



Original paper

## Indonesia's Laws and Policies in Combatting Terrorism Financing: An Update Analysis

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### Abstract

This article discusses Indonesia's latest developments, challenges, and remedies for Anti-Money Laundering (AML) and Counter-Terrorist Financing (CFT) laws. Data were collected by analyzing the challenges of implementing international regulations, such as the United Nations Security Council Resolution (UNSCR) and FATF recommendation. Indonesia is expected to improve their regulations and set high supervision towards the risk of AML/CFT to combat terrorism financing. No studies have been conducted to discuss the latest 2019 UNSCR, a relevant regulation to be implemented by countries to tackle terrorist financing. Therefore, this study aims to examine the significant contribution of the UNSCR and suggest proper implementation in Indonesia.

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## Introduction

Historically, Indonesia is notoriously known for its acts of terrorism, especially in Bali, one of the regions that have successfully attracted foreign tourists. In 2002, Paddy's Bar and Sari Club were attacked by Muslim extremists, and the event was later known as Bali Bombing I, where approximately 88 of the 202 casualties were Australians. After this tragedy, the President issued Government Regulation in Lieu of Law (hereinafter referred to as GRL) Number 1 of 2002 concerning the Eradication of Criminal Acts of Terrorism on 18 October 2002, followed by the enactment of GRL Number 2 of 2002 that regulates that of Number 1 of 2002, which retroactively enacted to punish the perpetrators of the bombing incident. On 4 April 2003, the legislature confirmed both GRL policies and GRL No. 1 of 2002 was amended to Law No. 15 of 2003 concerning Anti-Terrorism, while No. 2 of 2002 became Law No. 16 of 2003.

The amendment, which consists of two articles, was intended to create order and provide security and legal certainty concerning the Anti-Terrorism Law,<sup>1</sup> although this was deemed unconstitutional due to the Constitutional Court's Decision No. 013/PUU-I/2013. The Court ruled against the retroactive principle applied to the Bali Bombing I incident as regulated in Law No. 15 of 2003, contrary to the Constitution, and it was thereby declared non-binding.<sup>2</sup>

<sup>1</sup> Topo Santoso, "Anti-Terrorism Legal Framework in Indonesia," *Mimbar Hukum* 25, no. 6 (2012): 92.

<sup>2</sup> I Made Gemet Dananjaya Suta, I Gusti Agung Mas Prabandari, and Ida Ayu Agung Saraswati, "Enforcement of the Non-Retroactive Principle in the Bali Bombing Case I in the Constitutional Court of

Consequently, Ba'asyir, the main defendant in the case, was not charged with terrorism. Instead, he was imposed with the sanction regulated under the Indonesian Penal Code (KUHP).<sup>3</sup>

In 1997, the United Nations (UN) stated the urgent need to enhance international cooperation among member States to combat terrorism. This involves devising and adopting effective and practical measures to prevent such acts and the prosecution or punishment of the perpetrators.<sup>4</sup> The UN Security Council Resolution No. 1267 was implemented in 1999 to impose sanctions on Taliban-controlled Afghanistan for its support and harbouring of Osama bin Laden.<sup>5</sup> According to Reich, several individuals were subject to sanctions under this regime. These legal campaigns are related to the punishments imposed on the perpetrators.<sup>6</sup>

The Anti-Terrorism Law in Indonesia adopted this approach, and one of the punishments imposed on the perpetrators is the death penalty, as stipulated in Articles 6, 9, 14, and 19. This is perceived as a dilemma because it has different effects than other criminal acts, such as drug-related crimes, due to the sympathizers' impact, increasingly militant and daring attitude to engage in terrorism in the name of jihad.<sup>7</sup> In the case of Amrozi Cs' execution, the individual responsible for the Bali Bombings, some communities interpreted the death penalty as a symbol of Muslim fighters' heroism, or *Syuhada* in Islamic terminology.<sup>8</sup> This shows that the ideology of resistance and acts of terror remain entrenched in society. Since the use of conventional methods ("follow the suspect") such as capturing and punishing terrorists is insufficient, other efforts, namely a "follow the money" strategy, which involves the Indonesian Financial Intelligence Unit (PPATK), need to be applied. Financial Services Providers and law enforcement agencies detect the flow of funds used for terrorism.<sup>9</sup>

Furthermore 1999, an International Convention to Suppress the Financing of Terrorism was held to enhance cooperation among States to implement effective measures.<sup>10</sup> This is considered a preventive approach, considering these terrorists require considerable funds to execute their nefarious activities, such as training sessions, purchasing arms or weapons, and meeting daily expenses.<sup>11</sup> The Financial Action Task Force (FATF), an international organization, was established to prevent and eradicate certain criminal acts related to money laundering and terrorist financing. This institute further issued nine additional recommendations related explicitly to curbing these crimes (nine SR) in 2001.<sup>12</sup>

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Indonesia Decision Number 013 / PUU-I / 2003," *Kertha Wicaksana* 15, no. 2 (2021): 112, <https://doi.org/10.22225/kw.15.2.2021.108-115>.

<sup>3</sup> Bambang Waluyo, R. Narendra Jatna and Jamal Wiwoho, "Eradication of Al Jamaah Al Islamiyah in Indonesia", *Yustisia* 6 no. 1 (2017): 3

<sup>4</sup> International Convention for the Suppression of Terrorist Bombings (adopted 15 December 1997, entered into force 25 May 2001) 2149 UNTS 256.

<sup>5</sup> Lisa Ginsborg, "The United Nations Security Council's Terrorism Al- - Qaida Sanctions Regime: Resolution 1267 and the 1267 Committee," in *Research Handbook on International Law and Terrorism*, vol. 35, 2014: 609.

<sup>6</sup> Johannes Reich, "Due Process and Sanctions Targeted Against Individuals Pursuant to Resolution 1267 (1999)," *Yale Journal of International Law* 33, no. 1999 (2008): 506.

<sup>7</sup> Dwi Aprilianto, "Tarj Īh Maq Āş Id ī of Terrorism Perpetrators Death Penalty in Indonesia" 4, no. 2 (2021): 137, <https://doi.org/http://dx.doi.org/10.30659/jua.v4i2.13637>.

<sup>8</sup> Aprilianto: 139.

<sup>9</sup> Adam Fenton and David Price, "Forbidden Funds - Indonesias New Legislation for Countering the Financing of Terrorism," *Australian Journal of Asian Law* 15, no. 1 (2014): 377.

