



Ministry  
of Defence

## Joint Doctrine Note 2/20

# Threat Finance and the Economic Levers of Power





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Joint Doctrine Note (JDN) 2/20, dated November 2020,  
is promulgated as directed by the Chiefs of Staff

A handwritten signature in black ink, appearing to read 'J. A. Anderson', with a long horizontal line underneath.

Director Development, Concepts and Doctrine Centre

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# Foreword

‘Currency warfare is the most destructive form of economic warfare.’

United States (US) Treasury and State Department official Harry Dexter White,<sup>1</sup> who is accused of having argued for the Morgenthau plan against the Marshall Plan post World War 2

The COVID-19 pandemic reminds us that not all national security threats come at us in an immediately recognisable form, let alone wearing military uniforms. It also demonstrates that much of our security is intimately and directly related to the state of our economy – money talks. This would not be news to previous generations of British military officers: naval officers who instinctively understood that the blockade was the first weapon of the Admiralty, or students of the Imperial Defence College working on the plans for economic warfare that would undermine our peer economies, should it ever become necessary. The proto-air forces all had studies directed at targeting the ‘industrial web’ before they had comprehensive plans for defeating their opposite numbers.

The period from the early-1980s onward allowed us the comfort in thinking in purely military, force-on-force terms: the era of air-land battle, the Fulda Gap and the Gulf War. Our staff rides studied Normandy and Kursk. Yet when we became engaged in persistent campaigns the economic environment kept intruding: from Taliban-funding poppy crops to Daesh oilfields. It is illuminating that the name of the air campaign against Daesh’s oil-based economy knowingly nodded to World War 2’s campaign against Nazi oil production: Operation Tidal Wave 2. Every adversary we analyse has an economic facet, from Lebanese Hezbollah to Putin’s regime, and those which subject to attack or influence.

.....  
1 Irwin, Neil, *The Washington Post*, ‘How a Soviet Spy outmanoeuvred John Maynard Keynes to ensure U.S. financial dominance’, 14 April 2013.

The forthcoming adoption of integrated action into our doctrine demands that we consider all relevant audiences, and determine, at the very outset of our campaigns or operations, how we might exert influence over them. It is hard to think of any audience that doesn't have a financial flank that provides an interesting avenue for targeting – a financial lever that can be pulled. Indeed, our team that drafted this doctrine note has been busy working with agencies, higher headquarters, and the UK Special Forces Group in advising on the vulnerabilities and associated economic targeting of our enemies. Understanding how threats are financed, and the economic levers a commander has over them, are a vital part of a modern commanders business – this joint doctrine note explains how to conduct it.

Air Marshal Edward Stringer CB CBE  
Director General Joint Force Development

# Preface

## Purpose

1. Joint Doctrine Note (JDN) 2/20, *Threat Finance and the Economic Levers of Power* aims to capture emerging thinking and practices from across government, the Ministry of Defence (MOD) and Strategic Command (UKStratCom) on threat finance and Defence's contribution to the economic instrument of national power. This JDN is designed to promote further thought in this area to enable Defence to function coherently within a cross-government Fusion Doctrine approach.
2. As a JDN, this publication seeks to address an urgent doctrinal requirement. To ensure timeliness this has not been subject to the rigorous staffing processes applied to joint doctrine publications (JDP), particularly in terms of formal external approval. It has been sponsored by the Development, Concepts and Doctrine Centre (DCDC) to promote thought and to support future inclusion within authoritative doctrine.

## Context

3. JDN 2/20 has been written to introduce threat finance into Defence vocabulary, codify current thinking and to expand on the economic instrument of national power which is described from a Defence perspective that is laid out within JDP 0-01, *UK Defence Doctrine*. It is hoped that the reader will come to understand the history of the use of threat finance and economic levers (TFEL) and how it is applied across government and how the MOD can support its application.

## Audience

4. JDN 2/20 is written for a broad audience. The intended audience includes:
  - our partners across government, commanders and staff formulating strategy in the MOD's Head Office;

- those working within operational-level headquarters (Permanent Joint Headquarters, Standing Joint Force Headquarters and single-Service operational-level headquarters);
- staff in a joint task force or component command headquarters at the higher tactical level; and
- those involved in professional military education.

## Structure

5. This JDN will outline the existing UK government's architecture arrayed against threat and illicit finance, including mention of a proposed new initiative (the International Centre of Excellence for Illicit Finance) and then propose the reasons why and the ways in which the MOD should engage with TFEL. It will briefly review the United States' approach to TFEL and then address the possible unintended consequences of TFEL-based strategies before reviewing the UK's vulnerability to TFEL-based threats. This JDN is supported by two annexes, which provide: a brief history of the role of TFEL; and the details of the range of UK departments and agencies with roles in threat finance.



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WASHINGTON

ONE DOLLAR

# Chapter 1

Chapter 1 introduces threat finance and economic levers, the terminology that will be used in this joint doctrine note and how threat finance and economic levers are applied.

Terminology . . . . . 6

Application of threat finance and economic levers. . . . 8



The international financial system lies **at the heart** of the global economy. Its smooth and efficient operation is **essential** to our collective prosperity and development. The international financial system, however, is **equally indispensable** to those who would **do us harm**: terrorist organizations, organized crime groups, rogue regimes, and corrupt leaders the world over. Taking **strong** and **effective action** to **defend** the **integrity** of the international financial system from abuse and to undermine the financial networks that support these nefarious actors both **safeguards** both our **economies** and our **national security**.

There can be **no comprehensive response** to a national security threat that **does not include** a strong **financial** component. Attacking the financial **networks** that support terrorist organizations is indispensable in the **global effort** against them and against all forms of violent extremism.



Daniel L. Glaser,  
Assistant Secretary for Terrorist Financing and Financial  
Crimes in the United States Department of the Treasury's  
Office of Terrorism and Financial Intelligence,  
May 2011 – January 2017

## Chapter 1

# Introduction

1.1. For centuries, from antiquity to the present day, states and non-states have employed the economic instrument of national power against adversaries for purposes of cooperation, competition, confrontation, coercion and conflict. These 'economic levers' encompass sanctions, embargoes and blockades seeking to debilitate an adversary's economy, as well as providing incentives such as funding proxies or buying allegiance by agreeing favourable trade deals. The politics and economics of 'fear and greed' have influenced crises throughout history from the 1940-1941 Japanese response to oil embargoes to the impacts of the 2008 financial crash on world governments and populations.

1.2. Economic levers, most often applied to adversaries, can also be applied to help support and encourage allies. Economic levers can be applied overtly and directly by governments, through international consensus at the United Nations or via regional and like-minded coalitions, such as the European Union or the Gulf Cooperation Council's economic blockade against Qatar; and they can be applied covertly, and camouflaged, through proxies.

1.3. Finance is a key consideration for a state's ability to sustain a conflict and defend itself. Finance is also important to groups such as Islamic State, enabling them to operate and perpetuate their ideology and campaign of violence. Providing finance and other resources can significantly enhance non-state actors' capacity (such as the Mujahideen and Irish Republican Army (IRA)) to strike at nation states. Finance can be a tool of diplomacy; but it can also be equally used as a tool of security and war. It is this latter category that this joint doctrine note (JDN) aims to address.

1.4. The formal use of economic warfare by the British has strong links as far back as the Anglo-Dutch wars of the 1600s, but it has been poorly incorporated into recent doctrine; instead, since 1945 economic warfare has been used on a case-by-case basis to match new threats.

Economic warfare had been a cornerstone of British maritime strategy until the end of World War 2, but since Britain recast itself into the North Atlantic Treaty Organization (NATO), Defence's capability and involvement in threat finance and economic levers (TFEL) has ebbed and flowed, with some aspects previously considered by Defence now being led by other government departments.<sup>2</sup> Defence has taken a back-seat position compared to other government departments on TFEL-related capabilities. In today's rapidly changing and globalised threat environment, the use of economic tools by allies and adversaries requires us to formalise our thinking in this area; to learn from the past but also be forward looking in new application possibilities.

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1.5. The UK military has used TFEL in several different ways throughout history and there are number of example case studies in Annex A. It has generated capabilities to deal with historic problem sets, and whilst some of these structures remain, they will need to be improved to ensure an enduring and holistic approach to TFEL, along with the resulting career and training strands to support a sustainable function. However, apart from individual elements within Defence Intelligence, Defence Fraud and in specialist subject matter expert units, there has not been an overarching headquarters capability. Instead when a new crisis arises there has been a tendency to respond after events as opposed to anticipating the crisis in advance. When the Ministry of Defence (MOD) gained the senior responsible officer position in counter-ISIL finance it stood up a secretariat in Military Strategic Effects (MSE) in December 2015 when the so-called Islamic States abuses of the financial systems in Iraq and Syria were already well established. The small cost of an enduring headquarters capability is greatly outweighed by the ability to respond in a more agile way and coordinate extant subject matter experts within Defence either before a crisis occurs or in its inception rather than when it is in full flow.

1.6. The role of the military is constantly developing and is increasingly embracing tasks that go beyond traditional military operations. Concepts such as hybrid warfare and multi-domain integration require the military to develop an expanding range of skills and capabilities. This publication

.....  
2 The UK's Ministry of Defence (MOD) has an economic and finance capability which includes career paths and the reference here is to actively use threat finance and economic levers (TFEL).

argues that an understanding of TFEL is one critical capability that needs to be developed to successfully embrace these expanding responsibilities. Future successful operations will be the result of a planning process that considers the financial aspects of the operating environment, including the potential impact of TFEL (most likely as part of a range of activities) within the appropriate legal framework. This is as relevant in a humanitarian operation as it is in warfighting. Examples include: stopping inadvertently funding Hezbollah (through use of Lebanese trading houses) during Operation Gritrock in Sierra Leone; or defeating the so-called 'Daesh Caliphate' during Operation Shader. A further example of using TFEL as part of military operations can be seen when Section 15 of the Terrorism Act 2000 (fundraising for terrorism) and the associated extraterritorial extensions later in the Act is used to stop foreign terrorist fighters travelling to Syria or receiving funding to do so. In this case the UK military in theatre work closely with law enforcement, predominately the Counter Terrorism Command (SO15) liaison officers based in embassies or local international coalition task forces, such as the Counter-ISIS Finance Group.

1.7. The economic levers are the effects that need to be created for TFEL to form part of the multi-domain integration activity required in modern asymmetric conflict. The MOD is not aiming to be the lead agency in the overall illicit finance environment, rather to define those areas where Defence's requirements for knowledge and guidance exist.<sup>3</sup> As the MOD will not, as a matter of course, be a lead agency of cross-government activity in the TFEL arena, there is a requirement for a way to coordinate the MOD's response with those other areas of government. TFEL is a whole headquarters activity and successful deployment of TFEL requires an integrated approach including managing contacts and enabling activity.

1.8. The next step for Defence is to examine the role of TFEL in the MOD ecosystem and examine what options for its usage and governance are open to leadership. This JDN will examine what role Defence can or should play in supporting UK government-led delivery of 'fused' economic levers activity and effects in the future. It will examine from .....

<sup>3</sup> The lead agency will depend on the nature of the threat or adversary. The various agencies and their responsibilities are described in Annex B.

a force development perspective what capabilities, structures and policy permissions are likely to be required by Defence to deliver such a capability.

## Terminology

1.9. In this JDN – and in the field of economic warfare more broadly – several key terms are used. Given the numerous stakeholders in the TFEL arena a myriad of differing terms and descriptions are used. For the purposes of this JDN, the following terminology will be used.

1

a. **Economic levers.** Economic levers refer to the range of options available to create economic effects against a target. These can range from sanctions (both the implementation and threat as a tool of deterrence), through the munitions-based targeting of an adversary's profit earning assets, to the funding of proxies or developing state-to-state relationships via investment and other financial favours. Economic levers can also be used to target the UK and could include: funding insurgents to target UK interests overseas; funding disinformation campaigns; providing finance and resources to terrorist groups active in the UK; and using funding to undermine existing UK global strategic relations. Economic levers can compromise the ability of a state to pursue its own strategic objectives, create uncertainty and unrest in the population, and reduce the capability and willingness of a country to fight.

b. **Economic warfare.** Economic warfare refers to using economic levers against an adversary in support of military aims and objectives. It can take the form of shipping or air transport blockades or sub-threshold activity such as denying access to cashpoint machines or electronic banking in a country.



c. **Financial intelligence.** Financial intelligence (FININT)<sup>4</sup> is information derived from the financial activity of entities of interest. The term is commonly used within law enforcement, and is traditionally used to identify tax evasion, money laundering or other criminal activity. FININT may also be involved in identifying the financial activity of terrorist organisations. The United States (US) has pioneered its use within the military environment.

d. **Threat finance.** Threat finance is examining how a threat actor generates, moves, uses and stores value, using FININT and other sources of information. This can provide insight into the threat actor's capability and modus operandi, as well as its potential financial vulnerabilities. Threat actors will require some form of financial component to support their activity. For example, criminals profiting from the drugs trade or people trafficking; terrorist groups raising donations, such as the IRA from Irish Americans; a non-state actor's exploitation of natural resources, such as poppies in Afghanistan; or the funding of third party groups to further an actor's aims, such as Russian funding of Ukrainian rebels or US funding of the Contras in Nicaragua.

e. **Threat finance and economic levers.** TFEL refers to the combination of understanding threat finance and using economic levers in an offensive or defensive capability. It is used throughout this publication to describe the overall capability.

f. **Counter threat finance.** Counter threat finance refers to the activities and actions taken to deny, disrupt, destroy or defeat an actor's ability to raise, move, use or store value. This includes targeting: persons and entities that provide financial and material support to illicit networks, such as terrorists, insurgents, drugs and weapons traffickers; or corrupt government officials who seek to undermine their own government or the efforts of host nations, allied coalitions or other friendly actors.

.....  
4 Financial intelligence is defined as: the gathering of information about the financial affairs of entities of interest, to understand their nature and capabilities, and predict their intentions. Joint Doctrine Publication 0-01.1, *UK Terminology Supplement to NATO Term*.

g. **Multi-domain integration.** A proposed definition for multi-domain integration is: the posturing of military capabilities in concert with other instruments of national power, allies and partners; configured to sense, understand and orchestrate effects at the optimal tempo, across the operational domains and levels of warfare.<sup>5</sup>

h. **Hybrid warfare.** Hybrid warfare is described as the synchronised use of multiple instruments of power tailored to specific vulnerabilities across the full spectrum of societal functions to achieve synergistic effects.<sup>6</sup>

1.10. **Target systems analysis.** Target systems analysis has a NATO working definition of: the holistic and dynamic intelligence assessment of all aspects of potential target sets (physical and psychological) to identify vulnerabilities which, if targeted by the appropriate capability (lethal or non-lethal) would achieve desired objectives.<sup>7</sup>

## Application of threat finance and economic levers

1.11. Understanding when and how to apply economic levers as part of an integrated approach to address both state and non-state actors is more critical in today's globalised financial system than it has ever been. The health of a nation's economy, the funding available to a terrorist group, or the wealth of an insurgency will often be a key contributor to the outcome of confrontation and conflict. Economic levers do not provide a stand-alone solution, but – almost without fail – will play a meaningful contributing role to the outcome of any confrontation. Understanding the economic dimension to conflict and the opportunities and threats posed by economic levers must become central to the role of any military and wider government.

