening Ormas Front Pembela Islam," *PPATK Website*, January 6, 2021, https://www.ppatk.go.id/siaran_pers/read/1114/keterangan-pers-penghentian-transaksi-dan-aktivitas-rekening-ormas-front-pembela-islam.html.
[872] Sudrajat, "PPATK Belum Simpulkan Rekening FPI Terkait Pendanaan Terorisme," *Detik News.com*, January 22, 2021, https://news.detik.com/berita/d-5343887/ppatk-belum-simpulkan-rekening-fpi-terkait-pendanaan-terorisme.
[873] RI002, Ministry of Political, Law and Human Rights official.

addition, a law enforcement official mentioned public stigmatisation as a factor in the application for listing suspected groups into domestic LSTTOs.[874]

Based on the policy documents, excluding or banning cryptocurrencies as a payment system is a de-risking phenomena. Instead of regulating cryptocurrencies and requiring the cryptocurrency businesses to be, like other financial service providers, reporting parties to the FIU, the Indonesian government banned the existence and the use of cryptocurrencies for conducting official business transactions.[875] An Indonesian academic noted the importance of modifying that policy. The academic suggested the government should adjust current strategies and legislation to be up to date with technologies that affect the payment system.[876]

Finally, this research finds that implementing CFT policies increases the costs of doing business. The Indonesian FIU officials explained that developing the capabilities of financial intelligence analysts is necessary for them to do their jobs. This includes training, analysis tools and data mining software.[877] The Indonesian law enforcement officials also recognised the need for budgets to absorb the cost of establishing robust CFT policies, including spending on surveillance and capacity building.[878] In addition, respondents from a financial industry acknowledged that besides costs for capacity building for front-line officers and analysts, there have been increasing costs to develop reporting systems, including tools for establishing red-flag indicators.[879]

[874] RI017, Indonesian investigator.
[875] Chloe Orji, "Bitcoin Ban: These Are the Countries Where Crypto Is Restricted or Illegal," *Euronews.com*, September 1, 2021, https://www.euronews.com/next/2021/08/30/bitcoin-ban-these-are-the-countries-where-crypto-is-restricted-or-illegal2.
[876] RI004, Indonesian academic.
[877] RI007 and RI011, Indonesian policy makers.
[878] RI009, Indonesian law enforcement.
[879] RI003, Indonesian financial industry officers.

Conclusion

This chapter documents the degree to which Indonesian CFT policies played a role in interdicting and combating terrorist financial flows. Following the development of terrorist financing networks in the country from 2002 to 2019, CFT policies changed markedly. This section reviewed how the CFT policies worked to counter terrorist financing. The relationships between the policies and the threat determined whether or not the policies were effective and sufficient.

The first part of this chapter argued that terrorist financing networks in Indonesia during the period of 2002-2019 were dynamic. This was the answer to the question of how terrorist financing had evolved in Indonesia. The shifts in social networks were identifiable in terrorist financing activities. The research examined trust and operations as key factors among terrorists who were influenced by friendship, kinship and religious associations, which in turn influenced decisions about communications, logistic coordination, operations and other activities related to the management of terrorist groups. Moreover, the research highlighted that domestic and international relationships are essential sources of financial support for the networks. Terrorist groups used friends and family networks to facilitate fundraising activities. Furthermore, the analysis of social networks of terrorist groups identified emerging trends and typologies of terrorist financing techniques. These include the use of money remittance businesses, new digital payment platforms and NPOs as camouflage for fund-raising and terrorist activities.

The second part of this chapter answers how CFT policies have responded to terrorist financing networks in Indonesia. Previous analysis in Chapters 6, 10 and 11 examined the modification of Indonesian CFT policies from 2002 to 2019. The examination identified prominent areas of CFT policies, including financial regulations, operations and law

enforcement, and international cooperation. This chapter identified some obstacles to the application of CFT policies. In financial regulations, the obstacles include inadequate customer identification mechanisms in informal money remittances and digital payment methods, insufficient red flags or indicators and detections of suspicious financial transactions related to terrorist financing, and the limited application of the risk assessment approach in financial industries. Regarding operations and law enforcement, the assessment emphasised the insufficient application of risk assessment approach for operations, ineffective coordination among domestic law enforcement agencies, and inadequate capabilities to monitor and develop domestic LSTTOs. In the area of international cooperation, the policies identified ineffective information sharing among jurisdictions caused by differences in the capabilities in different countries with regard to the handling of terrorist financing cases.

The chapter then turned to unintended consequences of CFT policies for the financial system. A brief explanation of unintended positive consequences was given before discussing potential and actual unintended negative consequences. These include undue targeting issues towards Islamic charities that might cause distrust of mistreating the charities, prohibition of the use of cryptocurrencies, and increases in the costs of doing business for financial industries and law enforcement agencies.

Finally, as mentioned earlier, the purpose of this chapter was to answer the question to what extent Indonesian CFT policies have played a role in enabling the interdiction and combating of terrorist financing flows. The Indonesian government has undertaken a range of CFT initiatives from 2002 to 2019. However, terrorist financing networks continue to grow, and unintended consequences are still emerging. This suggests that notwithstanding the positive steps taken by the Indonesian government, there is room for improvement. Further, as those I interviewed have pointed out, the Indonesian government has been modifying its national countermeasures in terrorist financing to comply with the FATF recommendations. While this is commendable, the evidence suggests that the policies have not yet caught up with the

development of terrorist financing crime in the country. The organisational and operational obstacles presented in this chapter show the areas in which the government's CFT policies could be improved to more effectively disrupt and combat terrorist financing networks in the country.

Conclusion

> Due to the nature of their funding mechanisms and the fact that terrorism is asymmetrical warfare, combating terrorist financing will not be easy. Yet, choking the terrorist lifeblood is as important as targeting the operational cells themselves.
>
> Zachary Abuza[880]

Countering Terrorist Finance: A Reform Roadmap

The lifeblood of any terrorist organisation is its ability to generate money. Finance and material resources are 'the centres of gravity' of terrorist operations, and governments have determined that combating the financial infrastructure of violent non-state organisations is the key to their downfall. Since they were first applied by the United Nations in 1999 through The International Convention for the Suppression of the Financing of Terrorism, CFT policies are recognised as integral to overall CT strategies.

This study focuses on the Indonesian government's attempts to counter financial flows to domestic terrorists. Given that sustainable finance and material resources are a key objective of terrorist groups, this study analyses the evolution of terrorist financing networks in Indonesia. The observation shows that terrorist financing networks are dynamic. Domestic and international associations are used to sustain financial resources for terrorist organisations. Terrorist syndicates used friends, families, and external assistance from international groups to secure financial support and channel funds. Case studies examined in this thesis also demonstrate how terrorist groups utilise means of payment systems, from the conventional

[880] Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah," 169.

way of cash and bank transfers to more advanced ones that are influenced by modern technology, including digital currencies.

The examination of terrorist financing networks during the period of 2002 to 2019 is vital prior to assessing the policies designed to combat them. This thesis evaluates and explains the impact of Indonesian CFT policies on interdicting and combating terrorist financing. Notwithstanding CFT initiatives from 2002 to 2019, terrorist financing networks in Indonesia continue to grow, and unintended consequences are still emerging.

The author analysed court documents and interviewed investigators, policymakers, experts and academics in Indonesia, Malaysia, Singapore, the Philippines and Australia. The interviews offer perspectives on the performance of Indonesia's policies in seeking to prevent terrorist financing. Taken together, the study reveals shortcomings in implementing CFT policies, including financial regulations, operations and law enforcement strategies, and international cooperation. The policies have not yet caught up with the development of terrorist financing crime in Indonesia, particularly in addressing emerging trends of terrorist financing. This suggests that there is room for improvement in the implementation of CFT policies to diminish the misuse of illegal money remittances, financial technology, and NPOs for terrorist financing purposes.

This chapter reflects on the findings, their implications and their contribution to the impact analysis of CFT policies. Finally, the author acknowledges the limitations of the study, avenues for future research and the implications of this study for CFT policies.

The Theoretical Contributions of the Thesis

Through an examination of CFT policies in Indonesia, this thesis sought to evaluate whether, and if so, to what extent, there is room for improvement in policies designed to counter terrorist financing networks in Indonesia between 2002 and 2019. The thesis studied patterns of terrorist financing and evaluated policies aimed at countering terrorist financing in order to measure the impact of CFT policies on disrupting crime networks.

Indonesia has accepted the definition and approach to terrorist financing agreed by the FATF. Chapter 1 discussed terrorist financing as defined by the International Convention for the Suppression of the Financing of Terrorism. Using this definition and referring to the FATF standards, the research examined the stages of terrorist financing: fund-raising, fund-moving and fund-using activities. The literature review showed that fund-raising strategies, legitimate and illegitimate, employ all channels of terrorist operations and management. However, funds raised are not transmitted directly to finance operations or management. Instead, the literature gives examples of terrorists moving their funds, including, but not limited to, the use of financial institutions, new payment systems and cash.

