



United Nations Security Council (UNSC)

Background Paper: Countering the Financing of Terrorist Groups

Chairs: Joseph and Addy

I. Committee Background

The UNSC or United Nations Security Council was established in 1945, due to efforts after World War II (1939-1945). It was enacted through the United Nations Charter which are the basic principles for the United Nations. It was designed to be responsible for maintaining international relations and peace through diplomacy. According to the charter, the UNSC has four purposes: to maintain international security, to develop friendly relations among nations, to cooperate in solving international problems and promoting respect for human rights and to be a centre for harmonizing the actions of nations. It consists of fifteen members, five permanent members (China, France, Russia, the United Kingdom and the United States) and ten non-permanent members who rotate every two years as elected based upon representation. Under the UNSC, the committee members have authority to investigate disputes, impose economic sanctions, authorize military action and establish international tribunals. Despite this, there are some issues that have arisen such as: veto power abuse, lack of proper representation and inefficiency in crisis response.

II. History of Topic

The topic, 'Countering the Financing of Terrorist Groups' has been something of conversation for many years, with UNSC playing a crucial role in addressing this issue throughout the years. Terrorist organizations require substantial financial resources to operate and execute any and all orders or events. This is often due to illicit or illegal activities, businesses, donations and sponsorships. Additionally, the rise of the money laundering businesses and shell companies has further complicated the efforts of counter-financing these groups. Before the 1990s, most efforts were focused on criminal specific, not terrorism specific. However, the international coordination on the topic was not as it is today. In the 1990s, terrorism evolved financially with groups like Al-Qaeda using businesses, charities and unregulated financial systems. With this, more international coalitions began to combat and criminalize terrorist financing. The 1999 International Convention for the Suppression of the Financing of Terrorism, adopted by the UN, required states to strengthen regulations on illegal financing specifically in terrorism. After 9/11, the United States and allies began prioritizing disputing terrorist funding through sources. Acts were put into place requiring banks to report any suspicious transactions, nations implemented sanctions that went against individuals and organizations suspected of funding terrorism. Again, terrorist groups developed, going through venues of oil smuggling,

extortion and looting but nations also developed, launching financial strikes and imposing sanctions preventing terrorist financing.

III. Past Action

The UNSC has spearheaded numerous initiatives to counter terrorist financing, including:

- *Resolution 1373 (2001)*: Adopted post-9/11, this resolution mandates states to prevent and suppress the financing of terrorist acts and criminalize financial support for terrorism.
- *Resolution 1267 (1999) and Successive Sanctions Regimes*: Establishes targeted sanctions, including asset freezes, travel bans, and arms embargoes, against individuals and entities linked to terrorism.
- *Financial Action Task Force (FATF)*: An intergovernmental body working to set global anti-money laundering and counter-terrorism financing (AML/CTF) standards. Although FATF is not a UNSC body, the Council works closely with it to enforce anti-money laundering and counter-terrorism financing standards. FATF sets recommendations that member states must follow, and the UNSC encourages compliance with these guidelines.
- *Resolution 2462 (2019)*: Strengthens measures to combat the financing of terrorism by urging states to harmonize domestic laws with international norms.
- *Resolution 2178 (2014)*: Focused on stopping the flow of foreign terrorist fighters and cutting off financial support for extremist groups.

IV. Challenges

Despite significant progress, several obstacles hinder the effectiveness of counter-financing efforts:

- Some nations fail to fully comply with UNSC resolutions due to political or economic considerations.

- Many developing countries lack robust financial regulatory frameworks to detect and prevent illicit transactions.
- The rise of digital currencies and encrypted financial transactions has made tracking illicit funds more complex. Terrorist organizations are exploiting **cryptocurrency and blockchain-based transactions** to move funds anonymously. Traditional financial institutions are heavily regulated, but decentralized finance and crypto exchanges often have weaker oversight.
- Infiltration of terrorist financiers into state institutions undermines enforcement efforts.
- Inconsistent national legislation across jurisdictions limits the ability to prosecute terrorist financiers effectively.

V. Conclusion

Terrorist financing remains a critical challenge in the fight against global terrorism. While the UNSC and international organizations have made strides in countering illicit financial networks, continued efforts are required to adapt to evolving threats. Strengthening international cooperation, enhancing financial regulations, and leveraging technological advancements are essential to disrupting terrorist funding channels and ensuring global security.

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VII. List of Countries

1. Algeria
2. China
3. Denmark
4. France
5. Greece
6. Guyana
7. Iran
8. North Korea
9. Pakistan
10. Panama
11. Russia
12. South Korea
13. Sierra Leone
14. Slovenia
15. UK
16. USA