.....  
5 Definition proposed in Joint Concept Note 1/20, *Multi-Domain Integration*.

6 Multinational Capability Development Campaign (MCDC), *MCDC Countering Hybrid Warfare Project: Understanding Hybrid Warfare*, January 2017, page 8.

7 Allied Joint Publication (AJP)-3.9, *Allied Joint Doctrine for Joint Targeting*, Edition A Version 1, April 2016.

1.12. Understanding the financial landscape is a critical component of developing a complete picture of an adversary's capabilities and, thus, finance-based measures should be included in initial thinking and planning – both at the strategic and tactical levels of warfare. Consider the value financial analysis brought to the understanding of Islamic State's activities and vulnerabilities; or the central importance of finance to the survival of state-backed proxies such as Hezbollah. Economic warfare measures and effects span the spectrum of responses available to the UK government, from state-initiated public measures (such as sanctions, trade embargoes and tariffs), through more opaque, covert and deniable actions, to overt MOD-led actions (such as blockades and lethal attacks). Figure 1.1 illustrates how an understanding of the financial landscape creates planning options of effect both in an offensive and defensive context.

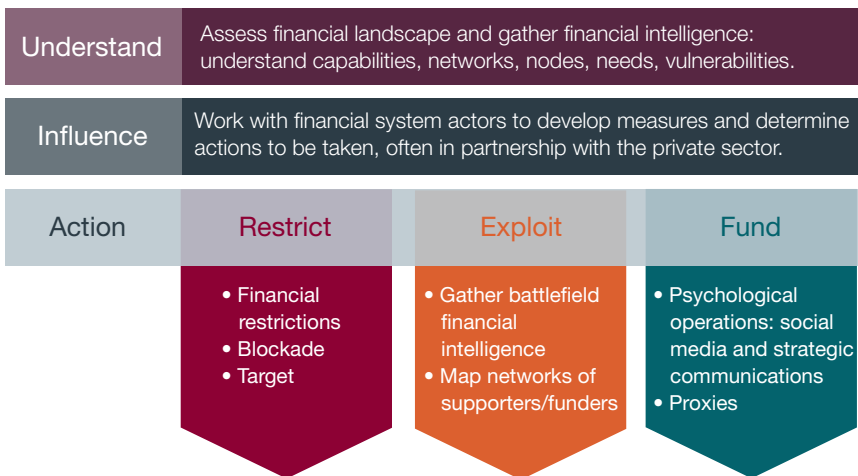


Figure 1.1 – Threat finance and economic levers planning considerations



# Chapter 2

Chapter 2 explores the UK cross-government approach to engaging with economic warfare and related illicit finance to determine how the Ministry of Defence could support this activity.

“

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With our **immense trade interests** in the Far East I cannot see that we can afford to leave the **blockade** entirely in the hands of the Americans without proper representation. Indeed I feel that the blockade in the Far East should be a **joint operation** between the Ministry of Economic Warfare and whatever department exists for that purpose in the United States of America. For that purpose alone I should have thought it was **necessary to retain** the Ministry of Economic Warfare until the war with Japan was concluded. I could get no satisfactory reply on that question.

”

Gideon Oliphant-Murray,  
2nd Viscount Elibank  
questioning the proposed dissolution of the  
Ministry of Economic Warfare, Hansard,  
17 March 1944

## Chapter 2

# UK government context

2.1. Engaging with economic warfare and related illicit finance is a cross-government activity and cuts across an array of both policy and operational departments and agencies. The widely dispersed roles and responsibilities of these actors, with a mix of domestic and international focus, are detailed in Annex B. Departments with an international remit include the: Department for International Trade; Foreign, Commonwealth and Development Office (FCDO), whose remit includes sanctions and provision of in-country capability development; Home Office, who liaise with international counterparts on illicit finance and hold the lead for strategies on countering illicit finance and terrorist financing; and National Crime Agency, who share financial intelligence (FININT) with other jurisdictions and undertake tactical collaboration through their international liaison officers.

2.2. Her Majesty's Treasury (HM Treasury) has the lead across government for setting and implementing the standards and laws for financial compliance and regulations. This includes contributing to international standard setting, for example, through its membership of the Financial Action Task Force (FATF). This group of 37 countries and two regional bodies (such as the European Commission) develops globally applicable standards to combat money laundering, terrorist financing and proceeds-generating crimes as well as strengthening the integrity of national (and thus global) financial systems and assessing their implementation.

2.3. Through the FCDO and the UK's permanent membership of the United Nations Security Council, the UK plays a leading role in developing and implementing sanctions regimes used to restrict the activity of countries, companies and individuals, including by applying financial measures. Examples of this would include asset freezes or the sanctions applied against members of, or those affiliated with, al-Qaeda, the Taliban or Islamic State or Syrian and Iranian state officials.

2.4. Whilst some of this architecture (such as the work of law enforcement agencies to combat terrorist financing) may inform the Ministry of Defence (MOD), in general, the resources and capabilities required to support the MOD's threat finance and economic levers (TFEL) capability should to be maintained and developed by the MOD itself. On an ad hoc basis, the MOD has previously convened a TFEL capability, such as creating the Joint Improvised Explosive Device Analysis Centre (JIEDAC) during Operation Herrick in Afghanistan, which assembled cross-government threat finance expertise (such as that found in the National Terrorist Finance Investigation Unit in Counter Terrorism Command (SO15). Such a capability, when stood up, has been in response to a specific threat situation rather than being maintained as a standing capability by the MOD and has had to be reconstituted for the next threat.<sup>8</sup> This leads to a lack of institutional memory and knowledge drain. As the global financial networks become more complex, finding the suitable subject matter experts and organising them into 'single issue' teams will become more difficult on such a basis and does not match the operational requirements of a headquarters. Furthermore, the costs of finding external consultants to assist in such teams is prohibitive due to the competition with the private sector for suitably qualified and experienced personnel.



**Global financial networks will become more complex**

.....  
 8 There is standing capability for counter-terrorist financing within the Ministry of Defence (MOD).



2.5. Globally, since the events of 9/11 there has been a heightened focus on threat finance, stemming from an increased requirement for terrorist groups such as al-Qaeda to generate funding to train their group members, maintain their activities and launch their attacks. The following vignette explores the example further.

### The global war on terrorism financing



Since the attacks of 9/11, targeting the financing of terrorist groups has been a central pillar of the global response to terrorism. One objective of President George W. Bush as he launched his global war on terror was to ‘starve the terrorists of funding’<sup>9</sup> underlined by the revelation that the 9/11 hijackers had moved United States (US) \$300,000 through the US banking system.<sup>10</sup>

This focus on terrorist financing spawned sanction designations from the United Nations and individual nations or blocks (for example, the US or European Union). It led to the global requirement for governments to criminalise terrorist financing, and it required the private sector – banks, money services businesses and other financial actors – to screen customers and transactions for potential signs of terrorist activity. Indeed, FATF created its counter-terrorist financing standards as a direct result of 9/11.

Nearly 20 years since 9/11, combatting terrorist financing remains a central part of the international response to terrorism, from destroying the money-making oil infrastructure of the Islamic State, to investigating the financial networks of disrupted or executed lone actor or domestic terrorist attacks on the UK’s streets.<sup>11</sup>

9 United States (US) Treasury Department, ‘Contributions by the Department of the Treasury to the Financial War on Terrorism: Fact Sheet’, September 2002, page 2.

10 National Commission on Terrorist Attacks Upon the United States, *Monograph on Terrorist Financing*, 21 August 2004, page 3.

11 For an extensive recent study of responses to terrorist financing, see Keatinge, Tom and Keen, Florence, ‘A Sharper Image: Advancing a Risk-Based Response to Terrorist Financing’, *Royal United Services Institute (RUSI) Occasional Paper*, March 2020.

2.6. The focus on terrorist financing has been the central, and often only, response to threat finance deployed by governments. The UK and Group of Seven (G7)<sup>12</sup> partners created the FATF organisation explicitly to address these threats. Yet, whilst important, targeting terrorist financing is only one of many economic levers that a government can apply. Put differently, failing to extend the UK's TFEL capability beyond terrorist financing represents a missed strategic opportunity and could leave the UK exposed.

2.7. This opportunity is beginning to be addressed across the wider UK government community. In July 2019, jointly led by HM Treasury and the Home Office and in partnership with UK Finance (the UK's banking industry association), the *Economic Crime Plan 2019-22*<sup>13</sup> was published, that, alongside the *Public Private Threat Update, Economic Crime, Key Judgments*,<sup>14</sup> focused on the threat posed by economic crime to the security and prosperity of the UK. Whilst the *Economic Crime Plan 2019-22* necessarily has a domestic focus, it does not neglect an international dimension that endeavours to 'deliver an ambitious international strategy to enhance security, prosperity and the UK's global influence'.<sup>15</sup> Additionally, the nature of global trade, supply chains and threat actors mean that a solely domestic focus is not appropriate.

2.8. One element of the *Economic Crime Plan 2019-22*'s international strategy is a commitment to enhance the UK's overseas capabilities by developing a new hybrid platform (the International Centre of Excellence) that will bring together 'highly qualified public, private and academic expertise in understanding and addressing international illicit finance, with capacity to both support overseas efforts and to enhance cooperation with priority jurisdictions'.<sup>16</sup> The International Centre of Excellence is currently in the process of being established under FCDO leadership and has had MOD input during its development.

.....  
12 The Group of Seven (G7) comprises finance ministers and Central Bank governors of seven countries: Canada, France, Germany, Italy, Japan, the UK and the US.

13 HM Government and UK Finance, *Economic Crime Plan: 2019-22*, July 2019.

14 National Crime Agency and National Economic Crime Centre, *Public Private Threat Update, Economic Crime, Key Judgments*, July 2019.

15 Ibid., page 58.

16 Ibid., page 62.

2.9. The International Centre of Excellence's aim will be to inform policymakers and will see 'new coordinated networks of expertise dedicated to tackling illicit finance in existing and emerging regional and global financial centres' being established via the Serious and Organised Crime network (SOCnet)<sup>17</sup> and the newly created FCDO illicit finance network.<sup>18</sup> Against this backdrop of heightened cross-government focus on illicit finance, it would seem self-evident that the MOD should make sure its persistent points of presence and global laydown will provide opportunities for TFEL activities.

2.10. Defence Engagement should be the focal point for TFEL opportunities to ensure coherence with all other activities. A standing MOD capability should be present in permanent strategic- and operational-level headquarters with an identified and trained capability ready to surge forward to support operations as required. The permanent capability can incorporate TFEL into planning and targeting processes, professional education and provide liaison and staff attachments from other government departments/agencies (such as those covered in Annex B).

2.11. As detailed in the case studies in Annex A, TFEL can be deployed in a wide range of situations, many of which are the domain of the MOD. Exploiting these opportunities will require the MOD to develop a standing TFEL capability that ensures the necessary skills and capabilities are available on a permanent basis to research, prepare and, when necessary, deploy a MOD TFEL-related response.

.....  
17 SOCnet, a key deliverable of the 2018 *Serious and Organised Crime Strategy*, is a tri-departmental network of 18 policy officers, based overseas. It includes an 'illicit finance' network with experts sitting in global financial centres.

18 HM Government and UK Finance, *Economic Crime Plan: 2019-22*, July 2019, page 62.

## Key points

- Engaging with economic warfare and related illicit finance is a cross-government activity and cuts across an array of both policy and operational departments and agencies.
- Some of the UK government's architecture may inform the MOD – in general, the resources and capabilities required to support the MOD's threat finance capacity will need to be sourced and developed by the MOD itself.
- To date, the MOD's TFEL capability has been generated in response to a specific threat situation, rather than being maintained as a standing capability alongside other MOD capabilities.
- The MOD should be able to deploy economic levers as part of its response to adversarial challenge. The MOD should develop an appropriate standing capability to ensure TFEL risks and opportunities presented by adversaries in its domain are addressed and enable coordinated docking into the UK's cross-government architecture.

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# Notes



# Chapter 3

Chapter 3 examines in detail what a Ministry of Defence threat finance and economic levers capability could look like and what roles it could provide.

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As for the needs of the Jihad in Afghanistan, the first of them is **financial**. The Mujahideen of the Taliban number in the thousands, but they **lack funds**. And there are hundreds wishing to carry out martyrdom-seeking operations, but they **can't find the funds** to equip themselves. So funding is the mainstay of Jihad. ... And here we would like to point out that those who perform Jihad with their wealth should be certain to **only send the funds** to those **responsible for finances** and no other party, as to do otherwise **leads to disunity** and **differences** in the ranks of the Mujahideen.

”

Mustafa Abu-al-Yazid,  
also known as Shaykh Sa'id,  
high-ranking al Qaida official



Chapter 3

# What does this mean for the Ministry of Defence?

3.1. Historically, military understanding of an adversary's financial and economic capability has been rooted in state-based analysis: determining the key industrial centres that fuel an economy; identifying and targeting key trade routes; and seeking, via diplomacy or force, to deter third-party nations from providing economic and financial assistance. In line with the rise in hostile state activity below the threshold of armed conflict, our understanding must be broadened to examine the threat finance implications for non-state actors as well.

3.2. Where non-state actors are concerned, with increased urgency since the 9/11 attacks, domestic law enforcement and security forces have dedicated resources to understanding the financial modus operandi of threat actors, including criminals and terrorists. Thus, whilst financial investigation and analysis are core domestic functions of most advanced governments, few militaries – with the notable exception of the United States (US) and Italy, based on experience in campaigns in Afghanistan and Iraq<sup>19</sup> – have formed permanent threat finance capabilities. Italy has its highly trained and capable Guardia di Finanza, a paramilitary gendarmerie that operates alongside the military, which it has deployed successfully throughout the Middle East and North Africa region.