<sup>10</sup> International Convention for the Suppression of the Financing of Terrorism (adopted 9 December 1999, enter into force 10 April 2002) 2178 UNTS 197.

<sup>11</sup> Bappaditya Biswas and Ashish Kumar Sana, "Issues in Terrorism Financing: An Analysis," *The Impact of Global Terrorism on Economic and Political Development: Afro-Asian Perspectives*, 2019: 110, <https://doi.org/10.1108/978-1-78769-919-920191011>.

<sup>12</sup> Listawati Listawati, "The History of the Establishment of Law Number 9 of 2013 Regarding Prevention and Eradication of Terrorist Financing," *Diponegoro Law Review* 4, no. 1 (2019): 60, <https://doi.org/10.14710/dilrev.4.1.2019.60-75>.

Indonesia's efforts to suppress terrorist financing are stipulated in Law No. 15 of 2003. However, this law is not in accordance with the standards issued by the FATF and the International Convention on the Eradication of Terrorist Financing. This further obliges the state to separate terrorist financing from the criminal act.<sup>13</sup> Indonesia was forced to ratify the International Convention for the Suppression of the Financing of Terrorism in 2006 while issuing Law No. 9 of 2013 concerning the Prevention and Eradication of Terrorist Financing. The enactment of this policy caused the countries that attended the International Cooperation Review Group held in 2015 from 22 June to 23 in Brisbane, Australia, to presume Indonesia was solidly committed to improving its weaknesses and tended to quickly respond to the dynamic information in the field of Suppressing the Financing of Terrorism.<sup>14</sup>

Meanwhile, technological development has a significant impact on terrorist financing. In 2010, internet-based payment systems led to the establishment of New Payment Methods (NPMs). Recently, the emergence of cryptocurrency as a payment system is regarded as one of the sources of executing terrorist financing based on its anonymity.<sup>15</sup> Besides the emerging technology, non-profit organizations also appear to be a severe threat in fund collection for this criminal act. Interestingly, relatively vulnerable charity organizations have gained the public's trust and are being abused for terrorist financing.<sup>16</sup> Due to these issues, the UN Security Council has issued UN Security Council Resolution No. 2462 (hereinafter, UNSCR 2462), which urges the member states to implement all FATF recommendations and adopt all necessary measures relating to NPO and create mitigation for a technology-related system intended for this menace.<sup>17</sup> This research describes terrorist financing starting from its background, regulatory framework, and current developments in Indonesia.

Moreover, for the past 20 years since adopting the Anti-Terrorism Law, there has been a need to review the academic progress relating to how and how these criminal activities, especially terrorist financing, are being combatted. In the introductory section, this research discusses the development of terrorism in Indonesia. It was discovered that Indonesia consistently amends its laws and policies. Also, these efforts involve both domestic and international obligations. In accordance with technological advancement, there is a need to anticipate new forms of terrorist financing. Furthermore, the nature and regulatory framework of anti-money laundering and counter-terrorism financing are observed internationally and domestically. This research identifies some developments and challenges in combatting terrorism through preventive financial efforts.

## **Terrorism and Indonesia**

The term "terrorism" is one of the main issues encountered in numerous societies since there is no universal definition. Most preliminary studies reported that there is no exact description. However, the phrase, "one man's terrorist is another's freedom fighter", simply depicts that it depends on various perspectives.<sup>18</sup> For instance, according to Mrs. Thatcher, Mr. Cheney, and the apartheid regime in South Africa, Nelson Mandela was a terrorist, while to

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<sup>13</sup> Listawati: 63.

<sup>14</sup> Muhammad Yusuf, *Kapita Selektu TPPU* (Jakarta: PPAK, 2016), 40-42

<sup>15</sup> Isaac Kfir, "Cryptocurrencies, National Security, Crime and Terrorism," *Comparative Strategy* 39, no. 2 (2020): 113–27, <https://doi.org/10.1080/01495933.2020.1718983>.

<sup>16</sup> Sylvia Windya Laksmi, "Nexus between Charities and Terrorist Financing In Indonesia," *Counter Terrorist Trends and Analyses* 11, no. 7 (2019): 6–10.

<sup>17</sup> William Casey King and Richard Gordon, "Introductory Note To United Nations Security Council Resolution 2462," *International Legal Materials* 59, no. 2 (2020): 252–61, <https://doi.org/10.1017/ilm.2020.16>.

<sup>18</sup> Boaz Ganor, "Defining Terrorism: Is One Man's Terrorist Another Man's Freedom Fighter?," *Police Practice and Research* 3, no. 4 (2002): 292, <https://doi.org/10.1080/1561426022000032060>.

several others, Mandela was a freedom fighter. A similar situation applies to Yasser Arafat and Abdullah Ocalan.<sup>19</sup> The problems associated with the precise definition of terrorism include (i) it has many forms which are commonly associated with political subversion and also used by the government as a tool for organized crime, (ii) the criterion for its definition is generally subjective since it is mainly based on political considerations, (iii) and, it is motivated by a variety of factors that changes with the passage of time and dominant ideology.<sup>20</sup>

Borum reported that terrorism is affected by three main factors, namely identity, belonging, and injustice.<sup>21</sup> For example, searching for one's identity causes them to join a terrorist network that defines them as group members. Therefore, for these persons, this act has provided them with their first true sense of belonging because the terrorist group becomes a family they never had.<sup>22</sup> In a broader sense, injustice is the fundamental basis of terrorism, and it is divided into revenge, perception of inequality, and grievance.<sup>23</sup> These three factors are solid reasons for these groups to act violently.

Generally, the main motives for terrorism are domestic problems directed towards a political regime or government, including its social, economic, or religious foundations. Interestingly, ideology also played a relevant role. However, the terrorists' main motivations have shifted from an ideological reference to an ethical identity and religious fundamentalism matrix.<sup>24</sup> Furthermore, many religious extremist movements tripled worldwide between the mid-60s and 90s. As reported by Bruce Hoffman, a virtual explosion of identifiable religious terrorist groups from none in 1968 to 1900s where nearly a quarter of these extremists were mainly motivated by religious concerns.<sup>25</sup>

The main goal of those motivated by religion is to achieve political power. Hizb'allah or Hamas operated within the framework of religious ideology, practically combined with political action in Lebanon and Palestine.<sup>26</sup> Jessica Stern stated that some of these goals are gaining political power to apply and justify religious laws and texts to control a particular country or region.<sup>27</sup>

Unfortunately, most terrorist activities in the past 20 years have been associated with Islam. Monica Duffy Toft, a political scientist, stated that Islamic ideological features are prominent in relatively 98 per cent of religious terrorist incidents.<sup>28</sup> This includes criminal acts in Indonesia by approximately 207 million Muslims or 87.2% of its citizens.<sup>29</sup>

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<sup>19</sup> John Dugard, "The Problem of the Definition of Terrorism in International Law," *11 September 2001: A Turning Point in International and Domestic Law?* 37, no. 37 (2021): 188, [https://doi.org/10.1163/9789004480582\\_012](https://doi.org/10.1163/9789004480582_012).