Furthermore, this research discussed several seminal works on terrorist financing networks in Indonesia. The literature explored the financial infrastructure of the most significant terrorist group, the JI group. The media has tended to report on the raising, moving, and spending of terrorist funds over time but mainly focused on analysing the resources and their connections with terrorist networks. Some experts presented fragmentary information of terrorist financing networks in Indonesia and Southeast Asia, including Sidney Jones and Zachary Abuza.[881] However, there is no single study that explains the evolution of terrorist financing networks in

[881] Jones, "The Changing Nature of Jemaah Islamiyah," 169 – 178; Jones, "Indonesia : Jemaah Islamiyah's Publishing Industry;" Abuza, "Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah."

Indonesia from 2002 to 2019, other than the one the author published in 2012.[882] Thus, there was a knowledge gap regarding the evolution of terrorist financing networks.

This research identified and analysed terrorist financing trends and typologies from 2002 to 2019. The case studies expand the growing knowledge on how terrorists manage their funds as well as identifying key factors influencing terrorist financing networks in Indonesia, including legislation, policy and procedures, technology and social trends. Terrorist groups consider these factors when selecting their financial tactics for operations and management.

As explained in Chapter 12, this research concluded that after 2012, the first call on money was for organisational purposes rather than spending on a large scale attack. Terrorist groups, like the JAD and MIT-Poso groups, raised money from members and the community for their social services, including support for terrorists' wives, widows, children and their relatives. The groups developed programs, including health insurance, daily stipends, foster care programs and scholarships. The research found that advanced technology is important to terrorist groups both for communications and to enable them to raise and move money efficiently. The impact of social media and technology-based payment methods were explored in the case studies. The research found that changes in legislation, policy and procedures directly influence terrorists' tactics in the making and transferring of money.

Furthermore, this research noted that the effect of changes in technology and regulation on terrorist fund-raising has been reinforced by changes in social networks and the expansion of domestic community and terrorist connections. The analysis of social networks confirmed that friendship, kinship and religious associations built the trust which was the basis for many terrorist operations. These relationships are established and maintained through communications, logistic coordination, operations, and other activities. Terrorist groups in

[882] Sylvia Windya Laksmi, "Dinamika Pendanaan Organisasi Teror: Analisis Perubahan Pola Pendanaan Terorisme di Indonesia," *Master Thesis*, University of Indonesia, 2012.

Indonesia involve friends and family networks to help with fund-raising activities. The analysis of social networks of terrorist groups also identified emerging terrorist financing tactics. The research examined the use of money remittance businesses, digital payment platforms and NPOs is to camouflage terrorist financial activities.

The second contribution of this research is the assessment of CFT policies. There has been little in the way of research on Indonesian CFT policies. What research exists includes thematic research published by the author in the area of internet-based payment methods, regional risk assessment, charities, foreign fighters, and the role of women in terrorist financing activities.[883] In examining Indonesian CFT policies between 2002 and 2019, this research considers the Indonesian government's compliance with FATF standards and its application of those standards to domestic policy. The research also explains the roles of financial institutions and law enforcement, and international cooperation agencies in combating terrorist financing.

Furthermore, this research analyses the impact of policy in countering crime. Existing research on CFT policy evaluation discussed policy outputs and outcomes in terms of compliance or otherwise with the FATF recommendations.[884] Some experts have tried to measure CFT policy effectiveness in this way.[885] However, none of these experts focused on Indonesia, and they were unable to explain the impact of CFT policies on terrorist financing networks. This research, on the other hand, evaluates the implementation of Indonesian CFT policies and the

[883] Sylvia Windya Laksmi, "Terrorism Financing and the Risk of Internet-Based Payment Services in Indonesia," *Counter Terrorist Trends and Analyses* 9, no. 2 (2017): 21 – 25; Agus Santoso and Sylvia Windya Laksmi, "Regional Terrorism Financing Risk Assessment Framework: Southeast Asia and Australia," *Counter Terrorist Trends and Analyses* 8, no. 10 (2016): 20 – 24; Laksmi, "Nexus between Charities and Terrorist Financing in Indonesia," 6 – 10; Laksmi, "Handling Returning Terrorist Fighters is a Big Problem, Monitoring Their Funds is Another;" Sylvia Laksmi, "A More Effective Counterterrorism Strategy for Indonesian Women by Acknowledging Their Motivations and Tactical Contributions," *Stratsea.com*, December 14, 2020, https://stratsea.com/a-more-effective-counterterrorism-strategy-for-indonesian-women-by-acknowledging-their-motivations-and-tactical-contributions/.

[884] APG, "Anti-Money Laundering and Counter-Terrorist Financing Measures Indonesia: Mutual Evaluation Report"; APG, "APG 2nd Mutual Evaluation Report on Indonesia."

[885] Brzoska, "The Role of Effectiveness and Efficiency in the European Union's Counterterrorism Policy: The Case of Terrorist Financing"; Sproat, "The Global System of Counter-Terrorist Finance: What Has It Achieved; What Can It Achieve," 237 – 250; Chaikin, "How Effective are Suspicious Transaction Reporting Systems?" 238 – 253.

impact of such policies on terrorist financing activities. This study corroborated the evidence-based study of Cynthia Lum[886] and Tim Legrand[887] that measures the policy impact and acknowledges the unintended and intended consequences of counter-terrorism policies. This thesis sought to analyse cases where CFT policies fail to address the dynamics of terrorist financing networks in Indonesia due to the inadequacy of financial regulations and procedures, weaknesses in law enforcement and international cooperation, and unintended consequences as 'side-effects' of policy. In addition, this research also found that an impact evaluation framework would benefit CFT policies by mitigating the risks arising from evolving terrorist financing networks.

Summary of the Findings

There are two major categories of findings. The first centres on the development of social networks and their contribution to fuelling growth in technology-enabled terrorist financing capabilities. The second centres on policy responses by the government and the room for improvement in policy implementation. This room for improvement is revealed by impact analysis which identified policy limitations and unintended consequences.

Terrorist Financing Networks: Dynamic and Adaptable

The FATF definition of terrorist financing gave rise to proposition one, that is, that terrorist financing networks in Indonesia were dynamic and adaptable and were influenced by legislation, policy and procedures, technology and social trends. This study examined how terrorist financing networks in Indonesia evolved between 2002 and 2019. The study found

[886] Lum and Kennedy, "Evidence-Based Counterterrorism Policy," 3 – 9.
[887] Legrand, Bronitt, and Stewart, "Evidence of the Impact of Counter-Terrorism Legislation," 297 – 312.

that changes in social networks and the growing role of domestic and international ties between individuals and terrorist movements have led to a dramatic growth of the financial infrastructure of terrorism in Indonesia today. This same dynamic has encouraged innovative funding tactics, including informal money remittances, technology-based payment methods, and exploiting NPOs and humanitarian assistance as a cover for channelling funds for terrorism.

Social trends influenced the tactics Indonesian terrorist groups used to raise and move money. Social networks provide necessary camouflage and support for clandestine groups, enabling them to conduct operations and expand their organisation. The relationships of the social network, friendships, kinship and religious association, build the trust and communications on which terrorist groups rely to conduct their operations and raise money.

An examination of proposition one provided further insight into the domestic and international relationships that establish independent financial infrastructures for terrorist groups. The case studies had demonstrated how local friendships and family relationships strengthened the hands of terrorists when it came to raising and transferring money for operations, military training, and recruitment. The research found that friends, terrorists' wives, domestic workers and local NPOs were significant actors in sustaining financial flows for terrorist organisations.

Proposition one threw light on the importance of international networks as a source of funds for Indonesian terrorists. Al Qaeda and ISIS contributed significantly to Indonesia's terrorist financing for purposes including bombings, sending terrorist fighters to Afghanistan, Syria, and the Philippines on operations, and the expansion of local terrorist organisations. Most of the money was spent on weapons, military training, and support for terrorists' families and relatives, including health insurance, family allowances and scholarships. Malaysia and the Philippines had strong financial connections with Indonesia. Interviews with experts from these countries confirmed that Southeast Asia-based pro-ISIS networks supported local terrorist

groups, including those in the Southern Philippines. In addition to ideological ties, terrorists were supported by robust networks supplying money and weapons, backed up by money remittance services and technologically advanced communications and payment systems.

These findings have serious implications for terrorist financing networks in Indonesia. Terrorist groups have been quick to respond to changes in legislation, policy, and procedures. They have seized opportunities to use illegal money remittance services, financial technology and to abuse the NPOs.