3.3. Threat finance is not only linked to terrorist groups. The UK government increasingly recognises the threats posed to the UK and its overseas assets by serious and organised crime that operates transnationally. Transnational organised crime groups exploit failed states or ungoverned and contested spaces to take advantage of corrupt governments and their military and intelligence services, using their territory as safe spaces from which to operate from and maximise profits.

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19 Blum, David and Conway J Edward, *Counterterrorism and threat finance analysis during wartime*, 1st Edition, 2015; and Joint Staff, J-7, Joint and Coalition Warfighting, *Commander's Handbook for Counter Threat Finance*, Version 1.0, 13 September 2011.

3.4. Organisations such as Hezbollah use state-sponsored proxies or private military contractors such as the Wagner Group (a Russian paramilitary organisation) to fight wars and conflicts to avoid direct action; this is becoming the norm and a growth industry. The US' funding of the Mujahideen in Afghanistan, and Russian activity in Ukraine, where it claimed not to be involved despite funding an array of groups opposed to the government of Kiev and arming and supporting them with its own forces and proxies, are further examples. This avoids escalation to actual war between larger states and can be used to influence desired outcomes without unpalatable loss of life in the sponsor's country. Funding is one of the ways support to proxies can be provided, which is often via complex and opaque methods to obfuscate the links between actors. Presenting (as proxies often do) a threat to the security and prosperity of UK and its interests, the Ministry of Defence (MOD) should, therefore, be integrating threat finance and economic levers (TFEL), based on an in-depth understanding of the financial system of a country, into the overall planning process as it is often the first UK government department to deal with a particular threat actor. Close attention to the activities of proxy private military contractors, such as the Wagner Group, in guarding rare mineral assets or hydrocarbon activities is required.

3



Yasser Arafat is armed with a bayonet as he demonstrates attack tactics to his men near Tebessa, Algeria

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## The Democratic Republic of the Congo – proxy case study



The Democratic Republic of the Congo (DRC) is the third largest and fourth most populated state in Africa with an estimated population of 66 million. The DRC is located in the centre of Africa and surrounded by nine countries, consequently developments in DRC inevitably affect the region's stability.<sup>20</sup> In addition, the DRC has the largest deposits of various minerals, including diamonds, uranium, copper, zinc and columbite-tantalites (coltan). The untapped mineral potential is valued at an estimated US \$24 trillion, resulting in DRC probably being the country with more mineral reserves than any other country in the world. For example, the country has 45% of the world's cobalt reserves and produces more than half on the world's supply of cobalt.<sup>21</sup>

The country gained its independence from Belgium on 30th June 1960. However, the newly independent state was quickly overwhelmed by political instability and chaos. Five days after the country gained independence, the Congolese military revolted and six days after that the province of Katanga seceded.<sup>22</sup> In the next four years (July 1960 – June 1964) the United Nations authorised the mission Opération des Nations Unies au Congo (ONUC), which was mandated to 'help the Congolese Government to restore and maintain political and territorial integrity of the Congo; to help maintain law and order throughout the country; and to put into effect a wide and long-range program of training and technical assistance'. Nevertheless, 18 months after the departure of ONUC General Joseph Mobutu in 1965, with the help of Belgium and the US, Mobutu once again seized power again through a military coup d'état.<sup>23</sup>

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20 Gambino, Anthony W., 'Congo: Securing Peace, Sustaining Progress', *Council on Foreign Relations*, 2008, page 9.

21 Prunier, Gérard, 'Why the Congo Matters', *Atlantic Council*, 2016, page 6.

22 Gambino, Anthony W., 'Congo: Securing Peace, Sustaining Progress', *Council on Foreign Relations*, 2008, page 10.

23 Usanov, Artur et al., 'Coltan, Congo & Conflict. Polinares Case Study.', *Hague Centre for Strategic Studies*, 2013, page 34.

The First Congo War (1996-1997) was driven by security and political concerns, especially the unwillingness of Mobutu to deal with various armed groups based on the Congolese territory. The leader of the rebellion against Mobutu in 1996 was Laurent Kabila, a minor rebel leader in the early 1960s. The rebel Alliance des Forces Démocratiques pour la Libération du Congo (AFDL) was supported by Rwanda and Uganda. The funding of the AFDL, before they took power, was derived from mineral deals with foreign companies with down payments amounting to an estimated US \$70 million.<sup>24</sup> In May 1997, Kabila seized control of the entire Congo, thus ending Mobutu's 32 years of dictatorship.<sup>25</sup> Uganda, Rwanda and Burundi supported Kabila to create a buffer zone against their own insurgent groups that were active in the DRC. Yet Kabila never suppressed these insurgent groups in the country against his allies. As a result, the support from DRC eastern neighbours Rwanda and Uganda only lasted until spring 1998.<sup>26</sup> In the following Second Congo War (1998-2003) the former allies split their support. Rwanda supported the Rassemblement Congolais pour la Démocratie in Goma (RCD-Goma) and Uganda supporting the other major rebel group, Le Mouvement de Libération du Congo (MLC).<sup>27</sup> The Kabila-backed government was supported by Zimbabwe, Namibia and Angola.

Both rebel groups and their allies exploited the mineral resources of the DRC to fund the war. Examples from the Rwanda-backed rebel group include Société Minière des Grands Lacs, a company created with Belgian, South African and Rwandan partners to exploit coltan and gold in the Kivu areas. Other major companies doing business in the DRC, such as Rwanda Metals and Grands Lacs Metals, were either owned by the government or by RCD-Goma leaders, Rwandan generals or individuals very close to Rwandan President Kagame.

24 Usanov, Artur et al., 'Coltan, Congo & Conflict. Polinares Case Study.', *Hague Centre for Strategic Studies*, 2013, page 57.

25 Gambino, Anthony W., 'Congo: Securing Peace, Sustaining Progress', *Council on Foreign Relations*, 2008, page 11.

26 Kisangani, Emizet, 'Conflict in the Democratic Republic of Congo: A Mosaic of Insurgent Groups', *International Journal on World Peace*, September 2003, page 67.

27 Gambino, Anthony W., 'Congo: Securing Peace, Sustaining Progress', *Council on Foreign Relations*, 2008, page 12.

An example from the Ugandan side is the Trinity and Victoria Groups that were set up by people close to Museveni (President of Uganda), co-owners include his son and brother, to exploit DRC's diamonds, gold, coffee and timber.<sup>28</sup> Official figures by the Bank of Uganda indicated that Uganda's gold exports increased from US \$12.4 million in 1994-95 to US \$110 million in 1996. The availability of gold helped the Ugandan's balance of trade improve by almost US \$600 million in 1999, although gold represented only 0.2% of exports in the 1996-1997 period. Likewise, Rwandan gold production remained quite minimal from 1995 to 1996, averaging eight kilograms a year. Suddenly, its exports increased drastically after 1996. Furthermore, Rwanda and Uganda had no history of diamond production. However, from 1997 to 2001, Uganda's exports of diamonds earned its treasury some US \$4.75 million or the equivalent of 33,227 exported carats. Rwanda also earned close to US \$3.5 million by exporting 46,218 carats of diamonds. Consequently, the direct export or the re-export of resources extracted from the DRC territories generated substantial financial resources for both countries.<sup>29</sup>

The Rwandan government received direct payments from the RCD-Goma in exchange for arms. To pay for these weapons, the RCD-Goma collected a tax of 8% of total mineral exports from its own comptoirs (shops) in addition to a US \$15,000 annual license fee. At the end of 2000 when the coltan price in London stood at a peak of US \$210.00 per pound, the RCD-Goma earned some US \$2 million net profit from coltan in November and December alone. The RCD-Goma leader, Adolphe Onusumba, admitted that the organisation raised more or less US \$200,000 per month from diamonds, but coltan gave them some US \$1 million a month in net profit. The RCD-Goma was also heavily invested in the gold trade from the outset. It formed its own army-mining brigade for use in the territories of Bafwasende and Banalia in Oriental Province. The RCD-Goma even signed a mining contract with the offshore Bank of Grenada to organise an African Union Reserve System for the financial administration and development

28 Kisangani, Emizet, 'Conflict in the Democratic Republic of Congo: A Mosaic of Insurgent Groups', *International Journal on World Peace*, September 2003, page 67.

29 Ibid., page 68.

of the Congo. Bemba (Leader MLC) and Ugandan officers were also in partnership. From 1999 to 2001, they harvested coffee from plantations that belonged to private citizens who had fled Equateur province. Bemba also monopolised other products in his region, thereby ensuring himself a steady flow of hard currency. For example, the MLC maintained a 20% ad valorem export tax on diamonds under its control in the 1999-2000 period to sustain the movement.<sup>30</sup> The fact that Rwanda and Uganda controlled trade and trade routes meant that they could finance the war at no cost.<sup>31</sup>

However, it was not only the rebel groups who relied on exploiting the mineral resources to finance the war, but also the Kabila government. In 1999-2001, the diamond mining company Société Minière de Bakwanga in Southern Kasai province turned over to the government 40% of its earnings and the copper-cobalt Générale des Carrières et Mine gave a third of its profits to the government. The proceeds from cobalt and diamonds, which averaged US \$770 million a year, allowed the Kabila government means to enrich their own ruling coalition, to purchase weapons and to finance the war. Zimbabwean generals were also cashing in some US \$10 million per month in the DRC as part of defending the DRC's sovereignty.<sup>32</sup>

In July 1999, the six main African countries involved signed a ceasefire agreement in Lusaka, which was also signed by the main rebel groups MLC and RCD-Goma. By 2000, the United Nations authorised Mission de l'Organisation des Nations Unies en République Démocratique du Congo (MONUC) to monitor the ceasefire. However, fighting continued between rebel groups and the government. After the death of Kabila in 2001 new peace talks were held in 2002 in South Africa.<sup>33</sup> Finally, in December 2002, a peace agreement was signed by the DRC government and the main rebel groups, which marks the formal end

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30 Kisangani, Emizet, 'Conflict in the Democratic Republic of Congo: A Mosaic of Insurgent Groups', *International Journal on World Peace*, September 2003, page 69.

31 Ibid., page 71.

32 Ibid., page 73.

33 Marucci, Guilia, 'The War Report 2018. Democratic Republic of the Congo: Conflict in the Eastern Region', *Geneva Academy*, January 2019, page 2.

of the Second Congo War. However, since the end of the war there have been, and continue to be, several armed conflicts fought between the DRC government and rebel militias; an example is the M23 group, allegedly backed by the Rwandan government, that in November 2012 took the major city Goma located in North Kivu province. Only in December 2013 could the Congolese army, together with the United Nations created Force Intervention Brigade, defeat the rebel group.<sup>34</sup>

Today the conflict remains a decentralised one with over 120 armed groups active especially in the eastern regions without an overarching narrative.<sup>35</sup> However, each group is financed by, or linked to, the exploitation of the DRC's mineral assets by overseas actors. To understand this in a province (there are 26 provinces including Kinshasa), country or regional context, the financial and economic landscape needs to be a major consideration of any assessment.



United Nations peacekeepers in Goma, DRC

© Ellie Matsanova / Shutterstock.com

34 Marcucci, Guilia, 'The War Report 2018. Democratic Republic of the Congo: Conflict in the Eastern Region', *Geneva Academy*, January 2019, page 2.

35 Ibid., page 6.

3.5. Figure 3.1 depicts the overlap between organised crime groups, illegal state activity and terrorism. The fact that they overlap can be seen in numerous modern and historical examples from the East German security services funding the Baader-Meinhof terrorists, who in turn robbed banks,<sup>36</sup> to the recent Italian discovery of a US \$1 billion (street value) amphetamine haul brought into the country, claimed by Italy to have been produced by Daesh.<sup>37</sup> Transnational organised crime groups would more likely be high-level traffickers sourcing large imports from abroad, potentially from new routes given decreased production due to the coronavirus pandemic, and from other production centres such as the Dutch Province of Limburg.<sup>38</sup>

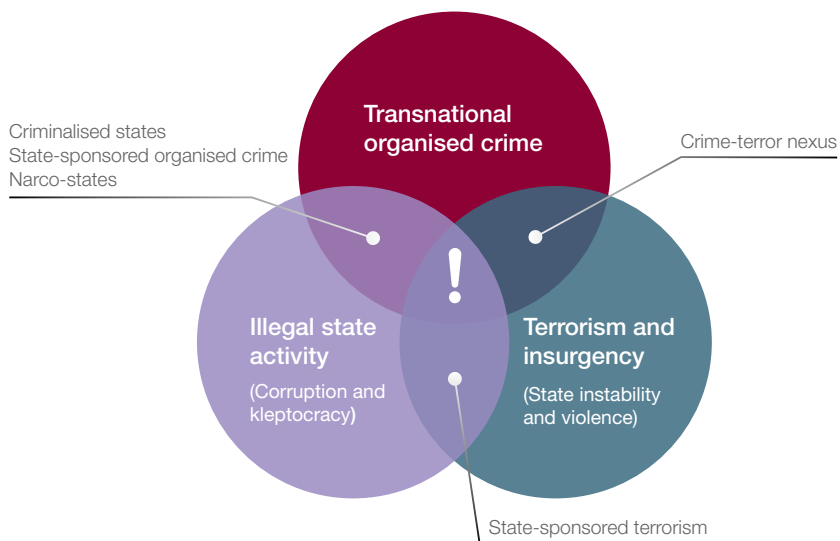


Figure 3.1 – Threat finance and economic levers actors in action

36 Pirie, Madsen, Adam Smith Institute, 'Stasi – The East German Secret Police', 8 February 2019.

37 There are some counter claims as to the origins of the amphetamine haul. Middle East Monitor, 'Italy: Police seize 'largest ever' shipment of amphetamines', 2 July 2020.

38 Europol, 'EU Drug Market: Impact of Covid-19', 29 May 2020; and Sawyer, Patrick, *The Telegraph*, 'Coronavirus creates problems and opportunities for world's drug traffickers', 7 May 2020.



3.6. In considering the importance and relevance of a potential threat finance capability, the MOD needs to answer two primary questions.

- What role can a threat finance capability play in understanding an actor's finances and the planning and execution of activities to disrupt it?
- If a threat finance capability is desirable, what form and focus should this capability take and how should it be deployed as part of target systems analysis?

### What role can a threat finance capability play?

3.7. The global threat landscape has become evermore complex and highly networked. Threats do not stay neatly within borders; and the responses are not contained within a defined geographic area of operation. What often connects and supports adversary networks is finance. Thus, in devising methods for countering the adversary, a detailed understanding of financial linkages and vulnerabilities is a major element of the planning and targeting process to counter the threat.