<sup>20</sup> Omer Y. Elagab, *International Law Documents Relating to Terrorism* (London: Cavendish Publishing Limited, 1997), xix.

<sup>21</sup> Randy Borum, *Psychology of Terrorism* (Florida: University of South Florida, 2004), 24-26.

<sup>22</sup> Jerrold M. Post, "Notes on a Psychodynamic Theory of Terrorist Behavior," *Terrorism* 7, no. 2 (1984): 246, <https://doi.org/10.1080/10576108408435577>.

<sup>23</sup> Temitope P. Ola, "Re-Thinking Poverty, Inequality and Their Relationship to Terrorism," *International Journal of Sciences: Basic and Applied Research (IJSBAR)*, 21 no. 2 (2015): 271

<sup>24</sup> Ana Bela Santos Bravo and Carlos Manuel Mendes Dias, "An Empirical Analysis of Terrorism: Deprivation, Islamism and Geopolitical Factors," *Defence and Peace Economics* 17, no. 4 (2006): 331, <https://doi.org/10.1080/10242690500526509>.

<sup>25</sup> Magnus Ranstorp, "Terrorism in the Name of Religion," *Journal of International Affairs* 50, no. 1 (1996.): 44, <https://doi.org/10.1080/09546559908427538>.

<sup>26</sup> Magnus Ranstorp.

<sup>27</sup> Abdul Muis Naharong, "Terorisme Atas Nama Agama," *Refleksi* 13, no. 5 (2014): 593-622, <https://doi.org/10.15408/ref.v13i5.915>.

<sup>28</sup> Nilay Saiya and Joshua Fidler, "Taking God Seriously: The Struggle against Extremism," *Middle East Policy* 25, no. 1 (2018): 80, <https://doi.org/10.1111/mepo.12326>.

<sup>29</sup> For the data on the number of Muslim followers: <https://indonesia.go.id/profil/agama>.

Historically, Islam was introduced in Indonesia over 700 years ago by proselytizing traders from India and the Middle East who played an essential role in fighting colonialism.<sup>30</sup> After Indonesia gained independence, the Dutch attempted to return and forcefully re-establish their control, which caused the Ulama to declare jihad. Muslim militias played a crucial part in maintaining independence.<sup>31</sup> During the Soeharto regime, the government feared some radical Islamic groups, such as *Darul Islam*, because they tried to reject Pancasila as the ideological foundation of the Indonesian Republic and instead desired to set up an Islamic State.<sup>32</sup> Terrorism started to migrate into the *reformasi* era, whereas from 1997 to 2002, 90 bombing incidents by terrorists were recorded in Indonesia, with 224 deaths and 340 injuries.<sup>33</sup> The spread of democratic discourse confirmed the transition process following the fall of Suharto. Islamic militant groups in the country, such as *Front Pembela Islam* (FPI) [Front of the Defenders of Islam], the *Hizbut Tahrir Indonesia* (HTI) [Indonesia's Party of Liberation], the *Laskar Jihad* (LJ) [Jihad Paramilitary Force], the *Majelis Mujahidin Indonesia* (MMI) [Indonesian Holy Warrior Council] and the *Jamaah Islamiyah* (JI). They gained notoriety by taking to the streets to demand the comprehensive implementation of the shari'a.<sup>34</sup>

Indonesia is vulnerable to being infiltrated by terrorism due to several factors related to social attributes, the economy, and politics. Moreover, based on a particular perspective, one factor that drives a person to join a terrorist network is discovering the meaning and purpose of life.<sup>35</sup> This is because the individual is in a "saturation point" associated with personal problems, such as boredom at work or domestic issues, instead of the popularly argued realization of structural marginalization. Joining these groups causes them to have a purpose or a specific goal in life. Subsequently, the key to spreading terrorism networks in the country depends on creating a social bond, especially marriage.<sup>36</sup> Women affiliated with the *Jamaah Islamiyah* (JI) and JAD networks in Depok, including Solo and Malang, respectively, are exposed to these groups through their spouses.<sup>37</sup>

Similarly, kinship is another common social bond for men, such as uncle or brother. For example, the JI brothers were involved in the 2002 Bali Bombing. The attack was masterminded by Amrozi's younger brother, Muhammad Gufron, who assisted with logistics. At the same time, the eldest, Ali Imron, selected the location to be bombed, and their stepbrother, Ali Fauzi, detonated the bomb.

One of the main motives of terrorism is based on the fact that Islamic ideology hardly gains political hegemony in Indonesian democracy, which leads to 2 conservative paths. Firstly, some individuals participate in electoral politics, progressively tempered with their severe religious conservatism. They achieve a foothold by gaining seats in provincial and local elections, particularly in partnership with secular parties. On the contrary, those Islamic conservatives who reject "tolerance and compromise" and stress a more "traditional" interpretation of Islam

<sup>30</sup> Bilveer Singh, "The Challenge of Militant Islam and Terrorism in Indonesia," *Australian Journal of International Affairs* 58, no. 1 (2004): 48, <https://doi.org/10.1080/1035771032000184764>.

<sup>31</sup> Martin van Bruinessen, "Genealogies of Islamic Radicalism in Post-Suharto Indonesia," *South East Asia Research* 10, no. 2 (2002): 119, <https://doi.org/10.5367/000000002101297035>.

<sup>32</sup> W. Y. W. Lau, "Terrorism: A New Threat for Indonesia?: An Analysis on the National Security of Indonesia in the Post-Suharto Period (Master's Thesis, Lingnan University, Hong Kong)" (2004), [https://doi.org/http://dx.doi.org/10.14793/pol\\_etd.6](https://doi.org/http://dx.doi.org/10.14793/pol_etd.6).

<sup>33</sup> Aryono D. Pusponegoro, "Terrorism in Indonesia," *Prehospital and Disaster Medicine* 18, no. 2 (2003): 103, <https://doi.org/10.1017/S1049023X00000832>.