Chapter 12 found that terrorists used both formal and informal money remittances to fund their activities. There was little hard, documented evidence of the use of illegal money remittances, but that did not mean that they were not being used. Interviews with experts revealed the likely very large scale use of illegal money remittance services, known as *hawala*. According to a Malaysian expert, since the 1990s, there has been a popular preference for using *hawala* as a conventional payment method. For example, Indonesian migrant workers in Malaysia use informal money remittance services, which is one reason why the Malaysian government monitors money changing facilities closely. In the Philippines, illegal money remittances, known as Padala are the best option for overseas Filipino workers to send money home. This system is attractive to terrorists because it is anonymous, simple, less expensive, and less bureaucratic than the formal financial sector. This system was also used for terrorist financing, but it was not reported in the Philippines, and therefore, there were no convictions. However, hawala is not the system of choice for radical networks in Singapore. The Singaporean government is more concerned about the advanced technology terrorist groups use to collect information, recruit members, and move their funds.

Legislative and policy gaps in regulating financing technology and NPOs have become another factor in terrorist groups' financing choices. Although terrorists still use cash and conventional bank transfers, there is a risk of a shift to cyberspace for terrorist financing. The Internet and

new financial technologies lend themselves to terrorist groups seeking to conceal their financial transfers through the simplicity and anonymity of cryptocurrencies, internet-based payment services, mobile payment methods, and the dark web. The study also found that terrorist groups abuse NPOs to cover their operations by raising money from the community and channelling it to their members in the name of socio-religious and humanitarian programs. Experts indicated that advanced technology helps terrorists to conduct clandestine activities through social media or encrypted communication platforms. Lack of regulation and monitoring to detect their clandestine activities and the absence of any systematic auditing of NPOs enable terrorist groups to misuse NPO's for terrorist financing.

Policy Limitations and Unintended Consequences Revealed Through an Impact Analysis Framework

The focus of this thesis was the implementation of Indonesian CFT policies, particularly the dynamics of terrorist financing networks, which determined the success or otherwise of the policies. This research emphasised that the Indonesian government has adopted measures in countering terrorist financing that were consistent with the FATF recommendations. The FATF review of Indonesia showed a good rating for compliance with the AML/CFT recommendations.

The study is not restricted to reviewing Indonesian CFT policies based on policy outputs and outcomes. This study is unique in that it examines both the dynamics of terrorist financing networks during the period of 2002-2019 and the impact analysis of policy implementation using the concepts of terrorist financing, CFT measures, and evidence-based policy evaluation. The research found that terrorist groups in Indonesia responded to changes in legislation, policy and procedures, technology, and social trends. In order to counter terrorist financing more effectively, the Indonesian government changed its CFT policies, but without

catching up with the changes in terrorist financing tactics. Therefore the crucial element of terrorist financial flows was left unaddressed. The following demonstrates some limitations and unintended consequences caused by the failure to take into account the rapidly changing and terrorist financing element in counter-terrorism policy formulation.

Propositions two and three contended there were limitations in financial regulations and procedures, law enforcement and international cooperation. Inadequate regulations and procedures governing the identification and verification of customers and the use of informal money remittances and digital payments increase the opportunities for terrorists to make undetected financial transactions. Customer identification procedures have not been updated to assist monitoring of financial transactions involving informal money remittances and cross-border transactions linked to high-risk jurisdictions. In the digital financing sector, there is an absence of robust policies for identifying customers and protecting their funds and personal data from criminals. This research also found inadequate legal safeguards for cryptocurrency transactions that increase the risks of their use in terrorist financing.

FTFs and returnees posed a higher risk of abusing financial providers for terrorist financing. And there are no red flags or indicators to detect suspicious financial transactions involving either these groups or non-operational activities by NPOs. These transactions included raising donations for charities, crowdfunding activities on social media and encrypted platforms, fund-raising for the travel of FTFs and returnees, and support for terrorists' wives, widows, children and terrorist prisoners.

The third limitation proved to be the state of the national risk assessment. Lack of socialisation and public awareness of terrorist financing threats hindered the government's efforts to encourage finance executives, law enforcement officials, policymakers, and community leaders to formulate their own risk-based policies and strategies in countering terrorist

financing, including mapping threats and formulating strategies to target perpetrators and improve intelligence analysis.

Another limitation suggested by proposition three was the lack of inter-agency coordination in investigation, prosecution, border protection, and information exchange. The study has discovered some impediments to law enforcement in disrupting terrorist financing. These included the late exchange of information due to bureaucratic delays and the incompleteness of information provided in intelligence reports. There were also insufficient resources to monitor and develop domestic LSTTOs in relation to 'freezing without delay' mechanisms.

This research examined some limitations to international cooperation. The cooperation focused on intelligence information sharing between Indonesia and its strategic counterparts, including Australia, Malaysia, Singapore and the Philippines, through secure communication platforms. The obstacles included, once again, information arriving too late to be of use. There was also a growing concern about confidentiality and security and even a lack of trust between countries when it came to sending alerts and information about suspicious transactions related to the indications of terrorist financing. This mutual lack of confidence in one another's security led to a reluctance to share highly sensitive information and limited the scope of cooperation among FIUs.

Furthermore, different organisational capabilities in different countries were another obstacle to leverage international cooperation in detecting terrorist financing activities. For instance, the Indonesian FIU lacks information on transactions involving cryptocurrencies, while other countries, including Australia and Malaysia, focus on investigating digital currency and cyber security threats.

This research examined differences in legal, political, human resources and IT infrastructure as obstacles to international cooperation. National legislation and information sharing contributed to robust bilateral or multilateral cooperation. Domestic politics in each jurisdiction

would determine the priority given to crime prevention and eradication. Finally, high-quality human resources and sophisticated IT infrastructure were necessary to support analysis and investigation. In the absence of these, the quality of data shared with international partners was likely to be poor.

Proposition four proposed to test for unintended consequences.[888] The disruption of financial flows for terrorist purposes from the implementation of the AML regime was a positive unintended consequence. However, the study also found some negative unintended consequences because of the implementation of other Indonesian CFT policies, including in the NPOs sector, cryptocurrencies, and business costs.

The study on NPOs found that further strategies had been developed and were adversely affecting NPOs' operations. The policies of modifying the risk rate of NPOs from high to medium and undue targeting NPOs were part of the government's de-risking strategy. This strategy could have the unintended effect of causing social unrest and creating distrust of NPOs, especially Islamic charities. Lack of monitoring and identification of Islamic boarding schools, another program under NPOs, caused false targeting of NPOs. This strategy triggered social unrest and gave rise to complaints that Islamic boarding schools were being unfairly labelled as being related to terrorist groups.

Instead of regulating digital payment methods, specifically financial technology, the government banned them. For instance, the government excluded cryptocurrencies as a means of payment systems and as a reporting party to the FIU.

There was heavy investment in AML/CFT analysis, including analysis tools and data mining software and this could be seen as an unintended consequence of CFT policies. Establishing robust CFT policies would increase internal budgets within the institutions, including the private

[888] Daase and Friesendorf, "Introduction: Security Governance and the Problem of Unintended Consequences," 9.

sector, law enforcement and FIUs. The increased cost of compliance is a big issue for institutions that could hamper the growth in financial services. These costs need to be weighed against the security benefits.

Limitations and Future Research on CFT Policies

The limitations of this study exist at the level of the study scope and methodological rigour.

As explained above, the scope of the study was very broad and restricted to the implementation of CFT policies in 2002-2019 and their impacts on terrorist financing networks in Indonesia linked with particular neighbouring countries. A greater focus on intelligence, investigation and prosecution at this level was innovative in this thesis. There is a limitation on collecting data related to case studies. For instance, there is no central database on terrorist financing convictions or statistics that show the total number of cases and how the FIUs, investigators and prosecutors handle terrorist financing cases. The author was obliged to compile the information manually through on-site court visits and special information requests to law enforcement before mapping terrorist financing networks using software called IBM i2 Analyst's Notebook. The lack of open-source publications on case studies in Indonesia and Southeast Asia was a significant limitation for further study in terrorist financing and CFT policies.

Another limitation affecting methodological rigour concerned interviews. Interviews explored the subjects of terrorism, terrorist financing and the government responses with participants who lived in Indonesia. Other respondents from Malaysia, the Philippines, Singapore and Australia provided an analysis that supported the central focus on Indonesia by examining terrorist financing networks in Indonesia linked with other countries and offering perspectives on how Indonesia collaborated with counterparts in combating the threats. However, this

research found a lack of experts on terrorist financing in Indonesia and Southeast Asia. Most of the respondents had merely handled terrorism cases, and few of them worked in the area of financial crime, including terrorist financing. Therefore, they had extensive knowledge of terrorism, but only a few had experience tackling terrorist financing.

To address these limitations, this research proposes a more specific scope of study to refine the analysis of the impact of CFT policies on particular sectors. There are numerous opportunities to extend research. These include: assessment of the role of financial technology in terrorist financing; the growing role of women as facilitators; the misuse of charities to finance terrorism; the potential abuse of crowdfunding through social media and internet platforms; the application of social network analysis on terrorist financing; improving the financial intelligence approach in combating terrorist financing; the use of public-private partnerships to address future trends and challenges in CFT; the effectiveness of information sharing between FIUs; the analysis of international pressures in developing an anti-terrorist financing regime; and specific research on unintended consequences of implementing CFT policies.