3.8. Developing a MOD TFEL capability will add a valuable additional dimension to target systems analysis. In considering the response to a particular threat, a lethal option may not always be the appropriate and proportionate choice.<sup>39</sup> For example, in 2015, Syrian businessman George Haswani and his co-owned



© Uncredited / AP / Shutterstock.com

Syrian businessman George Haswani

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39 The inclusion of threat finance and economic levers (TFEL) objectives in targeting operations creates a highly disruptive non-lethal effect, often targeting high value individuals with skill sets and developed relationships that are hard to replace in the vast majority of threat groups. Joint Improvised Explosive Device Analysis Centre (JIEDAC), *Threat Finance – its Importance to Military Operations*, JIEDAC/14/008.

Syrian company HESCO Engineering and Construction Company were sanctioned by both the European Union (and therefore the UK) and the US for orchestrating oil sales by the Syrian regime from Islamic State. These sales provided Islamic State with valuable income and the regime with vital fuel supplies.<sup>40</sup> Equally, in targeting Islamic State oil assets, threat finance analysis may inform the munitions-based targeting of installations and assets.

3.9. The MOD has a central role to play in both offensive and defensive terms and therefore developing a standing threat finance capability should be a logical conclusion. It should be a tool that is considered as part of target systems analysis and the MOD's role in deterrence.<sup>41</sup> As evident from the case studies in Annex A, economic levers can be used: to exert meaningful pressure on adversaries; and as part of sub-threshold hostile state activity used by adversaries against the UK and its interests.

3.10. Failing to develop a threat finance capability leaves the MOD and the UK at a disadvantage that is unable to recognise the extent to which economic levers can support in developing a range of tactical responses. As noted: '... intelligence derived from analysis of financial data can provide much greater value in both understanding and predicting the adversary's activities, as well as providing for precise targeting to disrupt them'.<sup>42</sup> Furthermore, financial data can provide valuable and previously unknown insights into adversary networks, in particular, insights into the networks that support and sustain adversaries, who may often be located beyond the immediate area of UK operations.

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40 United States (US) Treasury, 'Treasury Sanctions Networks Providing Support to the Government of Syria, including for Facilitating Syrian Government Oil Purchases from ISIL', November 2015; and European Union Council Implementing Regulation (EU) 2015/375, 6 March 2015. It should be noted that the measures applied against Haswani by the European Union were reversed on appeal in 2017 and have been the subject of ongoing legal arguments. Implementing Regulation (EU) No 36/2012 concerning restrictive measures in view of the situation in Syria.

41 For further discussion of deterrence, see Joint Doctrine Note 1/19, *Deterrence: The Defence Contribution*.

42 Keene, Shima D., *Operationalizing Counter Threat Finance Strategies*, 1st Edition, December 2014.

3.11. Conflict over resources; the transformation from simmering hostility to all-out conflict between factions within a nation state; and the strategic decision-making of non-state actors (such as Islamic State or al Shabaab) or organised crime groups can most often be traced to economics. An understanding of an actor's financial and economic levers does not only provide a tactical capability but can also help the MOD risk assess, and potentially anticipate, areas of conflict. This analysis will feed into any wider human security analysis that is being conducted, for example, as part of the conflict analysis of root causes and drivers.

3.12. An understanding of finance can also help shape tactical outcomes. For example, an analysis of key financial players (such as hawaladars,<sup>43</sup> the salary structure of fighters, or the financial incentives of suppliers of an adversary) can provide a clearer understanding of the behaviour and vulnerabilities of an adversary.

3.13. The following factors contribute to the financial viability of an adversary:<sup>44</sup>

- successfully raising/soliciting, controlling and managing, accounting for, storing, transferring, distributing and disbursing funds;
- disbursing funds and making payments on time with a minimal threat of interdiction and a degree of accountability;
- meeting expected and unforeseen financial obligations;
- transferring funds quickly and with minimal threat of interdiction;
- maintaining a reliable and steady flow of income, preferably from multiple income streams;
- growing and expanding a profitable, self-sustaining threat organisation over time and space; and
- withstanding temporary financial setbacks by maintaining a cash/asset reserve.

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43 Association of Certified Anti-money Laundering Specialists, 'In Search of the Hawaladar', 29 August 2011.

44 Joint Staff, J-7, Joint and Coalition Warfighting, *Commander's Handbook for Counter Threat Finance*, Version 1.0, 13 September 2011, pages 1-4.

Therefore, to successfully target these factors an actor would need to change its modus operandi. It may need to restrict its activities to conserve funding (therefore reducing its ability to project its threat) and turn to alternative sources of funding that may present greater risks of interdiction or reduce support for their activities (such as increasing taxes or tolls on local populations).

3.14. Developing an understanding of any financial hostile state activity and the financial flows associated with their activity below the threshold of armed conflict is essential. This understanding will ensure that Defence can employ its capabilities to mitigate and counter these threats.

### What expertise is required?

3.15. Above all, gaining a solid understanding of the financial landscape – be it state or non-state related – requires an understanding of formal and informal banking systems, in addition to analytical skills. Developing a threat finance capability is less about understanding economics (although this may be helpful) and more about understanding how financial networks are constructed and the ability to gather and exploit financial intelligence (FININT).<sup>45</sup> This may include mapping the financial infrastructure of a country (its banks, money service businesses and hawaladars) and its international connections; or the individual networks of threat actors by analysing bank accounts and payment ledgers. State tolerance for opacity and risk within the financial sector is also another important factor to consider. Thus, in addition to leveraging extant relevant Defence Intelligence capabilities, the expertise required to develop this capability may come from sources outside of the MOD, such as areas of the private sector (for example, banking, payments and financial technology companies).

3.16. As part of establishing a TFEL capability, the MOD will need to take advantage of the training offered within the UK government for developing financial investigators. The MOD may also need to develop its own FININT

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45 Financial intelligence is defined as: **the gathering of information about the financial affairs of entities of interest, to understand their nature and capabilities, and predict their intentions.** Joint Doctrine Publication 0-01.1, *UK Terminology Supplement to NATO Term.*

and TFEL-based training courses, drawing on the range of financial and economic expertise that already exists across government. This could include expertise within the financial investigator community at the National Crime Agency and National Terrorist Financial Investigations Unit, as well as leveraging relevant skills from reservists from units such as Specialist Group Military Intelligence and 77th Brigade using their relationships with other government departments and non-governmental organisations. Training and education to provide suitably qualified and, in time, experienced personnel should be broadened to include personnel from across a headquarters and not solely Defence Intelligence personnel.

3.17. Adversary financial networks will often cross borders involving actors outside the immediate area of military operations. Therefore, developing or leveraging existing skills and capabilities that operate beyond the immediate area of military operations will be important. This may require the MOD to work in partnership with other parts of the UK government that have traditionally focused on criminal financial activity in foreign countries, for example, National Crime Agency international liaison officers working with foreign law enforcement agencies.



City of London Police execute a warrant in connection with an international cybercrime ring

## What information is required?

3.18. Whether in the context of a nation state or a terrorist group, FININT can complement existing intelligence by providing additional supporting evidence, as well as offering new leads to detect activities or networks that were previously unknown.<sup>46</sup> The following list of questions, although not exhaustive, gives an example of the kind of questions which can be answered by FININT that can in turn inform the military planning or targeting process and result in a number of courses of action for senior commanders to consider.

- Who are the financiers and donors that provide financial resources, services and other items of value to adversaries and what are their motivations?
- What methods do adversaries use to raise, launder, transfer, store, secure, manage, account for, gain access to, distribute or disburse funds?
- Which of these fundraising methods are local?
- Which of these fundraising methods is most critical to the financial operations of the adversary?
- Who are the money service providers and facilitators in the group?
- Who are the financial managers, financial planners, investment managers, financial security operators, fund raisers, fund and tax collectors, bookkeepers, auditors, couriers and financial facilitators in the group?
- How are adversary personnel moving their money between and within operational areas and safe havens?
- Where and how are the adversary personnel spending their money?

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<sup>46</sup> Keene, Shima D., *Operationalizing Counter Threat Finance Strategies*, 1st Edition, December 2014, page 22.

3.19. Although FININT can be gathered from government sources such as tax authorities or the benefits payments office, the valuable sources of such information often lie in the private sector, with banks, money service businesses and hawaladars. Keeping detailed transaction records is a prerequisite for operating an effective and trustworthy financial institution (it is also a legal requirement for financial service providers to closely monitor these transactions for suspicious activity and report such suspicions to law enforcement). Thus, gaining access to such transaction records can provide a detailed insight into the activities and connections of a subject of interest.

3.20. In an age of increased 'mobile' or Internet-based banking, material such as computers and smartphones can provide valuable FININT in addition to the communications data that is most typically exploited following their acquisition. From a different perspective, banks and money service businesses that provide online services can very often identify the location of and the device from which a transaction was conducted, providing another valuable source of intelligence. An example is provided by the operations against Daesh across Syria and Iraq, targeting the group's sources of funding (particularly the regions' oil infrastructure and cash storage facilities). These operations were a vital part of the international coalition's response on the basis that Islamic State's ambition to take, hold and control territory would require extensive funding.<sup>47</sup> Identifying, and then destroying these sources of income restricted the group's ability to operate. This was, and still is, to a great extent coordinated through the US, Italian and Saudi Arabian-led Counter ISIS Finance Group.<sup>48</sup>

3.21. Financial information is often available in operational theatres via sensitive site exploitation. This information should be part of the intelligence collection plan to be gathered by those in the operating environment. The value of this information must be universally recognised, and the MOD must have the necessary resources available

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47 Cooper, H., and Schitt, E., *The New York Times*, 'ISIS Official Killed in U.S. Raid in Syria, Pentagon Says', 16 May 2015.  
48 US Department of the Treasury, 'Counter ISIS Finance Group Leaders Issue Joint Statement', 28 August 2020.

to analyse and exploit this information to enhance the understanding of a given scenario, threat or area of operation.

3.22. It should also be clear that the use of economic levers and the responses to threat finance activity are highly versatile and can be applied across a range of cases from an array of perspectives, including: against states or insurgent and terrorist groups; at a diplomatic level engaging international bodies such as the United Nations; or as a component of military action. But, the central premise of TFEL is to provide opportunities for defending against and exploiting vulnerabilities created by financial activity. Developing a capability in this area would be entirely consistent with the MOD's mission to 'protect our people, territories, values and interests at home and overseas, through strong armed forces and in partnership with allies, to ensure our security, support our national interests and safeguard our prosperity'.<sup>49</sup>

### The United States military approach to threat finance and economic levers



Counter threat finance (CTF) has been an essential component of the US Department of Defense (DOD) response to the insurgencies in both Iraq and Afghanistan. For the DOD, 'Since current and future adversaries rely on several funding sources to operate and identifying and thwarting financial supply lines are a proven means of disrupting threats to US national security, CTF is an important capability in DOD and the services. Ultimately, success in CTF will depend on DOD's ability to integrate with, support, and complement other US Government (USG), multinational, and host nation activities.'<sup>50</sup>

As a result, the DOD:<sup>51</sup>

- conducts operations, from the strategic to tactical level, to exploit, counter and potentially target the destruction of adversaries' finance networks;

49 See 'What the Ministry of Defence does'.

50 Joint Staff, J-7, Joint and Coalition Warfighting, *The Commander's Handbook for Counter Threat Finance*, Version 1.0, 13 September 2011, page II-1.

51 Joint Staff, J-7, Joint and Coalition Warfighting, *The Commander's Handbook for Counter Threat Finance*, Version 1.0, 13 September 2011, pages II-2 to II-3.



- develops and includes integrated capabilities in force planning constructs to exploit and counter financial networks that negatively affect US interests and creates a comprehensive and standardised framework for targeting an adversary's financial infrastructures for major vulnerabilities; and
- works with partners in the intelligence community to expand the collection, analysis, dissemination and exploitation of CTF intelligence, and integrate other US government CTF capabilities into the DOD planning process, when appropriate.

The US military deployments in Iraq and Afghanistan saw CTF become a notable element of the DOD's activity in those theatres by generating 'threat finance cells'.<sup>52</sup> For example, the Iraq Threat Finance Cell was established in 2005 with the mission 'to improve US efforts to gather, analyse, and disseminate intelligence relating to the financial networks of insurgents, terrorists, and militias in Iraq'.<sup>53</sup>

The importance of a TFEL capability to DOD is clear and is mainstreamed into both the strategic thinking and operational activities of the US military. Key standing capabilities of the US military include: leveraging FININT as part of developing an understanding of threat pictures and target analysis; selecting a threat finance-based response to address and neutralise a threat (for example, in partnership with the sanctions designation capability of the US Treasury); and ensuring sensitive site exploitation includes gathering financial information.

52 Ibid., pages II-5 to II-6.

53 Jacobson, Michael and Levitt, Matthew, 'The Money Trail: Finding, Following, Freezing Terrorist Finances.', *The Washington Institute for Near East Policy*, Policy Focus 89, 24 November 2008, page 17.

## A note of caution

3.23. Targeting an adversary's financial networks or restricting a nation's economic and financial connection can be decisive, but care should be taken to anticipate and mitigate unintended consequences and ensure that it is only the intended target of financial restrictions and disruption actions that are impacted.<sup>54</sup> For example, financial channels supporting humanitarian activity can be collateral damage of sanctions regimes and other activity aimed at disrupting the financial activity of a state or insurgent group. This is because financial institutions and money service businesses withdraw their services in regions where they are concerned, they may fall foul of these restriction requirements and thus face penalties or be sanctioned themselves as a result. Furthermore, targeting to destroy a hawaladar who is providing money transfer services to an insurgent group or key threat actor may also disrupt the financial support upon which a region's population relies, thus potentially increasing insurgent support as a result.

3.24. It must also be considered that the UK's legislative environment is different to, for example, that of the US. The Crime and Courts Act 2013, Section 7 allows a legislative information sharing gateway for reports of suspicious financial activity from the private sector. Its purpose, however, is to support law enforcement, not the military. Indeed, the consequences of potential lethal action as a result of the aforementioned information are certainly not foreseen by current UK law. The Patriot Act in the US provides a far wider range of options. The private sector may well view munitions-based targeting as a direct result of data it has submitted to law enforcement as unsupportable and this would undermine UK leading activities such as the Joint Money Laundering Intelligence Taskforce (JMLIT), seen as a global best-in-class of public-private partnership.

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54 Consider, for example, the unintended consequences of United Nations Security Council economic sanctions on Iraq following Saddam's invasion of Kuwait in 1991. For more details see: Rubin, Michael, 'Sanctions on Iraq: A valid Anti-American Grievance', *Middle East Review of International Affairs Journal*, December 2001.