<sup>34</sup> Noorhaidi Hasan, "Reformasi, Religious Diversity, and Islamic Radicalism after Suharto," *Journal of Indonesian Social Sciences and Humanities* 1, no. 1 (2018): 37, <https://doi.org/10.14203/jissh.v1i1.2>.

<sup>35</sup> Fitriani et al., "The Current State of Terrorism in Indonesia - Vulnerable Groups, Networks, and Responses," *Centre for Strategic and International Studies*, 2018, 4, <https://www.csis.or.id/publications/the-current-state-of-terrorism-in-indonesia-vulnerable-groups-networks-and-responses>.

<sup>36</sup> Fitriani et al.

<sup>37</sup> *Ibid.*

tend to move towards religious extremism, and some even adopt the radical political ideology of Islamism.<sup>38</sup>

Conversely, Islamic ideologists have not held any political position in the country. These extremists believe using violence to achieve their objectives is better than participating in civil and issue-based democratic elections.<sup>39</sup> This is exemplified by suicide terrorist attacks (Bali and Jakarta) and political violence (Ambon, Maluku, and Aceh).<sup>40</sup> Lastly, the economy also plays an essential role in Indonesian terrorism, although poverty was not stated as one of the factors. In other words, the economy of the terrorist network acts as support in the successful execution of their nefarious acts.

### Observation towards Regulatory Nature of AML and CFT

Money laundering is described as the use of funds derived from unlawful activities. This involves concealing the identity of the person obtained and converting it to assets that appear to have come from a legitimate source.<sup>41</sup> It is divided into 3 phases. First is the placement of funds obtained from illegal activities. Second, its layering passes through several institutions and jurisdictions to disguise its origin. Lastly, integrating the funds into the economy makes it seem legitimate.<sup>42</sup>

The first international initiative to adopt an anti-money laundering scheme, including the UN Convention against narcotics trafficking and other psychotropic substances in 1988, was to criminalize only the proceeds from drug offences.<sup>43</sup> Andean drug traffickers engaged in this act through smurfing, which involves using numerous individuals who take a portion of cash and deposit it in small quantities to avoid attracting the authorities.<sup>44</sup> Nevertheless, there has been continued reform of anti-laundering and crime proceeds legislation worldwide and greater policing, including customs and excise involvement in financial investigation, mainly in the drug field. However, there was an increase in excise tax fraud and, post-2001, terrorism.<sup>45</sup>

Money laundering in terrorism is executed similarly to other crimes. In contrast, the perpetrators strive to hide the origin of the funds from detection. However, concerning the financing of terrorism, there is a possibility that no criminal offence preceded the introduction of the funds into the system despite the intent. Nonetheless, it makes no sense to construe the finance used to promote its 'proceeds'.<sup>46</sup> This is called reversed money laundering, which indicates the legitimately performing financial transactions to conceal the future use of the fund to commit criminal acts.<sup>47</sup>

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<sup>38</sup> Wahyudi and David Pradhan, "Glocalization of Religious Extremism and Terrorism in Indonesia," *Sospol: Jurnal Sosial Politik* 7, no. 1 (2021): 127.

<sup>39</sup> Wahyudi and Pradhan.

<sup>40</sup> *Ibid.*

<sup>41</sup> John Madinger, *Money Laundering: A Guide for Criminal Investigators*, 3<sup>rd</sup> edition (Florida: CRC Press, 2011), 5.

<sup>42</sup> Peter Reuter and Edwin M. Truman, *Chasing dirty money: The fight against money laundering* (Washington DC: Peterson Institute, 2005), 3

<sup>43</sup> Norman Mugarura, "The Institutional Framework against Money Laundering and Its Underlying Predicate Crimes," *Journal of Financial Regulation and Compliance* 19, no. 2 (2011): 180, <https://doi.org/10.1108/13581981111123870>.

<sup>44</sup> Robert E. Grosse, *Drugs and Money: Laundering Latin America's Cocaine Dollars* (Connecticut: Greenwood Publishing Group, 2001), 4.

<sup>45</sup> Michael Levi, "Money Laundering and Its Regulation," *The ANNALS of the American Academy of Political and Social Science* 582, no. 1 (2002): 186, <https://doi.org/10.1177/000271620258200113>.

<sup>46</sup> Armand Kersten, "Financing of Terrorism — A Predicate Offence to Money Laundering?," *Financing Terrorism* 2001 (2006): 56, [https://doi.org/10.1007/0-306-48044-1\\_4](https://doi.org/10.1007/0-306-48044-1_4).

<sup>47</sup> Stefan D Cassella, "Money Laundering, Terrorism, Regulation, Laws and Legislation" 7, no. 1 (2004): 92–94.

In order to support their action, terrorism requires financing in terms of raising, moving, storing, and acquiring other assets or resources. This varies depending on the level of the attack. For instance, the 1993 World Trade Centre attack, the 2002 Bali, and the 2003 Jakarta Marriott Hotel bombings cost approximately \$19,000, \$20,000, and \$30,000, respectively, while the 9/11 cost relatively \$350,000 to \$500,000 and were expensive due to aeroplane hijacking.<sup>48</sup>

According to Freeman, terrorism financing is based on six criteria, namely quantity, the terrorist requires much money; legitimacy, in terms of focusing on their funding activities rather than corrupt practices or distractions; security, the source needs to be secure and not draw the attention of authorities; reliability, a predictable and consistent financial source; control, this implies the fund need not influence the terrorist group and, simplicity, which involve the methods of acquiring funds has to be simple and inexpensive to obtain.<sup>49</sup>

These financings are usually obtained through state sponsorship, including illegal and legal activities and popular support (crowdfunding).<sup>50</sup> It also occurs when the primary motivation is not financial gain. Instead, it uses funds to "promote, plan, assist or engage in" acts of terrorism. Therefore, terrorists need finances often realized through profit-oriented groups in addition to their ideological motivations.<sup>51</sup>

The 9/11 tragic event caused a shift from the focus on money laundering to its application in financing these terrorist groups.<sup>52</sup> Anti-money laundering strategies are considered to combat these criminal organizations because their only weakness involves using legal channels such as financial institutions and banks to transfer their proceeds and eliminate traces of the original crime. It is, therefore, easier to effectively track and eradicate terrorism.<sup>53</sup> Furthermore, it was implemented to criminalize the financing of these groups through the FATF Special Recommendation II. The Council of Europe further developed this provision during the 2005 Convention, which permitted the freezing, seizure and confiscation of assets used to finance terrorism.<sup>54</sup>

Before the 9/11 attack, the regulatory framework of counter-terrorist financing was rare. Subsequently, only four states, including Botswana, Sri Lanka, the United Kingdom, and Uzbekistan, have ratified the 1999 International Convention for the Suppression of Financing of Terrorism.<sup>55</sup> Besides, UN Security Council Resolution No. 1267 has reacted to terrorist attacks in East Africa. Resolution 1267 covers the obligation of the state to freeze funds and other financial resources, including those either derived or generated from property owned or controlled directly or indirectly by this Islamic sect, as designated by the Committee. For example, the Taliban specifically imposed sanctions on elite decision-makers exercising de facto control in Afghanistan.<sup>56</sup>

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<sup>48</sup> Nikos Passas, Terrorism financing mechanisms and policy dilemmas. *Terrorism financing and state responses: A comparative perspective* (2007): 31.