Implications of the Study for CFT Policies

Finally this research is a reminder for national policymakers, financial service providers and law enforcement to adjust their strategies in countering terrorist financing by addressing some limitations, as explained in Chapter 12.

First, there is a greater need to effectively disrupt financial transactions linked with terrorist activities by improving regulatory measures for illegal money remittances, the application of digital KYC policy, developing red flag transactions related to FTFs and returnees, charities

and crowdfunding, financial technology, and social activities for the purpose of supporting terrorists and their families.

Second, for successful interdiction of terrorist financing networks, law enforcement agencies should: (1) improve capabilities in tracking terrorists' funds indicating the activities of FTFs and returnees, charities and crowdfunding, and social services; and (2) confiscate terrorists' funds by developing domestic LSTTOs, criminalising suspected corporates, including NPOs linked with terrorists.

Third, to develop robust regional and global collaboration, the study proposes three important aspects to focus on: (1) greater coordination with FIUs and the private sector through public-private partnerships to establish an urgent incident response mechanism; (2) increasing regional and global cooperation in capacity building and risk assessment research programs; and (3) improving intelligence information sharing.

Finally, as signalled in proposition four, the study suggests that based on the evidence, the Indonesian Government may wish to consider and address unintended negative consequences of Indonesian CFT policies. The aim would be to enhance the effectiveness of countermeasures targeting clandestine threats such as terrorist financing.

Overall, Indonesia has faced a long struggle with terrorism, recognised as an unpredictable threat and yet to be resolved. Since the first generation of JI, the rise of Indonesian FTFs, the JAD group, returnees, and relocated travellers, the threat environment has developed increasingly complex. At a recent time, in 2021, Indonesia was challenged by the regrouping of home-grown terrorism, particularly the resurgence of JI, extended JAD groups and networks of MIT, and the growing concern of armed criminal groups like the West Papua National Liberation Army (TNPB) and the Free Papua Movement (OPM) listed as terrorists. The ongoing expansion of international terrorist networks, including the effect of the Taliban

takeover of Afghanistan, also poses another potential risk.[889] Furthermore, the analysis on terrorist financing networks in this thesis shows that concern is on developing terrorist financing activities, from analog ways to digital ones. The rising use of digital payment methods, including mobile banking, cryptocurrency, payment gateways, and the growing financial technology channels, like, digital financial lending and start-ups, challenge the government to detect and stem illicit financial flows linked with terrorist activities. In addition, advanced technology in communication platforms enables terrorist groups to recruit members, raise funds from sympathisers through social media, and nurture support for their organisations.

As this thesis has shown, addressing financial flows will be crucial to complement CT measures, including de-radicalisation and political education programs, to overcome the scourge. Further noteworthy concerns involve burgeoning supports for terrorists' families and relatives, the increasing roles of women as facilitators of terrorist financing, the absence of a central database on terrorist financing verdicts, the potential misuse of financial technology, and the lack of open-source publications on case studies in Indonesia and Southeast Asia. While existing strategies have been generated, they will require greater policy sophistication in policymaking and enforcement than has been evident so far. The roadmap proposed here offers a way forward to focus on improving CFT policies for a vital component in the fight against terrorism.

[889] Sylvia Laksmi, "Revisiting Indonesian Counterterrorism Strategies: Success and Challenges," *Asialink,* November 5, 2021, https://asialink.unimelb.edu.au/insights/revisiting-indonesian-counterterrorism-strategies-success-and-challenges.

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Appendix 1: List of Regulations and Laws

Laws and Regulations	Documents
National Laws	1. Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia Nomor 1 Tahun 2002 Tentang Pemberantasan Tindak Pidana Terorisme 2. Undang-Undang Republik Indonesia Nomor 25 Tahun 2003 tentang Perubahan atas Undang-Undang Nomor 15 Tahun 2002 tentang Tindak Pidana Pencucian Uang 3. Undang-Undang Republik Indonesia Nomor 8 Tahun 2010 tentang Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang 4. Undang-Undang Republik Indonesia Nomor 9 Tahun 2013 tentang Pencegahan dan Pemberantasan Tindak Pidana Pendanaan Terorisme 5. Undang-Undang Republik Indonesia Nomor 5 Tahun 2018 tentang Perubahan atas Undang-Undang Nomor 15 Tahun 2003 tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 1 Tahun 2002 tentang Pemberantasan Tindak Pidana Terorisme menjadi Undang-Undang
Regulations issued by the Indonesian FIU	1. Keputusan Kepala PPATK Nomor KEP-13/1.02.2/PPATK/02/08 tentang Pedoman Identifikasi Transaksi Keuangan Mencurigakan Terkait Pendanaan Terorisme Bagi Penyedia Jasa Keuangan 2. Peraturan Kepala PPATK Nomor PER-03/1.02.1/PPATK/03/12 tentang Pelaksanaan

Laws and Regulations	Documents
	Penghentian Sementara dan Penundaan Transaksi di Bidang Perbankan, Pasar Modal dan Asuransi 3. Peraturan Kepala PPATK Nomor PER-09/1.02.2/ PPATK/09/12 tentang Tata Cara Penyampaian Laporan Transaksi Keuangan Mencurigakan dan Laporan Transaksi Keuangan Tunai Bagi Penyedia Jasa Keuangan
Regulations issued by the Financial Regulators	1. Regulation of Bank of Indonesia Number 18/9/PBI/2016 concerning Regulation and Supervision of the Payment System and Money Management in Rupiah 2. Regulation of Bank of Indonesia Number 19/10/PBI/2017 regarding the Application of Anti-Money Laundering and Terrorist Financing for Non-Bank Payment System Services Providers and Non-Bank Currency Exchange Business Activities (CEBA) 3. Financial Services Authority (FSA) Regulation No.12/POJK.01/2017 regarding the Implementation on Anti-Money Laundering and Counter-Terrorist Financing in the Financial Service Sector 4. Financial Service Authority (FSA) Circulated Letter Number 38/SEOJK.01/2017 concerning Guidelines for the Instant Blocking of Customer Funds in the Financial Services Sector Whose Identity Listed in the List of Suspected Terrorists and Terrorist Organizations (LSTTO) 5. Financial Service Authority (FSA) Circulated Letter Number 29/SEOJK.01/2019 concerning the Amendment of Guidelines for the Instant Blocking of

Laws and Regulations	Documents
	Customer Funds in the Financial Services Sector Whose Identity Listed in the List of Suspected Terrorists and Terrorist Organizations (LSTTO)

Appendix 2: Questions Used to Guide the Interviews

Objectives	Questions	Respondent Group
Establishing rapport	Can you explain your work? Have you been handling or analysing terrorist financing issues?	All groups
INDONESIA		
Information on terrorism and terrorist financing	**Terrorist financing typologies and trends** According to typologies research and trends of terrorist financing in Indonesia, what techniques have terrorists used, both as individuals and organisations, to raise money, move funds, and use their resources in the period between 2002-2012 and 2013-2018?	All groups
Information on how CFT policies responded to terrorist financing networks in Indonesia	**Legal and institutional framework** 1. To what extent do international standards impact national legislation? 2. What measures have already been taken at the national level to tackle terrorist financing?	Policymakers, law enforcement, and financial industries groups

Objectives	Questions	Respondent Group
	3. What further steps will be taken to close off the options for terrorist financing? 4. What changes do today's proposal introduce to the fight against terrorist financing? 5. What other non-legislative action will the government take in the fight against terrorist financing? 6. What is the approach adopted by competent authorities to target terrorist assets? 7. What are the measures adopted to preserve and manage the value of seized/confiscated assets? 8. What measures has Indonesia adopted to ensure the proper implementation of targeted financial sanctions without delay? 9. How do the systems for approving or licensing the use of assets by designated entities for authorised purposes comply with the requirements set out in the relevant UNSCRs (e.g., UNSCR 1452 and any successor resolutions)? **Preventive measures**	

Objectives	Questions	Respondent Group
	1. What is the approach adopted by the government in assessing and mitigating the risk of terrorist financing? 2. How do you assess government action in applying the National and Regional Risk Assessment on Terrorist Financing? 3. What can the Indonesian government do to further address terrorist financing risks linked to high-risk countries? 4. How do the competent authorities identify, assess, and understand their terrorist financing risks? What risk factors do they consider before determining the level of risk and type of mitigation to be applied? 5. How can virtual currencies be used to finance terrorism? 6. What is the difference between a virtual currency exchange platform and a virtual wallet provider? 7. How can virtual currencies be used to finance terrorism, and what can we do to prevent this? 8. How do we prevent terrorists from misusing Non-Profit Organisations?	