3.25. Consideration must also be given to what can happen when short-term solutions such as ‘safe corridors’ for money transmission are no longer supported by a military administration or local arrangement in a conflict zone. Reliable, locally viable structures must be created and supported, and this must be done in conjunction with other national and international bodies, so we do not exacerbate the problems trying to be solved.

3.26. The US can weaponise the US dollar as the world’s major reserve currency in a way that the UK cannot weaponise Sterling. Due to the legislative requirements to use US entities or correspondence banks to enact transactions in the dollar, the US can influence outcomes by denying or threatening to deny access to dollar transactions in the formal banking system.<sup>55</sup> The threat of this denial of access enables the US executive to force states and their financial institutions into courses of action that they would not normally choose.<sup>56</sup> The US enforces the use of the dollar in an extraterritorial manner as a policy tool controlled by the US Treasury and is enabled by a wide variety of organisations from the DOD to the Secret Service (who are partly set up to protect the currency).<sup>57</sup> This can also lead to allegations of interference and US ‘imperialism’ in the economy and cause unwanted second order effects, such as the exponential growth of alternative crypto-currencies or Chinese policy to make the renminbi a reserve currency of choice.

3.27. It is important to anticipate and consider TFEL at the start of any MOD planning. This will ensure that courses of action are mitigated against the possible unintended consequences of deploying these levers or activities.

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55 Glazer, Emily and Jilsenrath, Jon, *Wall Street Journal*, ‘U.S. Cut Cash to Iraq on Iran, ISIS Fears’, 3 November 2015

56 Zoffer, Joshua P., ‘The Dollar and the United States’ Exorbitant Power to Sanction’, *The American Society of International Law*, Volume 113, 29 April 2019.

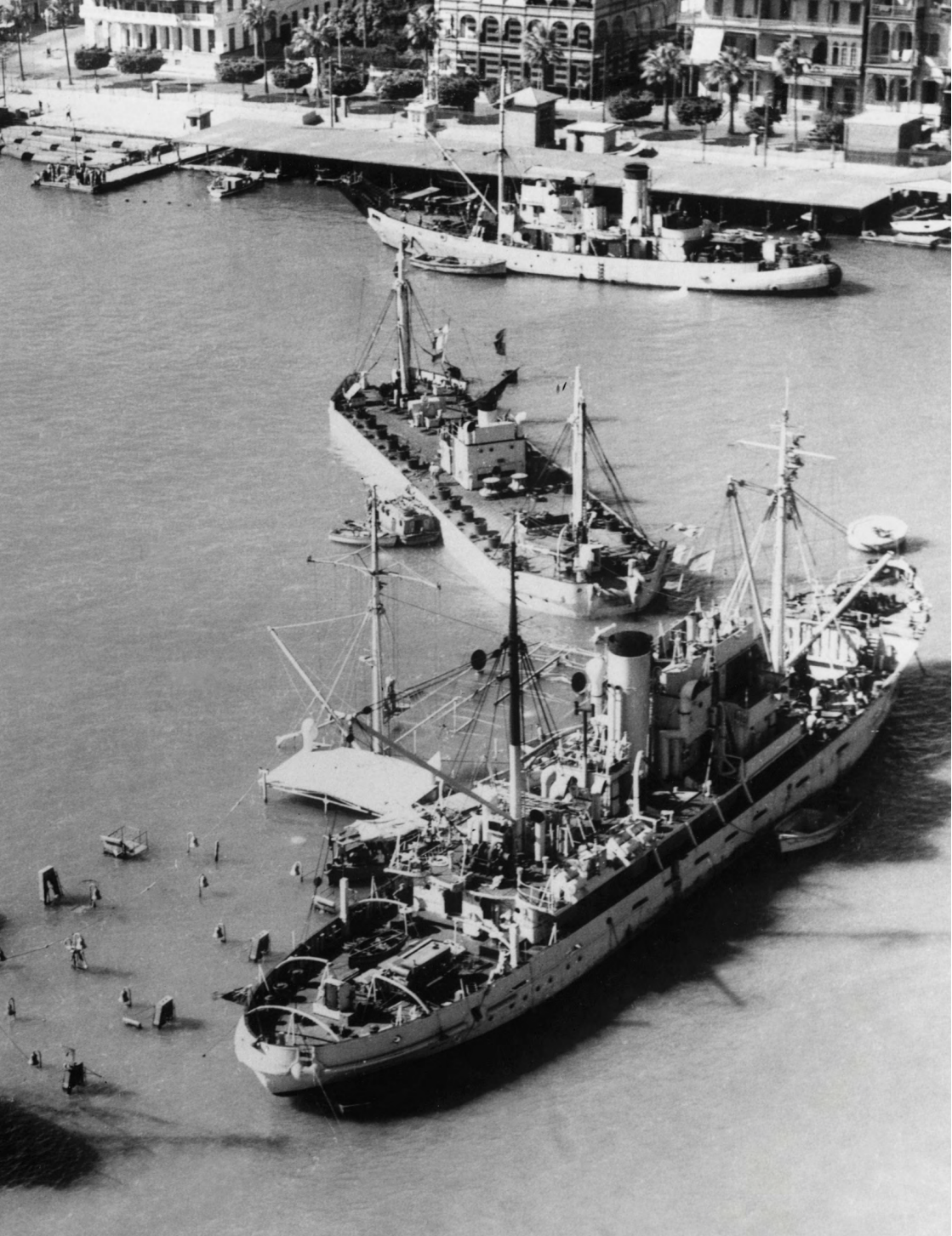
57 UK Parliament, ‘The UK’s role in the economic war against ISIL. Isolating ISIL from financial systems’, 7 July 2016.

## Key points

In summary, the MOD TFEL could do the following.

- Support domestic UK agencies and government activities (for example, partnering with the National Crime Agency and/or host government law enforcement agencies).
- Enhance and direct military activity and integrate it into the targeting cycle for both munitions and non-munitions based targets. This will bolster the MOD's deterrence capabilities and provide commanders with the suite of options and an understanding of how to engage with partners across government to enable them.
- Gather intelligence – TFEL can answer questions relating to the strategic capability and viability of an organisation (for example, ISIL revenue and reserves) through operational (a threat actors' vulnerabilities) to tactical (networks and informing disruptions). An effective way of achieving this is using threat finance cells taking information from the battlefield, such as in counter-ISIL operations, and turning it into actionable intelligence for the MOD or other government departments.
- The sensitive site exploitation capability that threat finance cells could achieve would enable the MOD to achieve outcomes and courses of action which work in operations at a tactical and strategic level in cooperation with other government departments.
- Work with alliances and partners drawing on individual countries' strengths to achieve mutually desirable outcomes.
- Care should be taken to anticipate and mitigate unintended consequences and ensure that it is only the intended target of financial restrictions and disruption actions that are impacted.

## Notes



# Chapter 4

Chapter 4 examines the UK's vulnerabilities to hostile state and non-state actors' use of economic warfare and the growth of cybercrime. It explores how the Ministry of Defence must contribute to national resilience as well as protecting itself from these threats.

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States engaged in **illicit** conduct pose a particular **challenge**. They hide behind a **veil of legitimacy**, disguising their activities, such as **weapons sales** or procurement, through the use of **front companies** and intermediaries. In some cases, they **intentionally obscure** the nature of their financial activities to evade detection and avoid suspicion. We have had important successes **countering** the **illicit financial** activity of both North Korea and Iran by using a **combination** of financial measures, fuelled by financial intelligence, to target their conduct in a way that is **persuasive** both for other governments and the private sector.

”

Stuart Levey,  
Under Secretary for Terrorism  
and Financial Intelligence,  
Testimony, 2008



Chapter 4

# The UK's vulnerability to threat finance and economic levers

4.1. The focus of this joint doctrine note has so far been on the UK's use of economic levers and counter threat finance capabilities against adversaries or in support of allies. However, the open nature of the UK's economy, our position as an island and the centrality of the City of London to global finance and the well-being of the UK economy<sup>58</sup> leaves the nation vulnerable to economic warfare. Although other government departments may take the lead in combatting the homeland threat, the Ministry of Defence (MOD) must have a capability to support them. The MOD's strategic planners should not disconnect homeland security from international security. The possibility of hostile acquisition of the MOD's suppliers to either deny the MOD access to its supply chain or to access intellectual property for espionage further raises the importance of this requirement to the MOD.

## Finance and the cyber threat

4.2. The UK's high street banks and other financial institutions are repeatedly subject to an ever-increasing number of cyberattacks. Most attacks against the sector are motivated by profit and carried out by criminal groups, although a smaller number of attacks may be linked to hostile state activity. These attacks range from low-level attempts to steal customer data to enable fraud activities through to more sophisticated intrusions aimed at accessing payment systems or even directly disrupting operations. A smaller number of attacks could involve more traditional espionage. Perhaps of even greater concern is that as the financial markets increasingly automate they will potentially become more vulnerable to operational technology threats; for example, disrupting pricing sources which could

.....  
58 In 2018, the financial services sector contributed £132 billion to the UK economy, 6.9% of total economic output; 1.1 million financial services jobs in the UK, 3.1% of all jobs; and £29 billion in tax. Rhodes, Chris, 'Financial services contribution to the UK economy', *House of Commons Library Briefing Paper*, Number 6193, 31 July 2019.

subtly undermine the financial sector and not become obvious until it was too late and confidence in the markets had been undermined.

4.3. As the financial system in the UK becomes further digitised, the integrity of the technology used for these developments must be carefully considered to ensure that by embracing the benefits of technology, the UK does not leave itself open and vulnerable to future, aggressive economic warfare activity by state or non-state actors. Whilst the criminal element of these attacks is not the domain of the MOD, the rising prevalence of state-led attacks on a nation's financial system clearly represent a threat to UK national security.

### Finance and hostile state activity

4.4. Hostile state activity is the use of overt and covert actions – unethical and potentially illegal under international law – orchestrated by foreign governments that undermines or threatens the UK's national security, the integrity of its democracy, the functioning of the state, its public safety, reputation or economic prosperity. A feature of hostile state activity is the exploitation of information through disinformation and the use of misinformation. Information operations are not new; propaganda has been a central pillar of state influence campaigns for centuries. Yet with the advent of social media, the ease with which such campaigns can be mounted, and the resulting effectiveness of those campaigns, has been magnified.

4.5. A further area in which the UK faces an economic warfare threat is hostile state actors providing funding to support disinformation and negative media campaigns in the UK. Evidence suggests that hostile state actors (or those acting on behalf of such states) have increasingly sought to influence the outcome of elections and broader public sentiment towards national governments via social media campaigns by distorting the public's perceptions of governments or key figures of authority. The funding of this type of activity must be a priority target to understand, mitigate or destroy.

## The use of disinformation and misinformation



The following examples are about disinformation and misinformation which, of course, must be paid for and therefore must be a focus of our threat finance activity to understand about and counter adversaries' activities.

### Unites States presidential elections 2016

In the run-up to the 2016 United States (US) presidential elections, Russian agents engaged in a campaign to 'undermine public faith in the US democratic process, denigrate Secretary Clinton, and harm her electability and potential presidency'.<sup>59</sup> The campaign included the spread of polarised views on social media, the cyberattack on the Democratic National Committee and Democratic Congressional Campaign Committee and the leaking of emails and documents to damage Hillary Clinton's candidacy.<sup>60</sup>

### Campaign against German North Atlantic Treaty Organization soldiers

On 14 February 2017, emails claiming that German soldiers had raped an underage Lithuanian girl were sent to the president of the Lithuanian parliament and various Lithuanian media outlets. The charges were investigated but no evidence was found to verify the claims. The emails are part of a disinformation campaign against the North Atlantic Treaty Organization (NATO) and especially, the 'enhanced forward presence' mission in NATO's Eastern territories.<sup>61</sup>

To combat the disinformation campaign from Russia against the European Union, the European Union established the East StratCom Task Force in September 2015. Later the European External Action

59 Office of the Director of National Intelligence, *Background to "Assessing Russian Activities and Intentions in Recent US: Elections": The Analytic Process and Cyber Incident Attribution*, 6 January 2017, page ii.

60 Abrams, Abigail, Time, 'Here's What We Know So Far About Russia's 2016 Meddling', 18 April 2019.

61 Deutsche Welle, 'NATO: Russia targeted German army with fake news campaign', 16 February 2017.

Services set up two additional task forces to counter disinformation in other areas of the European Union's neighbourhood: The Western Balkans Task Force and the Task Force South.<sup>62</sup>

## The Ministry of Defence and threat finance and economic levers threats to the UK

4.6. Cyberattacks on the UK's banking system are not the immediate domain of a MOD operation, but such campaigns are a clear threat to national security. Therefore, the MOD must be aware of, and have a capability to monitor, understand and learn from such incidents. In contrast, some finance-based threats to the UK homeland are most certainly the domain of the MOD. For example:

- a threat actor moving funds through hawaladars to fund external operations which may include UK targets;
- the ungoverned spaces of Somalia allow the export of charcoal and an East Africa drugs corridor helps finance al Shabaab and threatens UK citizens in the region and at home; and
- financial information gathered on the battlefield may help identify UK foreign fighters or provide evidence of UK-based or other associated supporters that can be used to mount law enforcement action in the UK or develop sanctions designations at a regional or international level.

.....  
62 Berzina, Krstine, et al., 'European policy blueprint for countering authoritarian interference in democracies', German Marshall Fund of the United States, 25 June 2019, page 41.

## Threat finance and economic levers problem set – a hypothetical case study



To demonstrate the relevance of threat finance to the UK military, the following is a hypothetical case study of a threat finance and economic levers (TFEL) problem set.

On Friday 31st December 2021, the UK and many European nations are preparing for the first real New Year's Eve celebrations since the end of the COVID-19 pandemic. A treatment and vaccine have been found and after nearly two long years of alternating lockdown and easing the public are going out in victorious celebration. The UK has planned unprecedented street parties in London, Edinburgh, Cardiff and Belfast; the parties will be free-ticketed affairs. The street parties are hugely anticipated and there has been much speculation in the press about the fireworks.

It has been widely accepted that the last two years has tested the public and police authorities, and their relationship at times has been fractious. The police authorities in the UK and throughout Europe are highly attuned to the fact that they have been seen as enforcers of unprecedented encroachment on civil liberties to combat the pandemic. There is an overall feeling of relief and letting down of guards and the police are keen to use this event to spread goodwill and repair some damage – it could be likened to this generation's Victory in Europe (VE) Day celebration!