<sup>49</sup> Michael Freeman, "The Sources of Terrorist Financing: Theory and Typology," *Studies in Conflict and Terrorism* 34, no. 6 (2011): 463-64, <https://doi.org/10.1080/1057610X.2011.571193>.

<sup>50</sup> Freeman.

<sup>51</sup> Angela Samantha Maitland Irwin, Kim Kwang Raymond Choo, and Lin Liu, "Modelling of Money Laundering and Terrorism Financing Typologies," *Journal of Money Laundering Control* 15, no. 3 (2012): 322-23, <https://doi.org/10.1108/13685201211238061>.

<sup>52</sup> Peter Alldridge, *Money laundering law: Forfeiture, confiscation, civil recovery, criminal laundering and taxation of the proceeds of crime*. (Oregon: Hart Publishing, 2003), 25

<sup>53</sup> Abdi Koro, "Pendanaan Terorisme Di Peroleh Dari Tindak Pidana Pencucian Uang (Money Laundering)," *Jurnal Hukum & Pembangunan* 41, no. 4 (2011): 640, <https://doi.org/10.21143/jhp.vol41.no4.259>.

<sup>54</sup> Mark Pieth, "Criminalizing the Financing of Terrorism" *Journal of International Criminal Justice*, 4 Issue 5 (2006): 1083

<sup>55</sup> Zeynab Malakoutikhah, "Criminalisation of Terrorism Financing in Iranian Law," *Journal of Financial Crime* 27, no. 1 (2020): 231, <https://doi.org/10.1108/JFC-12-2018-0133>.

<sup>56</sup> United Nations, "Terrorism and the Security Council" 210, no. September 1996 (2021): 1-16.

However, three weeks after the 9/11 attack, resolution 1373 was adopted. In accordance with this policy, the states were expanded through freezing obligations of persons (and certain related persons and entities) that attempted to commit terrorist acts. Therefore, it also applies to a broader group than the Taliban, and Al-Qaeda associated individuals and entities listed under resolution 1267 (1999) and its successors. Moreover, these states were expected to deny these terrorists safe abodes, increase their surveillance against passport and identification forgery, strengthen their border controls, and enhance international cooperation against terrorism.<sup>57</sup>

There were two more critical parts of the UN Security Council Resolution 1373. First, it established a Counter-Terrorism Committee (CTC) to track Member States' progress in implementing the Resolution. Second, states were compelled to freeze terrorist assets under a specific measure, which FATF Special Resolution III replicated. Meanwhile, through the UN Resolution 1390 of 2002, the CTC improved its unified list of persons and businesses whose assets were expected to be frozen.<sup>58</sup>

FATF was initially perceived as an initiative to combat the misuse of monetary systems by persons laundering drug money. However, it was expanded to eradicate terrorist financing and create Special Recommendations. These policies complement the Forty Recommendations, which consists of a set of measures to combat the funding of terrorist organizations.<sup>59</sup> Furthermore, over 170 global jurisdictions directly endorsed these standards and the International Monetary Fund and World Bank Boards. They were supported by the UN Security Council Resolution 1617 in 2005, which "strongly urges all Member States to implement the comprehensive international standards embodied in the FATF's Forty Recommendations on money laundering and the FATF Nine Special Recommendations on Terrorist Financing".<sup>60</sup>

On 28 March 2019, two weeks after the Christchurch Mosque shootings, the UN Security Council unanimously adopted UNSCR 2462 to combat and criminalize the financing of terrorists' activities. Despite being spurred in some aspects of the incident, the Security Council decided that the moment had come to reconsider, reaffirm, and enhance Resolution 1373 concerning over two decades of counter-terrorism efforts.<sup>61</sup> This policy reaffirms the prevention and suppression of terrorism financing as stated in Resolution 1373, which includes abolishing the recruitment of members and eliminating the supply of weapons to terrorists. It was considered a milestone where FATF gained recognition and endorsement from the UN Security Council. Meanwhile, it was further stated that Encouraging Member States to actively cooperate with FATF, including contributing to its monitoring of terrorism financing, is essential.<sup>62</sup> In addition, they are strongly urged to implement the comprehensive international standards embodied in the revised Forty FATF Recommendations on Combating Money Laundering and the Financing of Terrorism and Proliferation and its interpretive notes.<sup>63</sup>

The use of technologies to finance terrorism was also stipulated in this Resolution. Terrorist groups transfer funds and perform certain transactions through financial institutions,

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<sup>57</sup> Hilde Haaland Kramer and Steve A. Yetiv, "The UN Security Council's Response to Terrorism: Before and after September 11, 2001," *Political Science Quarterly* 122, no. 3 (2007): 414, <https://doi.org/10.1002/j.1538-165X.2007.tb00604.x>.

<sup>58</sup> Nicholas Ridley and Dean C. Alexander, "Combating Terrorist Financing in the First Decade of the Twenty-First Century," *Journal of Money Laundering Control* 15, no. 1 (2011): 40, <https://doi.org/10.1108/13685201211194727>.

<sup>59</sup> Introduction of FATF Forty Recommendation.

<sup>60</sup> H.E. Ping, "The Measures on Combating Money Laundering and Terrorism Financing in the PRC," *Journal of Money Laundering Control* 11, no. 4 (2008): 320–30, <https://doi.org/http://dx.doi.org/10.1108/13685200810910394> Downloaded.

<sup>61</sup> B Y William, Casey King, and Richard Gordon, "United Nations Security Council Resolution 1330," *Middle East Economic Survey* 43, no. 50 (2000), <https://doi.org/10.1017/ilm.2020.16>.

<sup>62</sup> United Nations Security Council (UNSC) Res 2462 (28 March 2019) UN Doc S/RES/2462, p. 2.