Objectives	Questions	Respondent Group
	Financial industry measures 1. How has the financial regulator formulated special provisions on Anti-Money Laundering and Anti-Terrorist Financing since 2002? 2. How has Indonesia tackled the abuse of the financial system for terrorist financing purposes (Before and after the existence of the Anti-Terrorist Financing Law 2013)? 3. Is supervision carried out with special regard to the prevention of money laundering and combating terrorist financing? 4. What is the nature of payment systems and how prevalent are cash-based transactions? 5. Have relevant institutions documented their policies and practices on the prevention, detection and reporting of suspicious transactions? (For banks only) 6. Is there a formal risk assessment based on customers, services, products, and jurisdictions? 7. Does a financial institution screen customers and transactions against lists of persons, entities or countries	Policymakers-financial regulators and financial industry groups

Objectives	Questions	Respondent Group
	issued by government/competent authorities? 8. Does the financial institution have an established method for reporting suspicious activities or transactions to the appropriate authorities? 9. What strategies do you use to improve the CFT program?	
	<u>Law enforcement</u> 1. Does your institution have written policies and procedures in place to combat money laundering, terrorist financing, and sanctions violations? 2. Why is it necessary to harmonise the criminalisation of money laundering? 3. In what circumstances are potential cases of terrorist financing identified and investigated (including through parallel financial investigations)? 4. In what ways do the capabilities of law enforcement authorities suppress terrorist financing: - Law enforcement's ability to obtain convictions for terrorist financing offence	Law enforcement group

Objectives	Questions	Respondent Group
	- Financial Intelligence Unit's (FIU) capacity to process suspicious transaction reports 5. What action can be taken to enhance financial intelligence in the fight against terrorist financing? 6. How do coordination and information-sharing among law enforcement and intelligence agencies prevent and combat terrorism and terrorist financing? 7. How do intelligence and law enforcement engage in combating terrorist financing by using financial information in their investigations? 8. How does the FIU understand the TF risk during the periods 2002-2012 and 2013-2018? 9. How do competent authorities use STRs and other financial intelligence to develop operational analysis? 10. How can law enforcement agencies freeze terrorist assets? 11. What measures has Indonesia adopted to ensure the proper implementation of targeted financial sanctions without delay?	

Objectives	Questions	Respondent Group
	12. How are the procedures and mechanisms implemented for (i) identifying targets for designation/listing, (ii) freezing / unfreezing, (iii) de-listing, and (iv) granting exemption?	
	<u>International cooperation</u> 1. To what extent do the FIUs and other competent authorities co-operate and exchange information and financial intelligence? 2. To what extent do the different competent authorities engage in (including spontaneously) other forms of international cooperation to exchange financial intelligence and supervisory, law enforcement or other information in a constructive and timely manner with their foreign counterparts for CFT purposes? 3. What operational measures are in place to ensure that appropriate safeguards are applied, requests are handled in a confidential manner to protect the integrity of the process (e.g., investigations and inquiry), and that information exchanged is used for authorised purposes? 4. To what extent has Indonesia provided constructive and timely mutual legal	Policymakers and law enforcement groups

Objectives	Questions	Respondent Group
	assistance and extradition across the range of international cooperation requests? What is the quality of the assistance provided?	
Review of CFT policies	1. Was there a change in the policies regarding how institutions understand and mitigate terrorist financing risks? 2. To what extent can the mitigation of terrorist financing risks be attributed to the counter-terrorist financing policy 3. What is your assessment of the implementation of National and Regional Risk Assessment on Terrorist Financing 4. Do competent authorities have adequate resources (including financial investigation tools) to manage their work and address the terrorist financing risks adequately? 5. To what extent and in what ways did implementation change over time as the terrorist financing risk evolved? 6. Was there a change in international cooperation after the counter-terrorist financing policy and special Anti-	Policymakers, financial industry and law enforcement groups

Objectives	Questions	Respondent Group
	Terrorist Financing Law were established? 7. To what extent is Indonesia using the tools provided by UNSCRs 1267 and 1373 to freeze and prevent the financial flows of terrorists? 8. To what extent are appropriate investigative, criminal, civil or administrative actions, cooperation and coordination mechanisms applied to NPOs suspected of being exploited by or actively supporting terrorist activity or terrorist organisations? 9. To what extent is the investigation of TF integrated with, and used to support, national counter-terrorism strategies and investigations (e.g., identification and designation of terrorists, terrorist organisations and terrorist support networks)? 10. How did all the elements of CFT policies contribute to intended and unintended impacts? 11. What strategies have been used to ensure the efficiency of CFT policies?	
	1. What has the government done to address the risks of terrorist financing? Based on your perceptions, how effective are they in combating	Academics and Experts

Objectives	Questions	Respondent Group
	terrorist financing and mitigating future risks in Indonesia and the region? 2. Are there any intended and unintended consequences (both positive and negative) as a result of the implementation of CFT policies? 3. How do you see the risks of misusing NPOs for terrorist financing purposes? Has the government responded adequately to prevent this? 4. What is the government's strategy to ensure the effectiveness of CFT policies, including law enforcement efforts?	
MALAYSIA, SINGAPORE, THE PHILIPPINES AND AUSTRALIA		
Information on terrorism and terrorist financing	**<u>Terrorist financing typologies and trends</u>** According to typologies research and terrorist financing trends in Indonesia, what techniques have terrorists used, both individuals and organisations, to raise money, move funds, and use their resources in the periods 2002-2012 and 2013-2018?	All groups

Objectives	Questions	Respondent Group
Perceptions about of international cooperation (particularly with Indonesia)	1. To what extent does your country co-operate and exchange information and financial intelligence with Indonesia? 2. Based on your experience, has Indonesia responded in a constructive and timely manner to mutual international cooperation requests? What is the quality of the assistance provided? 3. How has Indonesia worked with your country to avoid or resolve conflicts of jurisdiction or problems caused by insufficient information in requests? 4. Are there aspects of the legal, operational or judicial process (e.g., excessively strict application of dual criminality requirements, etc.) that impede or hinder international cooperation? 5. Has international cooperation contributed to a change in the outcomes and impacts of interest? 6. What strategies have been used to ensure the efficiency of international cooperation?	All groups

Appendix 3: Incoming Fund Transfers on Nurul Azmi Tibyani Financial Records

Date	Transaction Remarks	Amount (IDR)
02 August 2011	Incoming transfer from I Made Pudana	34,140,750.00
03 August 2011	Incoming transfer from Kombo Dwicahya alias Cahyo	6,025,000.00
25 September 2011	Incoming transfer from purchasing Speedcash	5,075,000.00
26 September 2011	Incoming transfer through ATM from Hendra Raharja	5,075,000.00
26 September 2011	Incoming transfer through ATM from Hendra Raharja	4,545,000.00
27 September 2011	Incoming transfer from Speedcash	4,040,000.00
28 September 2011	Incoming transfer from Speedcash	18,080,000.00
28 September 2011	Incoming transfer from Speedcash	8,080,000.00
28 September 2011	Incoming transfer from Speedcash	3,030,000.00
29 September 2011	Incoming transfer from Speedcash 200 euro	2,020,000.00
29 September 2011	Incoming transfer from Speedcash	5,555,000.00
29 September 2011	Incoming transfer from Speedcash	5,050,000.00
04 October 2011	Incoming transfer from Speedcash 900 euro	9,090,000.00
04 October 2011	Incoming transfer from Speedcash 1000 euro	10,100,000.00

Date	Transaction Remarks	Amount (IDR)
05 October 2011	Incoming transfer from Speedcash 1000 euro	11,110,000.00
06 October 2011	Incoming transfer from Speedcash 800 euro	8,080,000.00
06 October 2011	Incoming transfer from Speedcash 800 euro	5,050,000.00
06 October 2011	Incoming transfer from Speedcash 800 euro	5,050,000.00
07 October 2011	Incoming transfer from Speedcash 600 euro	6,060,000.00
10 October 2011	Incoming transfer from Speedcash 800 euro	8,080,000.00
11 October 2011	Incoming transfer	20,000,000.00
11 October 2011	Incoming transfer from Speedcash 1000 euro	10,100,000.00

Appendix 4: Outgoing Transactions on Nurul Azmi Tibyani's Financial Records

Date	Transaction Remarks	Amount (IDR)
03 August 2011	Outgoing transfer to Bank Mandiri on behalf of Riduwan	10,000,000.00
03 August 2011	ATM withdrawal in Pondok Bambu	2,000,000.00
03 August 2011	ATM withdrawal in Pondok Bambu	2,000,000.00
03 August 2011	ATM withdrawal in Pondok Bambu	1,000,000.00
04 August 2011	ATM Link withdrawal	500,000.00
04 August 2011	ATM Link withdrawal	500,000.00
04 August 2011	ATM withdrawal in Cimanggis	1,000,000.00
04 August 2011	ATM Link withdrawal	1,000,000.00
04 August 2011	ATM Link withdrawal	1,000,000.00
04 August 2011	ATM Link withdrawal	1,000,000.00
05 August 2011	ATM withdrawal in Alfamart	1,000,000.00
05 August 2011	ATM withdrawal in Alfamart	1,000,000.00
05 August 2011	ATM withdrawal in Alfamart	1,000,000.00
05 August 2011	ATM withdrawal in Alfamart	1,000,000.00