At 0015 hours, a group of individuals pledging allegiance to the Popular Islamic Front of Lonrovia (PIFL) enter among the crowds across the four UK locations with suicide vests and AK-47s with the intent of causing maximum chaos. The results of the synchronised attacks are catastrophic with large-scale casualties; Paris, Berlin and Amsterdam also suffer a similar fate. The scale of the attack is ambitious, deadly but also extremely opportunistic taking advantage of the mood of the nation.

Closed-circuit television (CCTV) evidence shows groups of attackers getting out of a series of minibuses located near the street parties in London, Edinburgh, Cardiff and Belfast. The vans were all hired from the same place on the 29 December 2021 with vehicle registration numbers that Automatic Number Plate Recognition (ANPR) traces to a hire firm in Bridlington. On raiding the small local firm, the Counter Terrorism Unit quickly find that due to the pandemic, the owners have run all their business remotely with document scans and electronic transfers of money with virtually no face-to-face client interaction. Their records identify one of the attackers and the details of her name allow law enforcement to approach the Joint Money Laundering Intelligence Taskforce (JMLIT) banks to trace the funds. Through this it is quickly identified that the funds to rent the minibuses came via a Greek-Cypriot money service business operating in the UK. This business is known to operate in a number of countries in the Middle East and North Africa, including Lonrovia. The business is immediately very cooperative with law enforcement requests for intelligence and a direct line of funding from the attackers account to Lonrovia can be established through a local money service business.

The local money service business has been on a US watchlist for some time, linked to the funding of attacks against US Embassy personnel in Lonrovia. This evidence provides a link giving credence to the PIFL claims of having carried out the attacks. The Lonrovia government is sympathetic to the PIFL and refuses to cooperate with international requests for information and enforcement. There is credible imagery intelligence that suggests that there are a significant number of suspected terrorist training camps in Lonrovia.

There is a genuine fear of further attack in the European capitals and calls for the invoking of NATO Article 5 due to the substantial nature of the attack. But the ghost of Afghanistan brings caution to the minds of ministers and senior military officials.

The TFEL functions within the MOD are now called on to advise on the accuracy and origin of the financial information and contribute to the courses of action briefings that the MOD's senior leadership team

are preparing for government. Would taking direct action against the money service business stop further funding or does the network of terrorist support span far more widely and, if so, how can further atrocities be stopped? If the government of Lonrovia is not stopping terrorist funding, then what is in the toolkit for the UK government and coalition allies, from sanctions to kinetic action? If the MOD did not have an established TFEL capability of its own, the senior leadership team would not be able to be internally briefed and prepared with a full understanding of the evidence being presented and the **so what** of this evidence when they meet with other government departments to react to the attacks.

The UK government and partners decide that Lonrovia is actively engaged in training terrorists and funding terrorism, but there would be little UK public support for a military intervention like Afghanistan. It is decided that the MOD should prepare a list for both munitions (lethal) and non-munitions based targeting, which in conjunction with diplomatic and partners across government activity such as freezing accounts of Lonrovia government supporters will seek to provide the cognitive change required in Lonrovia. The TFEL team are crucial in converting the evidence provided by the financial links from law enforcement into the targeting cycle. They will also provide guidance to the legal advisers on the legality and permissions required to use information obtained via a Section 7 Gateway of the Crime and Courts Act 2013 for this purpose. They also liaise with other parts of the government including Counter Terrorism Command (SO15) National Terrorist Financial Investigation Unit.

It is the MOD that will be responsible for targeted strikes on terrorist training camps and financing operations and it will need to be able to justify these actions. Hence, overall this requires efforts and effects across multiple government departments to be integrated, which will ultimately result in the threat to the nation being tackled, potentially including through munitions based targeting, or more general Defence activity (such as Defence Engagement and peacekeeping operations, through to more offensive activities, including enforcement, blockades, and destructing networks, facilities and enablers).

## Key points

- As an open economy, the UK is itself vulnerable to TFEL applied by hostile state and non-state actors.
- Cyber provides an ideal vector for mounting finance-based attacks on the UK.
- Hostile state actors' finances can also be used to finance disinformation and misinformation campaigns that undermine the UK democratic process and promote conspiracy theories via social media.
- While economic threats to the UK homeland are most often the domain of law enforcement, the effects and impacts of such threats are certainly within the resilience domain and interest of the MOD.
- TFEL can play a valuable role in justifying and supporting the MOD's national security responses.



## Notes

# England



# unds

*Winston. Ch*  
I have nothing to offer but blood, toil, tears and

# Chapter 5

Chapter 5 summarises the threats faced, the role of the Ministry of Defence, and discusses how to grow the Ministry of Defence's threat finance capability for the future.

“

This ruling makes clear that the struggle against **terrorist financing** is not just an American or Western concern, but a **global threat.**

”

David H. Petraeus,  
Commander of United States Central Command,  
praising Saudi Arabia's religious leaders for  
taking a major step toward promoting broader  
counterterrorism cooperation by their recent  
rejection of financing terrorism as un-Islamic in 2010

## Chapter 5

# Conclusions and recommendations

5.1. The 2013/2014 Agile Warrior report noted in a chapter on alternative currencies and financial flows that understanding how money (in all its forms) is generated and moves allows a better understanding of power relationships. In instances where troops deploy and need to build a rapid understanding of the situation, understanding the financial situation can give a very useful perspective. Thus, developing this understanding at the tactical level, without interfering with work being handled at the strategic level with other agencies and government departments should be explored.

5.2. The value of such a capability was demonstrated by the now defunct Joint Improvised Explosive Device Analysis Centre (JIEDAC), which brought together cross-government capabilities to develop a threat finance response to support Operation Herrick in Afghanistan. At a tactical level, such a unit can mount dedicated ‘follow the money’ operations to help identify and disrupt targets who often have specialist skills that are not easily replaced, thus amplifying the disruptive effect of targeting their activities. At a strategic level, a clear and up-to-date understanding of the financial vulnerabilities of both potential adversaries (state or non-state) and the UK will allow the Ministry of Defence (MOD) to more effectively meet its objective of working for a secure and prosperous UK with global reach and influence. The lack of a standing threat finance and economic levers (TFEL) capability to task financial intelligence (FININT) analysis and related planning deprives the MOD of an important, and proven, capability.

5.3. Whilst a TFEL capability will not, in and of itself, entirely neutralise an adversary’s will or operational ability, this joint doctrine note shows that a TFEL capability is a fundamental requirement to ensure the MOD can effectively conduct activity against hostile actors in a multi-domain and sub-threshold battlespace of the present and future. Developing this

capability does not represent solely a stand-alone MOD capacity, rather, it represents a valuable additional capability that can:

- support existing operations;
- provide greater reach than conventional forces by being able to operate across borders; and, overall,
- provide an additional dimension for understanding and disrupting an adversary.

Providing this capability is also cost effective when compared to deploying personnel or expensive equipment to achieve the same ends.

5.4. Establishing a standing MOD TFEL capability will provide a valuable additional dimension to the MOD toolkit at both the operational and strategic level to better support partners across government and agencies as well as plan and prosecute TFEL effects. Where the MOD has developed this capability on a reactive basis (notably the creation of JIEDAC within Operation Herrick), it has proved its worth. A more strategic and permanent approach to TFEL would serve the MOD well. Currently, without the full capability, the MOD are not actively ‘listening’ for signals of economic levers being used against the UK; the threat might manifest without any reactive advantage afforded by monitoring its use. Part of any formed capability is to assist in monitoring for signals of activities being waged against the UK’s interests. There is an opportunity for Defence to provide thought leadership in the TFEL arena and create a strategic capability that provides understanding and optionality for the senior leadership team in a highly cost-effective manner. The MOD should use this opportunity to lead other allied nations who do not have the opportunities offered by the weaponised United States dollar to impact adversaries.

## Key points

In the future, the MOD should look to do the following.

- Integrate a TFEL capability into existing MOD intelligence and target systems analysis structures.
- Identify and draw on existing MOD resources and specialists engaged in or exhibiting a high degree of subject matter expertise competency in TFEL.
- Source and develop the necessary skilled staff to engage with topics that are, in general, unfamiliar to the MOD and military staff.
- Cultivate a culture of TFEL understanding among analysts and military personnel on the ground (in relation to sensitive site exploitation).
- Develop connections with existing government TFEL capabilities to identify the significant gaps that the MOD should address and leverage existing UK government and allied partners capabilities where relevant.



# ВОЕННЫЙ 5½% ЗАЕМЪ.

ЦѢЛЬ ЗАЙМА—УСКОРИТЬ ПОБѢДУ  
НАДЪ ВРАГОМЪ.



## Annex A

# Threat finance and economic levers through history

A.1. Throughout history, a range of threat finance and economic levers (TFEL) strategies have been deployed to different ends, but in each case, the aim is to achieve tactical or strategic advantage over an adversary, which until more recently has most commonly been state, rather than non-state, actors. This annex provides examples of these applications of TFEL to provide the reader with some perspective on what the Ministry of Defence (MOD) could seek to achieve by developing a standing capability.

## Blockades, embargoes and sanctions

A.2. In its simplest form, blockades, embargoes and sanctions are types of economic pressure that seek to deny, disrupt and disable an adversary's economic capability. They reduce an adversary's access to resources in an attempt to either coerce a change of behaviour or force submission.

A.3. One of the earliest examples of such economic pressure is the 'Megarian decree' issued by the Athenian empire in 432 BC. This decree banned Megarians from harbours and marketplaces throughout the large Athenian Empire, thus strangling the Megarian economy.

A.4. A further example from history is the Papal excommunication of England in 1570, through which the Catholic Church sought to punish England for crowning a Protestant (and thus heretic) as Queen by isolating England from trade with the rest of Catholic Europe. This example also provides an early lesson on the effective use of economic levers as well as the possible unintended consequences that should be considered. Freed from the Catholic Church's embargo on trading with non-Catholic

nations,<sup>63</sup> England was able to expand its trading relations with powerful counterparts such as the Ottoman Empire which granted England preferential trading rights, superior to any offered to other European trading nations.<sup>64</sup>

A.5. Such economic coercion is often employed in conflict. History is peppered with examples of economic embargoes and blockades being imposed in both civil and regional wars. For example, during the American Civil War, the Union blockaded the Confederate ports with the aim of both preventing the imports of armaments and weaponry into the Southern states and halting the exports of cotton from the plantations, which were known as the South's 'coin of the realm' because of the vital role they played in southern exports, and thereby its economy.<sup>65</sup>

A.6. During World War 1, Allied forces employed a blockade of Germany with the simple aim of starving Germany into surrender by applying economic pressure to both harm the public's morale at home and to reduce the availability of supplies required to sustain the war. Within a week of the outbreak of war the German merchant fleet had been banished from the oceans.<sup>66</sup> In addition, the blockade also affected trade between Germany and neutral states.<sup>67</sup> While the blockade's effectiveness depended on the ingenuity of neutral shippers and the resolve of the Allies to apply pressure on the neutrals, by 1918, Germany's imports fell to less than 39% of their pre-war value and only one-fifth of their pre-war volume.<sup>68</sup> Exports also fell to about 25% of their pre-war level, due both to the blockade and the fact that Germany was at war with half of its trading partners.

.....  
63 Jardine, Lisa, 'Gloriana Rules the Waves: Or, the Advantage of Being Excommunicated (And a Woman)', *Transactions of the Royal Historical Society*, 2004, page 211.

64 *Ibid.*, page 210.

65 Still Jr., William N., 'A Naval Sieve: The Union Blockade in the Civil War', *Naval War College*, May-June 1983, page 38.

66 Kramer, Alan, 'Blockade and economic warfare', *The Cambridge History of the First World War, Volume II: The State*, 2014, page 465.

67 *Ibid.*, page 467.

68 *Ibid.*, page 477.

A.7. In more recent times the international community (either unanimously via the United Nations Security Council, or on a regional basis amongst like-minded nations) have used financial sanctions as a means of seeking to encourage behavioural change by nations, restrict the operations of terrorist groups and disrupt the activities of organised crime groups, kleptocrats and human rights abusers. The sanctions imposed against Russia by the United States (US) and the European Union following the annexation of Crimea and the further violation of Ukrainian sovereignty in 2014 are a case in point.

### Russian violation of Ukraine sovereignty, 2014



Sanctions against Russia were imposed by the US and the European Union in reaction to Russia's violation of Ukraine's sovereignty and territorial integrity starting in March 2014.<sup>69</sup>

One aim of the sanctions imposed against Russia was to halt a further escalation of the conflict and freeze the conflict along the post-Minsk demarcation line. In addition, the sanction made the integration of Crimea more expensive for Russia. It can be argued that as a result of this sanctions regime, the Ukrainian state survived.<sup>70</sup>

Previous sanctions have included the following.

- Asset freezes and travel bans on individuals and entities that have been involved in, or benefited from, Russia's actions in Ukraine and individuals that were identified to be responsible for the misappropriation of Ukrainian state funds: included are Russian politicians, members of the Russian armed services, separatist leaders in Eastern Ukraine, officials Russia appointed to the government in Russian-occupied Crimea, and some of President Vladimir Putin's close business associates.

69 Bazoobandi, Sara, et al., 'On target? EU sanctions as security policy tools', *European Union Institute for Security Studies*, 2015, page 39.

70 Ibid., page 41.

- Restrictions on transacting with, and investing in, Russian-occupied Crimea businesses.
- Sectoral sanctions targeting the oil and gas, defence and financial sectors in Russia.
- An arms embargo.
- Restrictions on economic cooperation between Western development banks and Russia.<sup>71</sup>

Sanctions imposed by the European Union must be unanimously agreed every six to 12 months by the member states. In contrast, sanctions imposed by the US remain in effect unless they are lifted.<sup>72</sup>

For Russia the sanctions regime meant, according to International Monetary Fund calculations, a decrease in its gross domestic product (GDP) growth rate of between 1% and 1.5%.<sup>73</sup> More importantly, companies associated with the sanctions regime have lost about one-third of their operating revenue, over half their asset value and about one-third of their employees. In addition, it can be argued that sanctions against Russia led to a slowing of the modernisation efforts of the Russian military.<sup>74</sup>

It can also be argued that the sanctions regime implemented by the US and the European Union was a success given the fact that Russia has not seized more Ukrainian territory since 2014 or engaged in further destabilising activities in Ukraine. However, overall, the foreign policy of Russia has remained interventionist.<sup>75</sup>

.....  
71 Harrell, Peter E., et al., 'The Future of Transatlantic Sanctions of Russia', *Centre for a New American Security*, 15 June 2017, page 2.

72 *Ibid.*, page 3.