<sup>63</sup> United Nations Security Council (UNSC) Res 2462 (28 March 2019) UN Doc S/RES/2462, p. 3.



misappropriate legitimate businesses and Non-Profit Organizations couriers, and utilize new payment methods, such as mobile payments or virtual assets.<sup>64</sup> Jean-Yves Le Drian, foreign minister of France, stated that the perpetrators of these nefarious acts have learned to dwell in new virtual financial spaces where they exploit new technologies. They are aware of several means of amassing funds, such as opening online pools and transforming their resources into cryptocurrency to acquire weapons in cyberspace. Terrorists also use informal *hawala* transactions to transfer funds to other parts of the world for their activities.<sup>65</sup>

Therefore, this Resolution calls upon the Member States to enhance the traceability and transparency of financial transactions, including assessing the risks associated with using cash and bearer negotiable instruments. It further warns of illicit cross-border transportation of cash and other financial products, such as informal value transfer system providers, including *hawala*, and the need to adopt the necessary measures. Finally, the Resolution demands that States assess and address potential risks associated with virtual assets and new financial instruments and ensure that the providers are subject to Counter-Terrorism Financing and Anti-Money Laundering obligations.<sup>66</sup>

Non-profit organizations (NPO) also gained recognition of this Resolution, as they are vulnerable to terrorist financing. Therefore, it demands that the NPOs be treated as profit organizations and encourages the Member States to work together with the non-profit sector to prevent the abuse of such institutions. This includes front organizations, as was initially stipulated in the FATF report regarding the abuse of these non-profit organizations by terrorists.

## Implementations and Current Developments in Indonesia

As Indonesia tends to deal with terrorism frequently, the issue of counter-terrorist financing was developed within the state. In the mid-2000s, this was the subject of Non-Cooperative Countries and Territories. However, Law No. 6 of 2006 ratified the International Convention for the Suppression of the Financing of Terrorism. In 2012, Indonesia was blacklisted by the FATF because it had not made enough progress in executing active plans. The AML/CFT persistently requested that the following plans be implemented: (1) adequately criminalizing terrorist financing, (2) establishing and implementing adequate procedures to identify and freeze their assets, and (3) amending and enacting laws or other instruments to fully implement the 1999 International Convention on the Suppression of Terrorist Financing.<sup>67</sup>

Regarding the evaluated results and the issued statement that depicts Indonesia as on the FATF watch list again, the government immediately responded by issuing Law No. 9 of 2013 concerning the Eradication and Prevention of Terrorism Financing Crime. Interestingly, this law assigned the Financial Services Authority (OJK) a supervisory and regulatory role. OJK is authorized to regulate, supervise and impose sanctions on Reporting Parties under their authority, including Financial Service Providers (PJK) in the banking sector, capital market, and non-bank financial industry (IKNB). As a financial intelligence unit (FIU), PPATK is responsible for preventing and eradicating terrorism financing offences. It is also authorized to receive and analyze all financial-related information and submit it to law enforcement for follow-up.

In its development, FATF recognized that Indonesia is one of the base countries for these radical groups. This was reflected in the public statement issued on 24 October 2014, which

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<sup>64</sup> Arianna Boccialone, "The International Regulation Of Countering The Three Phases Of Terrorism Financing" (n.d.), 65

<sup>65</sup> 8496<sup>th</sup> United Nations Security Council meeting for the adoption of UNSC Resolution 2462/2019.

<sup>66</sup> United Nations Security Council (UNSC) Res 2462 (28 March 2019) UN Doc S/RES/2462, p. 5.

<sup>67</sup> FATF. (2012) High-risk and Non-cooperative Jurisdictions [Online]. Available from <<http://www.fatf-gafi.org/topics/key/publicstatement-oct2014.html>>

classified the country as a jurisdiction group with strategic anti-money laundering or prevention deficiencies. FATF encouraged Indonesia to fully implement the UNSCR 1267 and improve the legal framework and procedures for freezing terrorist assets. Finally, through the plenary meeting held on 26 June 2015, the FATF stopped monitoring Indonesia because it had made considerable progress in resolving the strategic AML/CFT weaknesses highlighted and addressed in its plan. The removal from the watch list resulted from a regulation issued by the government in February, authorizing the freezing of terrorist-linked bank accounts, as stipulated in the third recommendation.<sup>68</sup>

Furthermore, Indonesia has succeeded in implementing the Nine Special Recommendations of FATF relating to countering financing terrorism, which are stated as follows:<sup>69</sup>

1. Indonesia ratified the International Convention for the Suppression of the Financing of Terrorism in 1999, and it was enacted in Law No. 6 of 2006.  
This is considered a milestone in its eradication of terrorist financing. It led to the implementing of Law No. 9 of 2013 as the ground rules of Counter-Terrorist Financing. This continues to create specific regulations as its derivative rules differ from each sector.
2. Indonesia was forced to criminalize the financing of terrorism in Law No. 9 of 2013 concerning the Prevention and Eradication of Criminal Acts of Terrorism Financing.  
By enacting this law, terrorism financing was first introduced in the country as a criminal action. Irrespective of the fact that the crime has not been executed, the financing of its activities tends to be penalized.
3. Blocking of all assets belonging to individual terrorist groups is listed in the Al Qaeda List Sanction (AQLS) and the Taliban List Sanction (TSL).  
This is stated in the Joint Decree (SKB) concerning the Inclusion of Corporate Identity in the List of Suspected Terrorists and Terrorist Organizations and the immediate Blocking of funds belonging to the mentioned persons or corporations on 11 February 2015. Indonesia Financial Services Authority also issued a circular, letter No. 38 /SEOJK.01/2017, which regulates the guidelines for the Immediate Blocking of customer funds in the financial services sector whose identities are on the List of Suspected Terrorists Terrorist Organisations.
4. The relevant authorities further reported suspicious transactions related to terrorism by coordinating with all existing task forces.  
The PPATK obtained reports on suspicious transactions mandated through Law No. 9 of 2013. Furthermore, it cooperated with the Financial Services Authority as a supervisory and regulatory agency through Regulation Number 23/POJK.01/2019 Concerning Amendment to Financial Services Authority Regulation Number 12/POJK.01/2017 Concerning Implementation of Anti-Money Laundering Programs and Prevention of the Financing of Terrorism in The Financial Services Sector.
5. Agreements were made, including Mutual Legal Assistance (MLA) and the exchange of information in criminal matters as regulated in Law No. 1 of 2006 concerning Mutual Legal Assistance in Criminal Matters.  
Through the MLA, assistance was obtained by exchanging information to enforce justice. Specifically, this provides access to examining and identifying suspected persons, places and things, transfer of custody, and assistance with immobilizing tools used for criminal activities. MLA has been established with Switzerland, Australia, Hong Kong, China, South

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<sup>68</sup> Samuel Rubinfeld, "Indonesia Dropped from Money Laundering Blacklist," Wall Street Journal, 29 June 2015, <https://www.wsj.com/articles/BL-252B-7483>.