Date	Transaction Remarks	Amount (IDR)
05 August 2011	ATM withdrawal in Alfamart	1,000,000.00
09 August 2011	ATM withdrawal in KSU Sejati	2,000,000.00
09 August 2011	ATM withdrawal in KSU Sejati	2,000,000.00
09 August 2011	ATM Link withdrawal	1,000,000.00
10 August 2011	ATM withdrawal in Cimanggis	1,000,000.00
10 August 2011	ATM withdrawal in Cimanggis	1,000,000.00
10 August 2011	ATM withdrawal in Cimanggis	1,250,000.00
10 August 2011	ATM withdrawal in Cimanggis	1,250,000.00
10 August 2011	ATM withdrawal in Cimanggis	500,000.00
11 August 2011	ATM withdrawal in Cimanggis	1,000,000.00
11 August 2011	ATM withdrawal in Cimanggis	1,000,000.00
26 September 2011	ATM withdrawal in Pejaten Mall	2,000,000.00
26 September 2011	ATM withdrawal in Pejaten Mall	2,000,000.00
26 September 2011	ATM withdrawal in Pejaten Mall	1,000,000.00
27 September 2011	ATM withdrawal in Bank Mandiri Pasar Minggu	10,000,000.00
29 September 2011	ATM withdrawal in Bank Mandiri Pasar Minggu	30,000,000.00
01 October 2011	ATM withdrawal in Bank Mandiri Pasar Minggu	1,250,000.00

Appendix 5: Financial Expenses Recorded on Behalf of Rizki Gunawan

No.	Amount of Money (IDR)	Expenses	Additional Details
1	180,000,000	Purchased a car with brand Toyota	The money was transferred from an account on behalf of Ronny Setiawan to the car dealer.
2	590,000,000	Bought a house in Jl. Eka Warni III No. IV Medan Johor	Rizki withdrew the money by cash and handed over the money to the private seller.
3	30,000,000	Purchased households for a house in Eka Warni	
4	660,000,000	Bought a house in Komplek Griya Karya Kasih Medan.	Rizki withdrew the money in cash then opened a new bank account on behalf of Ronny Setiawan. Afterwards, he transferred the money to Trimulyana (the private seller).
5	80,000,000	Payment for building tax	
6	150,000,000	Purchased households for a house in Griya Karya Kasih	

No.	Amount of Money (IDR)	Expenses	Additional Details
7	200,000,000	Purchased a car wih brand Daihatsu Terios	Rizki withdrew the money from Ronny Setiawan's account and deposited the money into the car dealer's account.
8	1,700,000,000	Bought 3 shophouses (Ruko Azzam Square) in Medan	By using a fake identity, Rizki transferred the money to the private seller.
9	1,000,000,000	Building renovation for Ruko Azzam Square	
10	500,000,000	Purchased computers and furnishings for Ruko Azzam Square	
11	34,000,000	Purchased motorcycles	Cash withdrawal
12	490,000,000	Bought 2 shophouses in Kabanjahe Medan	Cash withdrawal
13	170,000,000	Purchased a car with brand Mitsubishi L 300	
14	27,000,000	Purchased a motorcycle with brand Kawasaki Ninja Warrior	
15	17,000,000	Purchased a brand new motorcycle with brand Jupiter MX 2011	

No.	Amount of Money (IDR)	Expenses	Additional Details
16	11,000,000	Purchased a second-hand motorcycle with brand Jupiter MX 2009	
17	17,000,000	Purchased a brand new motorcycle with brand Honda Supra Fit X125D	
18	9,000,000	Purchased a second-hand motorcycle with brand Yamaha Vega R	
19	35,000,000	Purchased two brand new motorcycles with brand Honda Vario 2011	
20	10,000,000	Donation to Abu Zulfa (Palu)	
21	15,000,000	Donation to AGUNG alias GEDE alias AKBAR alias DONI for purchasing weapons	
22	200,000,000	Donation to NAIM (Poso's networks)	
23	200,000,000	Sent to Dedi alias Arsitek for building renovation	
24	250,000	Donation for church bombing plot at Gereja Kepunton Solo, the money was handed over through Kuncung alias Chandra	

No.	Amount of Money (IDR)	Expenses	Additional Details
25	5,500,000	Aeroplane return tickets for NAIM travelled to Pekanbaru and Medan	
26	25,000,000	Money is used for renting 3 shophouses for business purpose	
27	300,000	Paid for a loan to Kuncung	
28	46,500,000	Purchased 150 units of Quran Pen by online in April 2012	
29	43,000,000		Balanced account before seized by police.

Appendix 6: The Bank Statement of Wahyudin

Time	Incoming/ Outgoing	Amount (IDR)	Senders/Receivers
27/10/2014	Incoming	200,000	Initial deposit
27/10/2014	Outgoing	100,000	Cash withdrawal
28/10/2014	Incoming	1,000,000	Unknown (member of the MIT)
28/10/2014	Outgoing	50,000	Cash withdrawal (ATM)
29/10/2014	Outgoing	1,000,000	Cash withdrawal (ATM). Wahyudin used it for his travel to the Philippines
30/10/2014	Incoming	250,000	Anton alias Tiger
30/10/2014	Outgoing	250,000	Cash withdrawal
02/11/2014	Incoming	1,500,000	Unknown (member of the MIT)
01/12/2014	Incoming	400,000	Unknown (member of the MIT)
20/01/2015	Incoming	200,000	Hamzah alias Alex
22/01/2015	Incoming	150,000	Daroni
24/01/2015	Outgoing	1,300,000	Cash withdrawal (ATM). Wahyudin used it for his travel to Philippines
27/01/2015	Incoming	1,000,000	Unknown (member of the MIT)
27/01/2015	Outgoing	300,000	Cash withdrawal (ATM). Wahyudin used it for his travel to Philippines

Time	Incoming/ Outgoing	Amount (IDR)	Senders/Receivers
29/01/2015	Outgoing	800,000	Cash withdrawal (ATM). Wahyudin spent the money for renting a room
30/01/2015	Outgoing	50,000	Cash withdrawal
07/02/2015	Outgoing	300,000	Cash withdrawal (ATM). Wahyudin spent the money for renting a room
09/02/2015	Outgoing	100,000	Cash withdrawal (ATM)
13/02/2015	Outgoing	200,000	Cash withdrawal (ATM)
18/02/2015	Outgoing	50,000	Cash withdrawal (ATM)
22/02/2015	Outgoing	100,000	Cash withdrawal (ATM)
24/02/2015	Incoming	5,000,000	Ummu Aisyah (member of the MIT)
24/02/2015	Outgoing	750,000	Cash withdrawal (ATM). Wahyudin used the fund for buying a mobile phone
24/02/2015	Incoming	5,000,000	Unknown (member of the MIT)
02/03/2015	Incoming	700,000	Unknown (member of the MIT)
02/03/2015	Outgoing	300,000	Cash withdrawal (ATM).
03/03/2015	Outgoing	300,000	Cash withdrawal (ATM). Wahyudin bought another mobile phone
05/03/2015	Outgoing	5,000,000	Wahyudin withdrew the money by cash through ATM, then he deposited the money to a money remittance service, Western

Time	Incoming/ Outgoing	Amount (IDR)	Senders/Receivers
			Union, and sent it to Raida A. Alsree who was based in the Philippines
06/03/2015	Outgoing	16,150,000	Wahyudin withdrew the money by cash through bank's teller, then he deposited the money to a money remittance service, Western Union, and sent it to Raida A. Alsree who was based in Philippines
12/03/2015	Incoming	200,000	N/A
16/03/2015	Outgoing	210,000	Wahyudin transferred the money to Salman
18/06/2015	Incoming	150,000	Zahrudin (terrorist inmate)

Appendix 7: The Bank Statement of Habibi Muhammad

Time	Incoming/ Outgoing	Amount (IDR)	Senders/Receivers
12/03/2015	Incoming	200,000	Initial deposit
12/03/2015	Incoming	20,000,000	Santoso asked Firmansyah to sent the money to Habibi Muhammad's account
12/03/2015	Outgoing	20,000,000	Wahyudin withdrew the money by cash through bank's teller, then he deposited the money to a money remittance service, Western Union, and sent it to Raida A. Alsree who was based in Philippines
13/03/2015	Outgoing	100,000	Cash withdrawal through ATM
13/03/2015	Outgoing	300,000	Transferred out to Firmansyah's account
15/03/2015	Incoming	8,105,000	Santoso asked Firmansyah to sent the money to Habibi Muhammad's account
16/03/2015	Incoming	9,600,000	Unknown (member of the MIT)
16/03/2015	Incoming	5,400,000	Unknown (member of the MIT)
16/03/2015	Outgoing	210,000	Transferred out to Umi Izul's account
16/03/2015	Outgoing	500,000	Cash withdrawal through ATM
17/03/2015	Incoming	14,000,000	Unknown (member of the MIT)
19/03/2015	Incoming	15,000,000	Unknown (member of the MIT)