73 *Ibid.*, page 3.

74 *Ibid.*, page 4.

75 *Ibid.*, page 1.

A.8. The success of such economic pressure, applied on a stand-alone basis and without international consensus, is far from assured. An example would be the ongoing embargo placed on Qatar by other members of the Gulf Cooperation Council in 2017, where Qatar has secured alternative supplies of food and consumer goods financed by the continued demand around the world for supply from its vast gas reserves.<sup>76</sup>

## Financing friendship and alliances

A.9. Economic levers can include providing overt or covert economic support, ranging from signing trade deals on favourable terms through to providing financing and resources to proxies waging an insurgency against a foe. The former is currently most evident in the form of China's 'Belt and Road Initiative' as it deploys its national wealth to extend its strategic influence to develop 'client states' in parts of the world that have previously been more allied with Western powers. As China binds an increasing number of countries with economic ties, this poses a direct threat to the UK and allies in the West.

### China's Belt and Road Initiative



In 2013, China launched its Belt and Road Initiative. The project links China with the Persian Gulf and the Mediterranean Sea through Central and West Asia and connects China with Southeast Asia, South Asia and the Indian Ocean by land and sea.<sup>77</sup> This area covers 55% of world's GDP, 70% of global population and 75% of known energy reserves.<sup>78</sup> The initiative, which intertwines political and economic interest, has two components: the 'Silk Road Economic Belt', which aims to facilitate land-based trade across the Eurasian landmass; and the '21st Century Maritime Silk Road'.<sup>79</sup>

76 Matt Smith, BBC News, 'How is Qatar coping with its economic embargo?' 10 January 2019.

77 Tzogopoulos, George N., 'Greece, Israel and China's "Belt and Road" Initiative', *Mideast Security and Policy Studies*, Number 139, October 2017, page 7f.

78 Bondaz, Antoine, "'One Belt, One Road": China's Great leap outward', *European Council on Foreign Relations*, 2015, page 1.

79 *Ibid.*, page 3.

The Washington Institute noted in 2011 that port building, as part of the 21st Century Maritime Silk Road initiative, had three dimensions:

- obtaining access to airfields and ports by gaining access to, or building new, facilities globally with the understanding that they will be available when needed;
- increasing diplomatic relations to ensure that shipping lanes remain clear and trade agreements are in place; and
- modernising China's military to hold individual 'pearls' of capability when necessary.<sup>80</sup>

The ambition of the Chinese Navy is further outlined in the 2015 Defence White Paper stating that China's armed forces would be used to 'safeguard the security of China's overseas interests' which include 'energy and resources, strategic sea lines of communications, as well as institution, personnel and assets abroad'.<sup>81</sup>

In 2017, Chinese state-owned companies announced plans to buy or secure majority stakes in nine overseas ports, all located in regions where China plans to develop new sea lanes. This is in addition to the 40 ports in Africa, Asia and Europe in which Chinese state-owned firms hold stakes worth in excess of US \$40 billion. Port locations are chosen as part of China's wider strategic effort to redirect shipping routes and play a stronger role in international shipping, and to increase trade via Chinese-built and operated container ports.<sup>82</sup>

China's return on investment from increased port access and supply chains is not all about economics. In five cases – Djibouti, Walvis Bay (Namibia), Gwadar (Pakistan), Hambantota (Sri Lanka) and Piraeus (Greece) – China's port investments have been followed by regular People's Liberation Army and Navy deployments and strengthened military agreements. In this way, financial investments have been turned into geostrategic returns.<sup>83</sup>

80 Nouwens, Veerle, 'China's 21st Century Maritime Silk Road. Implications for the UK', *RUSI Occasional Papers*, February 2019, page 26.

81 *Ibid.*, page 26.

82 *Ibid.*, page v.

83 Kynge James, et al., *Financial Times*, 'Beijing's global power play. How China rules the waves', 12 January 2017.

A.10. China's increasing willingness to use its growing economic muscle to achieve strategic objectives or exert tactical pressure can be seen from a series of actions it has taken over the past ten years, as shown in Table A.1. These actions have been carefully designed to demonstrate its economic might and to challenge all nation states, but notably targeted against the US.

Year	Action
2010	China reduced its salmon purchases from Norway (home of the Nobel committee) upon award of the Nobel Peace prize to Chinese 'dissident' Liu Xiaobo.
2014	China curtails the import of Japanese automobiles to signal its displeasure of security policies published by Japan.  China expresses a desire to increase trade with South Korea should it reject the local deployment of a US missile defence system.
2014-15	China ports block the import of bananas from the Philippines due to public statements opposing China's policies in the South China Sea.
2016	China is the driving force behind creating the Asia Investment Bank as direct regional competitor to the Washington-based World Bank.
2019	China ceased pork and canola imports from Canada shortly after the arrest of the Huawei Chief Financial Officer.
2019, ongoing	US/China trade conflict.

**Table A.1 – Chinese economic actions**

A.11. Whilst Russia lacks the resources of China, it is likewise adept at employing economic leavers to destabilise countries, develop client state relationships and threaten Western interests. Russia's activities in Libya are a case in point.

### Russia's strategic involvement in Libya



Russia's interest in Libya has a long history and two primary reasons continue to guide Russia's foreign policy towards Libya today:<sup>84</sup> the geostrategic position of Libya; and access to energy resources. Libya still has the largest oil reserves in Africa and was, prior to 2011, the third largest oil exporter to Europe.<sup>85</sup>

In 1945 during the Potsdam Conference, Joseph Stalin unsuccessfully tried to claim trusteeship over Libya's Tripolitania province; during the Cold War, Libya became an important arms client for the Soviet Union; and in 2011, after the North Atlantic Treaty Organization's (NATO) intervention in Libya, the then Russian Prime Minister Putin condemned the international support for the intervention as a 'medieval call for crusaders'. He specifically accused the US and NATO of cynically manipulating the international system to impose regime change in Libya. However, the main reason for the strong Kremlin reaction was the loss of political influence and multibillion-dollar industrial contracts in Libya.<sup>86</sup>

The value to Russia of a strong, long-term position in Libya is clear. It would gain leverage over European energy supplies and be in a strategic position from which to gain further access to the Middle East and Africa. Libya's deep-water ports of Tobruk and Darnah would be very useful for the Russian Navy, not only logistically but particularly

84 Borshchevskaya, Anna, The Washington Institute, '[Russia's Growing Interest in Libya](#)', 24 January 2020.

85 Feuer, Sarah, et al., 'Libya: A Violent Theatre of Regional Rivals', *INSS Insight*, July 2019, page 2.

86 Bugayova, Nataliya, 'How we got here with Russia: The Kremlin's Worldview', *Institute for the Study of War*, March 2019, page 19.



geostrategically, especially in combination with its existing use of the Syrian port of Tartus.<sup>87</sup>

However, since the toppling of the Gaddafi regime in 2011, not only Russia but also many other countries in and beyond the region saw the ensuing chaos as an opportunity to promote their own geostrategic and economic interests. Even implementing the Libyan Political Agreement in December 2015, which formally marked the end of the first civil war and created the internationally recognised Government of National Accord in Tripoli, could not end the inner-political conflicts nor the continuous intervention of foreign regional and supra-regional states in Libya.<sup>88</sup>

Since 2014, the Russian policy towards Libya can be described as 'maximum return on minimal investment'.<sup>89</sup> Russia has spoken to all conflict parties in Libya, albeit to some more than others. In 2015, the preferred Russian partner, Field Marshall Haftar, started to reach out to Moscow for support. He offered what Russia was looking for: energy deals and port access.<sup>90</sup> Haftar promised to renew the Russian contracts with Gaddafi, which were worth US \$9-10 billion. However, given the destruction of Libya during the civil war, they could now be worth even more.<sup>91</sup> Consequently, Russia began to provide military advice and diplomatic support at the United Nations to Haftar and started to print Haftar's own currency. In 2017, Russia provided medical support to Haftar's soldiers in Russia and increased the number of military trainers and shadowy private military companies in Libya to protect oil assets.<sup>92</sup>

87 Borshchevskaya, Anna, The Washington Institute, 'Russia's Growing Interest in Libya', 24 January 2020.

88 Feuer, Sarah, et al., 'Libya: A Violent Theatre of Regional Rivals', *INSS Insight*, July 2019, page 1.

89 Megerisi, Tarek, 'Libya's Global Civil War', *European Council on Foreign Relations*, June 2019, page 10.

90 Borshchevskaya, Anna, The Washington Institute, 'Russia's Growing Interest in Libya', 24 January 2020.

91 Souleinmanov, Emil Aslan, The Middle East Policy Council, 'Russia's Policy in the Libyan Civil War: A cautious Engagement', Summer 2019.

92 Borshchevskaya, Anna, The Washington Institute, 'Russia's Growing Interest in Libya', 24 January 2020.

Russia has concurrently maintained its ties with the Government of National Accord (mainly oil agreements), which reflects Russia's awareness that either Haftar may be unsuccessful or that an exclusive relationship with Haftar would limit future options.<sup>93</sup> Thus, Russia has positioned itself as a critical arbiter of peace between the country's competing factions. Libya on the other hand has empowered Russia's negotiating hand against the West, not least since a stand-off and instability in Libya could allow Russia to use mass migration from Libya as leverage against Europe.<sup>94</sup> A Russian dialogue over Libya with Europe exploiting the European Union's concerns over migration could lead to an expanding rift within the European Union over their approach to Russia.<sup>95</sup>

In addition, indirect control over Libya's energy resources achieved through a friendly and indebted government may increase Russia's role in Mediterranean politics and security and could turn Russia (apart from tangible economic interests) into an important actor with a say in conventional security and energy policy.<sup>96</sup>

The Russian commitment in Libya is also important for the relationship between Russia and key regional players. The relationship between Russia and Egypt improved and deepened over Russia's commitment to Libya, given that Egypt most likely persuaded Russia to support Haftar as well as their relationship with the United Arab Emirates. Russia may also use its new position in the region as additional leverage over Turkey.<sup>97</sup>

In short, at the moment Moscow benefits from simply staying put in Libya while maintaining its influence especially through Russian private military companies<sup>98</sup> funded through opaque mechanisms and networks.

93 Megerisi, Tarek, 'Libya's Global Civil War', *European Council on Foreign Relations*, June 2019, page 10.

94 Alaadin, Ranj, 'Shaping the political order of the Middle East: Crisis and Opportunity', *Instituto Affari Internazionali (IAI) Papers 19*, 9 April 2019, page 7.

95 Souleinmanov, Emil Aslan, The Middle East Policy Council, '[Russia's Policy in the Libyan Civil War: A cautious Engagement](#)', Summer 2019.

96 Ibid.

97 Ibid.

98 Ibid.

A.12. Providing financing and resources (for example, weapons) to proxies is a popular way of supporting insurgencies that are fighting against adversary nations. As the next two case studies illustrate this is a method that can be employed **by** the UK and allied nations (as with the US funding of the Mujahideen in their conflict with the Soviet Union in Afghanistan) but can also be used **against** the UK to attack the homeland and its assets around the world (as evidenced by Libyan leader Muammar Gaddafi’s financing and resourcing of the Provisional Irish Republican Army (IRA)).

## Finance in theatre

A.13. The case studies noted thus far have typically involved remote engagement: using blockades; imposing financial sanctions; and providing funding and resources to proxies. But in recent years finance has been used as a central tool by the UK and allied forces in theatres of operation.

A.14. In operations conducted against Islamic State across Syria and Iraq, targeting the group’s sources of funding (particularly the region’s oil infrastructure and cash storage facilities) was central to the coalition’s response on the basis that Islamic State’s ambition to take, hold and control territory would require extensive funding. Identifying and then destroying these sources of income would restrict the group’s ability to operate.

### United States’ bombing of Islamic State oilfields



After much hesitation and reluctance, in late 2015, the US Air Force was given the green light by the Obama Administration to escalate its airstrikes on Islamic State controlled oilfields in Syria, to cut off ISIS’s major source of revenue. The US Treasury Department estimated the revenue that Islamic State was receiving to be approximately US \$40 million per month.<sup>99</sup>

Operation Tidal Wave 2 was revealed and launched in October 2015 and involved bombing a selection of eight oilfields alongside two thirds

<sup>99</sup> Crane, Keith, ‘The Role of Oil in ISIL Finances’, *Rand Cooperation Testimony*, December 2015, page 3.

of the oil refineries in the region. Areas or sites that were difficult to repair once damaged or those that required special equipment from foreign countries to repair were targeted. This also included destroying parts of pumping stations and fuel-oil separators. On 21 October, US B-1 bombers hit 26 targets in Omar oilfield, the largest of the eight oilfields targeted. Simultaneously, France also continued its campaign of attacks on the region's oilfields, having been victim of multiple terrorist attacks that same year, with one attack killing over 100 people.<sup>100</sup>

Oil was a lucrative financial lifeline for Islamic State militants, largely due to its market value and its strategic value in sustaining a war. Due to the latter reason, it is alleged that even ISIS's enemies, such as the Syrian Arab Army, were among its customers for oil, as it was equally needed by opposing armies to power their own military activity. ISIS gained a financial reward in doing so, and that was likely considered to be of higher strategic value than foregoing the cash, even though the former option also advantaged its enemy.<sup>101</sup>

By May 2016, Islamic State had lost a third of its territorial gains in Iraq and Syria. Three years later, in March 2019, Islamic State lost its final shred of territory in Baghouz, Syria, after they surrendered it to the Syrian Democratic Forces. Today, Islamic State has been defeated territorially, denying them the ability to make economic gains from the territory they once held. But due to their fragmented nature as a non-state actor, whilst their funding needs are considerably diminished, their ideology and threat to the West persists as evidenced by the 2020 US \$1 billion seizure in Italy of amphetamines produced by Daesh for the European market.<sup>102</sup>

.....  
100 Thompson, Mark, Time, 'U.S. Bombing of ISIS Oil Facilities Showing Progress', 13 December 2015.

101 Crane, Keith, 'The Role of Oil in ISIL Finances', *Rand Cooperation Testimony*, December 2015, page 4f.

102 Guy, Jack, et al., CNN, 'Italian police seize over \$1 billion of 'ISIS-made' Captagon amphetamines', 1 July 2020.

A.15. The techniques used to counter threat finance need not be kinetic. Indeed, most often, an understanding of threat finance plays an important role in supporting the development of the broader intelligence understanding of an adversary, its capabilities and networks.