<sup>69</sup> Yuliana Andhika Risang Putri, "Peran Rekomendasi Financial Action Task Force (FATF) Dalam Penanganan Pendanaan Terorisme Di Indonesia" 1, no. 2 (2015): 88–94.

Korea, India, Vietnam, United Arab Emirates, and Iran to a greater extent. The Indonesia House of Representatives is currently drafting the MLA bill against Russia.

6. Alternative money transfer activities are already under the authority of Financial Service Providers (PJK), which consist of banks and non-finance institutes.

Delivery of money transfers needs to go through a permit that has been registered by the Supervisory and Regulatory Agency (LPP), including the Financial Services Authority (OJK), Indonesia Central Bank (BI), Ministry of Communications and Information, BAPPEBTI, and the Ministry of Cooperatives and SMEs. This is intended to prevent formal and alternative money remittance systems and wire transfers from being misused for terrorist activities. These approaches have emerged as platforms to move money for terrorist activities.

7. Non-profit social organizations are monetary channels still vulnerable to funding terrorism activities. Financial Services Providers tend to supervise these institutes by establishing the Guidelines for Know Your Service Users (PMPJ). This is further explained in the following section.

8. Meanwhile, two other FATF-specific recommendations, namely cable transfers and cash courier services, were implemented through the cooperation of all existing Financial Service providers.

Banks and non-financial institutes are information providers in Money Receiving Business Activities (KUPU). This aids in identifying providers that do not comply with the applicable provisions. Law No. 3 of 2011 concerning the Transfer of Funds also contains remittance provisions.

Regarding the compliance of UNSCR 2462, Indonesia was urged to implement this Resolution in March 2019 after attending the Open Debate on Counter Financing of Terrorism in New York. Meanwhile, before that incident, it had already accepted to become a FATF observer. Indonesia was also permitted to make suggestions during meetings. Moreover, building upon the findings of the 2019 Money Laundering risk assessment, the Money Laundering Committee of Indonesia established a National Strategy for Money Laundering for 2020-2024.<sup>70</sup> Indonesia remained dedicated to establishing a comprehensive AML-CFT regime through the collaboration of the Indonesian government with AML-CFT stakeholders who are part of the Inter-Agency Working Group of the National Risk Assessment in the update of the 2021 National Risk Assessment on Money Laundering. Indonesia's consistent compliance with international standards based on the FATF assessment from 2001 to the present reflected significant progress in implementing the AML-CFT regime.<sup>71</sup>

Furthermore, there was progress in implementing FATF recommendations and the UN Security Council resolution on terrorism financing. It can be reflected from APG on Indonesia MER 2018 Indonesia's legal framework for Terrorist Financing sanction has been under UNSCRs 1267/1989/2253 and 1988 and UNSCR 1373 is established under the 2013 CFT Law, the Joint TF Freezing Regulations of 2015 and PPATK Decree No. 122 of 2017 (and their respective annexes).<sup>72</sup> Although specific provisions led to its successful implementation, some developments were made based on the Resolution. As a highlighted point in the regulation, Indonesia must prevent terrorism financing through financial technologies. One of the general

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<sup>70</sup> Team Indonesia Risk Assessment on Money Laundering, *Indonesia Risk Assessment on Money Laundering 2021* (Jakarta: INTRAC, 2021), 45.

<sup>71</sup> *Ibid.*, 33.

<sup>72</sup> Mutual Evaluation Report, "Indonesia," no. September (2018).

characteristics of terrorist funding is that they are likely to use electronic payment systems.<sup>73</sup> In 2016, terrorism activities carried out by Bahrin Naim were financed through the following platforms: Paypal and Bitcoin.<sup>74</sup> The emergence of Financial Technologies (Fintech) in Indonesia was also misused for this interest. Fintech was used to finance their activities through social media campaigns acting as humanitarian charity organizations for victims of natural disasters, Middle East conflicts, COVID-19 patients and orphanage sponsors. Some of those institutes are Islamic Nation of Indonesia (NII), Jemaah Islamiyah (JI), Indonesian Mujahedeen Council (MMI), *Jemaah Ansharut Tauhid* (JAT) and *Jemaah Ansharut Khilafah* (JAK).<sup>75</sup> Financial Service Authority has already regulated the counter-terrorist financing on fintech through Circular Letter No. 6 of 2021 concerning Guidelines for Implementing Anti-Money Laundering and Prevention of Terrorism Financing Programs for Information Technology-Based Borrowing-Lending Service Providers.

Besides fintech, cryptocurrency is used by certain people to benefit some payment systems or investments. It is also described as a developed payment alternative tool used to perform transactions or as substitutes for bank products and is being used to finance terrorism.<sup>76</sup> There are several reasons cryptocurrency is suitable for terrorism financing. They are anonymity, global reach, non-repudiation, fast and low cost. The authorities need to easily track the transactions, and the changes in venue lead to difficulties between the cooperation and governments.<sup>77</sup>

In Indonesia, cryptocurrency or virtual currency is prohibited as stipulated in BI Regulation No.19/12/PBI/2017 regarding Financial Technology Operation, and only rupiah is acknowledged as legal payment currency.<sup>78</sup> It is only regulated by Commodity Futures Trading Supervisory Agency Regulation No. 3 of 2019. Therefore, the regulatory framework for counter-financing terrorism is still deficient. Indonesia needs the relevant authorities to either regulate or supervise cryptocurrency. Moreover, other states, such as the United Kingdom, have a Crypto Assets Task Force consisting of the Financial Conduct Authority, the Treasury, and the Bank of England. In the meantime, the United States has implemented the National Cryptocurrency Enforcement Team (NCET), established by the Department of Justice. The objective of these authorities is to develop a regulatory framework to eradicate the misuse of cryptocurrency, which covers counter-terrorist financing.<sup>79</sup> However, despite the rapidly growing use of cryptocurrency, cash transactions pose a high risk for terrorist financing due to their lack of traceability.<sup>80</sup>

<sup>73</sup> Nelin Dias Pratiwi, Ika Riswanti Putranti, dan Marten Hanura, "Kerjasama Indonesia-Filipina dalam Menangani Pendanaan Terorisme Berbasis *Money Laundering*," *Journal of International Relations* 8, no. 4 (2022): 615.