Time	Incoming/ Outgoing	Amount (IDR)	Senders/Receivers
19/03/2015	Incoming	10,000,000	Unknown (member of the MIT)
23/03/2015	Incoming	13,000,000	Unknown (member of the MIT)
23/03/2015	Outgoing	20,000,000	Wahyudin withdrew the money by cash through bank's teller, then he deposited the money to a money remittance service, Western Union, and sent it to Raida A. Alsree who was based in the Philippines
06/04/2015	Outgoing	100,000	Transferred out to unknown
07/04/2015	Outgoing	200,000	Cash withdrawal through ATM
07/04/2015	Outgoing	25,000,000	Wahyudin withdrew the money by cash through bank's teller, then he deposited the money to a money remittance service, Western Union, and sent it to Raida A. Alsree who was based in the Philippines
12/04/2015	Outgoing	200,000	Cash withdrawal through ATM for financing daily needs
13/04/2015	Outgoing	2,000,000	Cash withdrawal through ATM for financing the travel to North Sulawesi
22/04/2015	Outgoing	10,000,000	Transferred out to someone who was a member of the MIT group
23/04/2015	Outgoing	10,000,000	Transferred out to someone who was a member of the MIT group
23/04/2015	Outgoing	200,000	Cash withdrawal through ATM for daily expenses

Time	Incoming/ Outgoing	Amount (IDR)	Senders/Receivers
24/04/2015	Outgoing	4,000,000	Cash withdrawal through ATM for covering travel expenses to Manado before departed to the Philippines
27/04/2015	Incoming	1,000,000	Unknown (member of the MIT)
27/04/2015	Incoming	3,500,000	Unknown (member of the MIT)
29/04/2015	Incoming	2,000,000	Unknown (member of the MIT)
04/05/2015	Outgoing	200,000	Cash withdrawal (ATM)
10/05/2015	Outgoing	300,000	Cash withdrawal (ATM)
13/05/2015	Outgoing	500,000	Cash withdrawal (ATM)
13/05/2015	Incoming	1,000,000	Unknown (member of the MIT)
15/05/2015	Outgoing	200,000	Cash withdrawal (ATM)
17/05/2015	Outgoing	2,000,000	Sent the money to Tini Susanti's account (the wife of Ali Kalora, a terrorist). She spent the fund for buying foods for Santoso and the group
18/05/2015	Incoming	5,000,000	Unknown (member of the MIT)
19/05/2015	Outgoing	1,000,000	Sent the money to Nursia Labaso's account. She spent the fund for buying foods for Santoso and the group
22/05/2015	Outgoing	700,000	Transferred the money to Rakmat Hidayat alias Ayat alias Mantri's account. She spent

Time	Incoming/ Outgoing	Amount (IDR)	Senders/Receivers
			the fund for buying foods for Santoso and the group
23/05/2015	Incoming	7,000,000	Unknown (member of the MIT)
26/05/2015	Outgoing	300,000	Cash withdrawal (ATM) for covering her daily needs
01/06/2015	Outgoing	2,000,000	Cash withdrawal through ATM and gave the money to other Santoso's member.
02/06/2015	Incoming	2,000,000	Cash deposit through CDM (Cash Deposit Machine)
02/06/2015	Outgoing	2,000,000	Sent the money to Tini Susanti's account (the wife of Ali Kalora, a terrorist). She spent the fund for buying foods for Santoso and the group

Appendix 8: Hendro Fernando's Expenses in 2015

Time period	Amount spent (IDR)	Items
August 2015	120,000	40 pieces of headlamp brand Energizer
October – November 2015	12,000,000	10 units of tent
November 2015	80,000,000	40 units of Handy Talky. These items would have been used by the MIT group as communication tools.
November 2015	7,800,000	2 units of GPS (Global position system)
November 2015	17,600,000	40 units of tailored military uniforms that would have been used for the MIT group.
In the mid of 2015	N/A	600 ammunitions mandated by Bahrumsyah and Brekele to be transported to Palu and Poso.
	600,000	Transportation cost paid to Hamzah as the courier of delivering the ammunitions

Appendix 9: International Outgoing Transfers Conducted by Hendro Fernando

Date (dd/mm/yyyy)	Amount (IDR)	Receiver	Location in the Philippines
27/07/2015	20,000,000	Nhor A Maguid	Dalio Maasim
27/07/2015	20,000,000	Raida Halipa	Lun Padipu Malapatan
28/07/2015	20,000,000	Nhor A Maguid	Dalio Maasim
30/07/2015	20,000,000	Raida Halipa	Lun Padipu Malapatan
30/07/2015	20,000,000	Nhor A Maguid	Dalio Maasim
30/07/2015	20,000,000	Raida A Halipa	Lun Padipu Malapatan
08/09/2015	10,000,000	Munarassana A Muchtar	59 B Guevarra taguig
23/09/2015	2,500,000	Yasser C Baharan	Old Copmpd Muntinlupa
02/10/2015	12,000,000	Nhor A Maguid	Dalio Maasim
07/12/2015	2,500,000	Mr.Paz Gonzalez	Old Compound Npd Reseivation Brgy Poblacion Philippines

Appendix 10: Financial Transaction Activities Done by Khoirudin

Date (dd/mm/yyyy)	Amount (IDR)	Type	Receiver (Bank's account)
27/07/2015	100,000,000	Cash deposit	Nurul Kholisah
28/07/2015	100,000,000	Cash deposit	Hendro Fernando
29/07/2015	100,000,000	Cash deposit	Hendro Fernando
25/09/2015	20,000,000	Cash deposit	Abdurrahman Hamidan Ahmad
25/09/2015	40,000,000	Cash deposit	Ali Hamka
13/01/2016	35,000,000	In-house transfer using Khoirudin's account	Hendro Fernando

Appendix 11: The Purchase of Chemical Substances

Location	Description	Price (IDR)
Tokopedia and Bukalapak.com (online)	2 (two) bottles of Toluene/methylbenzene	125,000
Tokopedia and Bukalapak.com (online)	3 (three) bottles of Xylene/dimethylbenzene	10,000
Tokopedia and Bukalapak.com (online)	2 (two) kilograms of caustic soda	30,000
Pramuka traditional market (Jakarta)	Tools: 2 (two) pcs Beaker glass 1 (one) pc measuring cup 1 (one) pc chemical test tube 1 (one) pc Claisen flask 1 (one) pc digital scales 1 (one) pc set pestle and mortar 1 (one) box of latex gloves 1 (one) box of masks 1 (one) pc pipette 1 (one) pc acid-base indicator	2,000,000

Location	Description	Price (IDR)
Brataco Chemika store (Cirebon)	3 (three) bottles of methanol	35,000
Brataco Chemika store (Cirebon)	3 (three) bottles of Nitrate acid	45,000
Brataco Chemika store (Cirebon)	1 (one) pc acid-base indicator	120,000
Small drugs stores in Majalengka	5 (five) boxes of Procold (cough medicine)	200,000
Small drugs stores in Majalengka	10 (ten) boxes of Inza (flu medicine)	450,000
Small drugs stores in Majalengka	15 (fifteen) boxes of Bodrex (pain killer medicine)	525,000
Small drugs stores in Majalengka	15 (fifteen) boxes of Mixagrip (fever medicine)	675,000
Surya shop in Majalengka	2 (two) rolls of aluminum foils	28,000
Surya shop in Majalengka	1 (one) pc glasses	30,000
Surya shop in Majalengka	3 (three) bottles of floor cleaner	30,000
Surya shop in Majalengka	1 (one) bottle of floor cleaner	10,000
Sinar Tani shop in Majalengka	5 (five) kilograms of Urea fertiliser	15,000
Sinar Tani shop in Majalengka	5 (five) kilograms of Aluminum Sulfate fertiliser	10,000
Tokopedia and Bukalapak.com (online)	3 (three) bottles of formalin	110,000
Tokopedia and Bukalapak.com (online)	1 (one) kilogram of activated carbon	50,000

Location	Description	Price (IDR)
Tokopedia and Bukalapak.com (online)	3 (three) bottles of Sulfate acid	360,000
Tokopedia and Bukalapak.com (online)	3 (three) bottles of Acetic acid	300,000
Tokopedia and Bukalapak.com (online)	0.5 (half) kilograms of mercury	300,000
Tokopedia and Bukalapak.com (online)	3 (Three) bottles of Chloric acid	330,000
Tokopedia and Bukalapak.com (online)	1 (one) set of a hot plate and magnetic stirrer	3,500,000
Tokopedia and Bukalapak.com (online)	5 (five) kilograms of ammonium sulfate	10,000
Tokopedia and Bukalapak.com (online)	5 (five) kilograms of Urea fertiliser	15,000
Tokopedia and Bukalapak.com (online)	2 (two) rolls of aluminum foils	28,000
Tokopedia and Bukalapak.com (online)	3 (three) kilograms of caustic soda	35,000