### Exploiting financial intelligence



Many insurgency theorists, military operators and intelligence officials have posited that financing insurgent groups is pivotal for sustaining their operations, and thus their financial system should be key targets in operations by counterinsurgents. Financial records of a militant group, if exploited in a timely manner, provide valuable intelligence on the groups' command and control, funding and decision-making.<sup>103</sup>

For example, an analysis of captured financial records that recorded the daily financial transactions of both specific sectors within Iraq's Anbar province and of al-Qaeda in Iraq's (AQI) provincial administration from 2005 and 2006 offer key insights into the organisation that did not exist previously. Key findings of this analysis included that AQI was based on a hierarchically organised system of financing and administration with established bureaucratic relationships and rules.<sup>104</sup> This meant that AQI relied on regular revenue sources to fund the operations and to pay salaries. The funding of AQI in Anbar was based to a large degree on theft and resell of high-value items such as generators and cars.<sup>105</sup> The report indicates that every additional insurgent attack cost the group around US \$2,700.<sup>106</sup>

The analysis shows that AQI is highly sensitive to cash flows. Therefore, a disruption of the cash flow could lead to a reduction in the numbers of attacks the organisation can muster.<sup>107</sup>

.....  
103 Bahney, Benjamin, et al., 'An Economic Analysis of the Financial Records of al-Qa'ida in Iraq', *Rand Cooperation*, 2010, page 73.

104 *Ibid.*, page xiii.

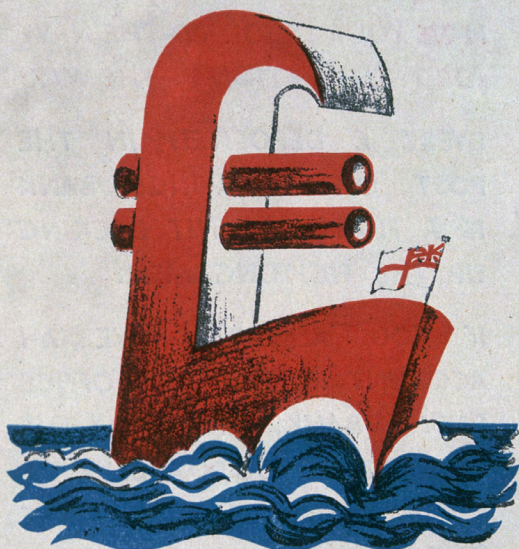
105 *Ibid.*, page xiv.

106 *Ibid.*, page 75.

107 *Ibid.*, page xv.

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IN COMMISSION  
THROUGH THE  
POST OFFICE  
SAVINGS BANK**

P.B.W. 8.



**H.M.S. 'POUND'**

## Annex B

# UK departments and agencies with roles in threat finance

B.1. The activities of most bodies described in this annex are largely focused on domestic economic issues, but their roles in international threat finance are also highlighted. All will liaise to some extent with the international community, covering countries, businesses and individuals.

B.2. The most senior bodies for directing threat finance issues at a time of national emergency or overseas military deployments are as follows.

## National Security Council/National Security Secretariat

The National Security Council (NSC) is chaired by the Prime Minister and is the main forum for collective discussion of the UK government's objectives for national security and about how best to deliver them. Its key purpose is to ensure ministers consider national security in the round and in a strategic way.

The National Security Secretariat (NSS) is led by the National Security Adviser (NSA) and supports the work of the NSC by providing policy advice based on guidance from government departments, the relevant National Strategic Intelligence Group, and the intelligence picture provided by the Joint Intelligence Organisation.

## National Strategic Intelligence Groups

National Strategic Intelligence Groups (NSIGs) are cross-government bodies of senior officials that advise the NSA and NSC on the approach required for dealing with different threat areas. The economic crime threat to the UK is dealt with by the Serious Organised Crime NSIG, and chaired by its senior responsible officer, currently the Director General of the Home Office Serious Organised Crime Group.

B

### Economic Crime Strategy Board

In July 2019, the government launched its first-ever comprehensive public-private Economic Crime Plan (ECP). This established a cross-ministerial, public-private governance board, the Economic Crime Strategic Board (ECSB). The Board has representatives from major banks and other regulated sectors. It is mandated to oversee the delivery of actions covered in the plan's strategic priorities.

## Departments

B.3. Other UK government agencies/departments with roles to play in different aspects of international threat finance work include the following.

### Home Office

The Home Office is the lead department for domestic security issues, including counterterrorism, and provides the government lead for international crime policy. Its overseas agencies with enforcement powers, such as Border Force and Immigration Enforcement, have overseas staff in key jurisdictions.

The Office for Security and Counter Terrorism leads policy work on counterterrorism and the Serious Organised Crime Group is responsible for writing the UK's Serious and Organised Crime Strategy. It also has staff based overseas who help draft regional Serious and Organised Crime Joint Analysis reports, known as SOCJAs. These summarise crime threats within regions, including the threat posed by economic crime.



## Her Majesty's Treasury

Her Majesty's Treasury (HM Treasury) is responsible for implementing and administering international financial sanctions in effect in the UK through the Office of Financial Sanctions Implementation (OFSI). HM Treasury jointly leads with the Home Office on the delivery of the Economic Crime Plan. They also license exemptions to financial sanctions and impose domestic designations under the Terrorist Asset-Freezing Act 2010. The Treasury publishes a consolidated list of financial sanctions targets listed by the United Nations, European Union and UK. It includes all individuals and entities noted on current sanctions lists. Responsibility for enforcing the financial sanctions imposed by HM Treasury falls to the National Crime Agency.

The OFSI helps to ensure that financial sanctions are properly understood, implemented and enforced in the United Kingdom. The OFSI is also responsible for monitoring compliance with financial sanctions and for assessing suspected breaches. It undertakes civil enforcement itself, including issuing monetary penalties for breaches of financial sanctions, and works with law enforcement agencies for investigation and potential prosecution. The OFSI takes action in every instance of reported non-compliance.

HM Treasury's Sanctions and Illicit Finance Team aims to reduce the economic crime threat to the integrity and stability of the UK financial system, and support national security objectives through financial sanctions, anti-money laundering, counterterrorist and counter-proliferation finance measures.

This includes using its representation at the Financial Action Task Force (FATF) and other international fora to strengthen international anti-money laundering and counter-terrorist financing standards. Membership of these bodies set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

### Foreign, Commonwealth and Development Office

The Foreign, Commonwealth and Development Office (FCDO) has overall responsibility for the UK's policy on sanctions and embargoes and has a specific Sanctions Unit. The FCDO are responsible for the UK's overseas aid budget and the governance and security of its allocation. The department is also the home for the new International Centre of Excellence for Illicit Finance. The Centre will bring together stakeholders, including the Ministry of Defence, with the aim of centralising the government's thinking on illicit finance.

### Financial Conduct Authority

The Financial Conduct Authority is the conduct regulator for financial services firms and financial markets in the UK. This includes implementing, supervising and enforcing national and international standards and regulations in the UK. The Authority has regular engagement with international counterparts and law enforcement agencies.

### Serious Fraud Office

The Serious Fraud Office is a specialist prosecuting authority tackling the top level of serious or complex fraud, bribery and corruption. This can include assisting overseas jurisdictions with their investigations. Nearly all investigations have an international dimension, and this is covered by the Proceeds of Crime and International Division.

### Bank of England

The Bank of England's main roles include: issuing banknotes; regulating banks; setting monetary policy; and maintaining monetary and financial stability. It also operates key parts of the UK's financial critical national infrastructure, provides banking services to over a hundred international central banks, and stores gold bars, most of which are held on behalf of other countries.

## Department for Business, Energy and Industrial Strategy and Department for International Trade

The Department for Business, Energy and Industrial Strategy (BEIS) is the UK department responsible for trade sanctions, including bans on weapon exports and associated technology. The Department for International Trade's Export Control Joint Unit controls and licenses military and dual use items.

## Law enforcement agencies

B.4. Law enforcement bodies with roles to play in different aspects of international threat finance work include the following.

### National Crime Agency

The National Crime Agency (NCA) was created in 2015 to lead the UK's activities against serious and organised crime. Its focus is at the national and international level, with other aspects of the threat being dealt with by Regional Organised Crime Units and individual police forces. The NCA's International Department has about 150 International Liaison Officers based in 50 countries, all of whom will liaise on economic crime issues where necessary (their remit covers over 130 countries).

Within the Agency there is **The International Anti-Corruption Coordination Centre (IACCC)** which brings together specialist law enforcement officers from multiple and international agencies to tackle allegations of grand corruption. The centre will improve fast-time intelligence sharing, assist countries that have suffered grand corruption and help bring corrupt elites to justice. It was launched in July 2017 and is hosted by the NCA until 2021 when it is anticipated that hosting will transfer to another participant country. Membership principally comprises Five Eyes agencies, but also Singapore and Interpol, with Germany and Switzerland having separate observer status.

## National Economic Crime Centre

The National Economic Crime Centre (NECC) is part of the NCA, but with its own Director General. It is a multi-agency centre established to deliver a step change in the response to tackling economic crime by setting threat priorities to inform operational coordination between partners. It also facilitates the exchange of data and intelligence between the public and private sectors through the Joint Money Laundering Intelligence Team. Specific teams within the NECC include the following.

- a. The **Foreign Sanctions Team** coordinates UK law enforcement's responses to breaches of asset freezes imposed by the UK government in relation to those imposed on foreign regimes. Normally these sanctions are part of a multilateral effort and enforce agreements reached at the United Nations or European Union level. The NECC is the principal law enforcement agency for enforcing breaches of financial sanctions in relation to those imposed against foreign regimes. The role of enforcing terrorist financing controls falls to partners such as National Counter Terrorism Units
- b. The **UK Financial Intelligence Unit (UKFIU)** has national responsibility for receiving, analysing and disseminating financial intelligence submitted through the suspicious activity reports (SAR) regime. The Unit includes a Terrorist Finance Team which proactively analyses terrorist finance-related SAR and maintains relationships with relevant agencies and reporting sectors. The UKFIU also has an International Team which services the Unit's international obligations under the Financial Action Task Force requirements and those of similar international bodies. It is a single point of contact for UK law enforcement wanting to identify and trace assets abroad and for foreign law enforcement wanting to do the same for assets held in the UK.

### Her Majesty's Revenue and Customs

Her Majesty's Revenue and Customs (HMRC) are responsible for regulating taxes and other aspects of the financial sector in the UK. They also maintain an overseas network of Fiscal Crime Liaison Officers including in most European countries, Panama, Melbourne, Beijing, Pretoria, Singapore and Accra. They are almost exclusively involved in fiscal fraud but will cover for other agencies such as the NCA if there is not a presence in country. HMRC is also responsible for enforcing trade sanctions imposed by the BEIS.

### Metropolitan Police Service

The Metropolitan Police provides the national law enforcement lead for counterterrorism investigations. The Service's response includes the National Terrorist Financial Investigation Unit (NTFIU). Amongst its duties, the Unit investigates the transfer of funds to support terrorism overseas and has liaison officers based within areas in Defence.

### National Fraud Intelligence Bureau

The National Fraud Intelligence Bureau (NFIB) is part of the City of London Police. It has no significant international function but uses intelligence from fraud reporting to identify serial offenders, organised crime activity and emerging crime activity, all of which may connect to overseas jurisdictions of concern.

## Think tanks and policy institutes

B.5. Think tanks or policy institutes provide research and advocacy on topics such as social policy, political strategy, economics, military, technology and culture which contribute to the deeper understanding of TFEL, best practice and emerging threats. Think tanks and institutions that contribute to economic thinking include the following.

### Transparency International

Transparency International (TI) Defence and Security is part of the global Transparency International movement, dedicated to tackling corruption, strengthening transparency and accountability in the defence and security sector worldwide and countering malicious actors in fragile environments. Armed forces are the first line of defence in protecting peace and stability, but militaries plagued with corruption can exacerbate conflict and fragility, can undermine efforts to provide security, and can consume disproportionate levels of public funding.

### Royal United Services Institute

Royal United Services Institute (RUSI) Centre for Financial Crime and Security Studies is dedicated to addressing the challenges of financial crime and threat finance to the UK and international security as well as identifying how finance can identify and disrupt a range of globally recognised threats.

### Chatham House

Chatham House organises research expertise into a set of core programmes. Some are focused on geographical area studies and others on specific themes such as finance and security.

# Lexicon

AFDL	Alliance des Forces Démocratiques pour la Libération du Congo
AJP	Allied joint publication
ANPR	Automatic Number Plate Recognition
AQI	al-Qaeda in Iraq
BEIS	Department for Business, Energy and Industrial Strategy
CARDS	conflict analysis of root causes and drivers
CCTV	closed-circuit television
coltan	columbite-tantalites
COVID-19	coronavirus 2019
CTF	counter threat finance
DCDC	Development, Concepts and Doctrine Centre
DOD	Department of Defense
DRC	Democratic Republic of the Congo
ECP	Economic Crime Plan
ECSB	Economic Crime Strategic Board
FATF	Financial Action Task Force
FCDO	Foreign, Commonwealth and Development Office
FININT	financial intelligence
GDP	gross domestic product
HMRC	Her Majesty's Revenue and Customs
HM Treasury	Her Majesty's Treasury
IACCC	International Anti-Corruption Coordination Centre
IRA	Irish Republican Army

JDN	joint doctrine note
JDP	joint doctrine publication
JIEDAC	Joint Improvised Explosive Device Analysis Centre
JMLIT	Joint Money Laundering Intelligence Taskforce
MCDC	Multinational Capability Development Campaign
MLC	Mouvement de Libération du Congo
MOD	Ministry of Defence
MONUC	Mission de l'Organisation des Nations Unies en République Démocratique du Congo
MSE	Military Strategic Effects
NATO	North Atlantic Treaty Organization
NCA	National Crime Agency
NECC	National Economic Crime Centre
NFIB	National Fraud Intelligence Bureau
NTFIU	National Terrorist Financial Investigation Unit
NSA	National Security Adviser
NSC	National Security Council
NSIG	National Strategic Intelligence Group
NSS	National Security Secretariat
OFSI	Office of Financial Sanctions Implementation
ONUC	Opération des Nations Unies au Congo
PIFL	Popular Islamic Front of Lonrovia
RCD-Goma	Rassemblement Congolais pour la Démocratie-Goma
RUSI	Royal United Services Institute
SAR	suspicious activity report
SO15	Counter Terrorism Command/Special Operations 15
SOCJAs	Serious and Organised Crime Joint Analysis reports
SOCnet	Serious and Organised Crime network
TFEL	threat finance and economic levers
TI	Transparency International



UK	United Kingdom
UKFIU	UK Financial Intelligence Unit
UKStratCom	Strategic Command
US	United States
VE	Victory in Europe



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