Appendix 12: List of Financial Industries Regulations (2013 - 2019)

1. FSA Regulation No.12/POJK.01/2017 regarding the Implementation of Anti-Money Laundering and Counter-Terrorist Financing in the Financial Service Sector;

2. FSA Circular Letter Number 32/SEOJK.03/2017 regarding the Implementation of AML and CTF Programs in the Banking Sector;

3. FSA Circular Letter Number 47/SEOJK.04/2017 regarding the AML and CTF Programs Implementation in the Capital Market Sector;

4. FSA Circular Letter Number 37/SEOJK.05/2017 regarding AML and CTF Programs Implementation in the Non-Bank Financial Industry Sector;

5. FSA Circular Letter Number 38/SEOJK.01/2017 concerning Guidelines for the Instant Blocking of Customer Funds in the Financial Services Sector Whose Identity Is Listed in the List of Suspected Terrorists and Terrorist Organisations (LSTTO);

6. Regulation of Bank of Indonesia Number 18/9/PBI/2016 concerning Regulation and Supervision of the Payment System and Money Management in Rupiah;

7. Regulation of Bank of Indonesia Number 19/10/PBI/2017 regarding the Application of Anti-Money Laundering and Terrorist Financing for Non-Bank Payment System Services Providers and Non-Bank Currency Exchange Business Activities (CEBA); and

8. Regulation of the Head of Commodity Futures Trading Regulatory Agency Number 4/2017 concerning Guideline for Implementing the Instant Blocking by Futures Brokers of Funds Owned and Controlled by the Individual or Corporation Whose Identity is Listed in the List of Suspected Terrorists and Terrorist Organizations.

Appendix 13: Fintech Regulations in Indonesia

Financial Regulators	Regulations	Objectives	Area of Supervisory
Central Bank of Indonesia	PBI No. 19/12/PBI/2017 on the implementation of Financial Technology	Regulates Fintech execution, particularly in terms of providing payment system services	organizer registration; regulatory sandbox; organizer licensing monitoring and supervision of organizers cooperation between payment system service providers and financial technology operators; coordination and cooperation of Bank Indonesia with relevant authorities both at home and abroad
	PBI No. 20/6/PBI/ 2018 on Electronic Money	Regulates the administration of electronic money as a means of non-cash transactions	licensing electronic money administration; reporting and monitoring
Financial Service Authorities	POJK No. 77/POJK.01/2016 on Information Technology-based Lending	Regulates any online credits in rupiah and is carried out through an electronic system and internet network	form of legal entity, ownership and minimum capital of the organizers; business activities; lending limits; registration and licensing; lending and

Financial Regulators	Regulations	Objectives	Area of Supervisory
			borrowing agreements; risk mitigation; data center and disaster recovery; and education and protection of user data
	POJK No. 37/POJK.04/2018 on Crowdfunding Services through Information Technology-Based Stock Offerings (Equity Crowdfunding)	Regulates alternative financing for the business world other than through the stock exchange, i.e. through information technology-based funding sources or equity crowdfunding	organizer licensing; business activities; form of legal entity and capital; obligations and prohibitions; crowdfunding services; crowdfunding service users; crowdfunding service agreement; risk mitigation; governance of information technology systems for providing crowdfunding services; user education and protection; electronic signature; Know Your Customer Principles
	POJK No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector	Regulates various types of fintech or digital financial innovation (IKD) in general	form of legal entity and organizer records; regulatory sandbox; Registration of IKD organizers; monitoring; reporting; governance; data center; data

Financial Regulators	Regulations	Objectives	Area of Supervisory
			protection and confidentiality; consumer education and protection
Commodity Futures Trading Supervisory Body	a) Regulation No. 2/2019 concerning Physical Commodity Market in Futures Market b) Regulation No. 3/2019 concerning Commodities that can be subjected to Futures, Shari'a Derivative Contracts and/or other Derivative Contracts traded in the Futures Market c) Regulation No. 4/2019 concerning Technical Regulation on Digital Gold Market in the Futures Market d) Regulation No. 5/2019 concerning Technical Regulation on	Investments including gold and crypto assets	

Financial Regulators	Regulations	Objectives	Area of Supervisory
	Crypto Assets Market in Futures Market		

Appendix 14: List of Interviewees

No	Country	Category	Code	Gender	Dates
1	Indonesia	Expert	RI001	Male	5 September 2018
2	Indonesia	Policy maker	RI002	Male	16 August 2018
3	Indonesia	Financial industry	RI003	Female	1 November 2018
4	Indonesia	Financial industry	RI003	Female	1 November 2018
5	Indonesia	Academic	RI004	Male	17 October 2018
6	Indonesia	Policy maker	RI005	Male	30 August 2018
7	Indonesia	Policy maker	RI006	Female	31 August 2018
8	Indonesia	Policy maker	RI007	Male	23 August 2018
9	Indonesia	Policy maker	RI008	Male	17 October 2018
10	Indonesia	Law enforcement	RI009	Male	14 October 2018
11	Indonesia	Policy maker	RI010	Male	29 August 2018
12	Indonesia	Policy maker	RI011	Male	23 August 2018
13	Indonesia	Law enforcement	RI012	Male	29 August 2018
14	Indonesia	Law enforcement	RI013	Female	21 August 2018
15	Indonesia	Expert	RI014	Female	18 October 2018
16	Indonesia	Law enforcement	RI015	Female	2 September 2018
17	Indonesia	Law enforcement	RI016	Male	28 August 2018
18	Indonesia	Law enforcement	RI017	Male	21 August 2018
19	Indonesia	Expert	RI018	Male	17 October 2018
20	Indonesia	Policy maker	RI019	Male	23 August 2018
21	Indonesia	Policy maker	RI019	Male	23 August 2018
22	Indonesia	Expert	RI020	Male	17 October 2018
23	Indonesia	Policy maker	RI021	Male	5 September 2018
24	Indonesia	Expert	RI022	Male	20 August 2018
25	Indonesia	Policy maker	RI023	Male	23 August 2018
26	Indonesia	Policy maker	RI024	Male	3 September 2018
27	Indonesia	Policy maker	RI024	Female	3 September 2018
28	Indonesia	Academic	RI025	Male	30 October 2018
29	Indonesia	Expert	RI026	Male	20 August 2018
30	Indonesia	Policy maker	RI027	Female	16 August 2018

No	Country	Category	Code	Gender	Dates
31	Malaysia	Expert	MY001	Male	27 September 2018
32	Malaysia	Expert	MY002	Female	2 October 2018
33	Malaysia	Expert	MY002	Female	2 October 2018
34	Malaysia	Academic	MY003	Female	11 October 2018
35	Malaysia	Policy maker	MY004	Male	9 October 2018
36	Malaysia	Policy maker	MY005	Male	1 October 2018
37	Malaysia	Policy maker	MY006	Mixed	11 October 2018
38	Malaysia	Academic	MY007	Male	7 October 2018
39	Malaysia	Academic	MY008	Male	10 October 2018
40	Malaysia	Expert	MY009	Female	5 October 2018
41	Malaysia	Expert	MY009	Female	5 October 2018
42	Malaysia	Expert	MY009	Female	5 October 2018
43	Australia	Policy maker	AU001	Male	4 December 2018
44	Australia	Policy maker	AU001	Male	4 December 2018
45	Australia	Policy maker	AU002	Male	3 September 2018
46	Australia	Expert	AU003	Male	4 December 2018
47	Philippines	Policy maker	PH001	Male	12 November 2018
48	Philippines	Policy maker	PH002	Male	15 November 2018
49	Philippines	Law enforcement	PH003	Male	22 November 2018
50	Philippines	Law enforcement	PH004	Male	27 November 2018
51	Philippines	Law enforcement	PH005	Male	14 November 2018
52	Philippines	Law enforcement	PH006	Male	14 November 2018
53	Philippines	Academic	PH007	Male	19 November 2018
54	Philippines	Academic	PH008	Male	13 November 2018
55	Philippines	Law enforcement	PH009	Male	19 November 2018
56	Philippines	Expert	PH010	Male	19 November 2018
57	Philippines	Law enforcement	PH011	Male	29 November 2018
58	Philippines	Expert	PH012	Female	30 November 2018
59	Philippines	Expert	PH012	Female	30 November 2018
60	Philippines	Expert	PH013	Female	27 November 2018
61	Philippines	Law enforcement	PH014	Male	23 November 2018
62	Singapore	Academic	SG001	Female	20 September 2018
63	Singapore	Academic	SG002	Male	17 September 2018
64	Singapore	Academic	SG003	Male	17 September 2018

No	Country	Category	Code	Gender	Dates
65	Singapore	Academic	SG004	Female	1 February 2019
66	Singapore	Academic	SG005	Male	10 September 2018
67	Singapore	Academic	SG006	Female	13 September 2018
68	Singapore	Expert	SG007	Male	14 September 2018
69	Singapore	Academic	SG008	Male	17 September 2018