<sup>74</sup> A H Hasbi and R Mahzam, "Cryptocurrencies: Potential for Terror Financing?," *RSIS Commentary* 75, no. 075 (2018): 2, <https://www.rsis.edu.sg/wp-content/uploads/2018/04/CO18075.pdf>.

<sup>75</sup> Yudho Taruno Muryanto, Dona Budi Kharisma, and Anjar Sri Ciptorukmi Nugraheni, "Prospects and Challenges of Islamic Fintech in Indonesia: A Legal Viewpoint," *International Journal of Law and Management*, (2021): 9, <https://doi.org/10.1108/IJLMA-07-2021-0162>.

<sup>76</sup> S. Franciska Mifanyira, and Sophia Kusumawardhani, "The Liability of Cryptocurrency Exchanger under Indonesian and Malaysian Anti-money Laundering and Terrorism Financing Act." In Proceedings of the International Law Conference (iN-LAC 2018) - Law, Technology and the Imperative of Change in the 21st Century

<sup>77</sup> Alan Brill & Lonnie Keene, "Cryptocurrencies: The Next Generation of Terrorist Financing?," *Defence against Terrorism Review* 6, no. 1 (2014): 69–97.

<sup>78</sup> Gunawan Widjaja, "Legality of cryptocurrency in Indonesia" *Advances in Business Research International Journal (ABRIJ)*, 5 (2(S)) (2019): 78. ISSN 2462-1838.

<sup>79</sup> Kfir, "Cryptocurrencies, National Security, Crime and Terrorism."

<sup>80</sup> FATF, *Anti-money laundering and counter-terrorist financing measures –Indonesia* (Paris: FATF, 2023), 91.

Nevertheless, non-bank licensed fund transfer services are still utilized for their speed and comprehensive coverage.<sup>81</sup> Therefore, Indonesia must supervise and develop a regulatory framework to tackle cryptocurrency in terrorist financing. A non-profit organization (NPO) was also noted as one of the vessels used to execute terrorist financing. In contrast, the Resolution obliges the state to cooperate with NPOs to prevent its abuse. In Indonesia, non-profit organizations such as foundations (*Yayasan*) or associations (*perkumpulan*) are the most vulnerable business entities due to their low capacities to prevent and mitigate their operations from terrorist-financing risks.<sup>82</sup> An example of this institute under the guise of charity is *Yayasan Infak Dakwah Center* ("YIDC"), which collected funds to initiate the Thamrin Bombings in 2016. This has been going on since 2014 when donations were utilized to finance jihadists' difficulties and the necessities of their families.<sup>83</sup>

A regulatory framework was designed to tackle this issue through Law No. 17 of 2013 regarding Civil Society Organization, which is considered repressive, discriminatory, and excessively bureaucratic. This sentiment was the same for its predecessor, Law No. 8 of 1985. Besides that, the enactment of Presidential Decree No. 18 of 2017 concerning receiving and making donations from NPOs provides a significant step since it compels them to execute operations that financial institutions often perform. As in the Resolution, the UN Security Council calls on the Member States to periodically carry out an assessment of its non-profit sector or update existing ones to determine the organizations vulnerable to terrorist financing, as well as implement a risk-based approach.

Indonesia and ASEAN member countries, including Australia and New Zealand, have agreed to conduct joint research to assess the risk of NPOs in the Pacific region. The results are hoped to serve as a standard guide in understanding and mitigating the characteristics of terrorism financing through these institutes. The assessment was prioritized by performing Country information sharing, High-risk NPO Indicators, NPO vetting on personnel, identifying at-risk NPO Subsets, targeted terrorist financing specific outreach, identifying unregulated NPOs, risk-based monitoring, supervision, disruption, and enhanced information sharing, among other authorities.<sup>84</sup>

Regarding this NPO-related research, even though the region's assessment against terrorist funding in 2016 stated that this institute is exposed to high risk, fewer examples of its misuse have been reported than predicted. Investigators discovered that certain financing instances were primarily oriented towards terrorist organizations not classified as non-profit groups. In Indonesia, NPOs are registered through the Ministry of Law and Human Rights. Concerning the issue of financing terrorism or involving this sector, the authorities have formed a task force to handle NPOs as needed. This includes Supervisory and Regulatory Agency NPO (NPO ministry), law enforcement agencies and PPATK (Managing Team of the Updated 2015 Indonesia's Risk Assessment on Terrorist Financing Crime, 2019).<sup>85</sup> As related ministries are spread across the country, there is a need to strengthen their coordination. In addition, they are required to integrate and have accessible information. Besides that, PPATK, Indonesian Police Force, BIN, and BNPT have to carry out a comprehensive assessment of NPO. It aims to identify the possibilities of terrorist financing, followed by its formulation means and priorities regarding socialization and education, ensuring that their activities do not deviate from their

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<sup>81</sup> *Ibid.*

<sup>82</sup> Maliki Sukmana, "Joined-Up Government in the Prevention of Terrorist-Financing Offenses by Non-profit Organizations: An Evidence-Based Approach," *Jurnal Politik* 5, no. 2 (2020): 261, <https://doi.org/10.7454/jp.v5i2.264>.

<sup>83</sup> Garnadi Walanda and Muhamad Syauquillah, "Preventing Terrorists' Misuse of Charitable Foundations: A Situational Crime Prevention Approach," in 2nd International Conference on Strategic and Global Studies (ICSGS 2018), Atlantis Press. (2019): 7, <https://doi.org/10.2991/icsgs-18.2019.2>.

<sup>84</sup> Bank Negara Malaysia, "Non-Profit Organisations: Regional Risk Assessment 2017," 2017.

<sup>85</sup> OJK, *The Updated Indonesia 'S Risk Assessment on Final Report*, 2019.

network.<sup>86</sup> In addition, all ministries related to NPOs and law enforcement need to engage in intense supervision and work synchronization towards preventing NPOs from becoming the source of terrorist financing.

Moreover, PPATK also acknowledges Indonesian notaries, under the Minister of Law and Human Rights Regulation No. 9 of 2017 on the Application of the Principle of Recognizing Service Users (PMPJ) for Notaries, as the gatekeepers in the prevention of money laundering and terrorism financing.<sup>87</sup> The regulation is a guiding framework for notaries, directing them to identify the parties involved in legal transactions.<sup>88</sup> Furthermore, the regulation establishes guidelines aimed at providing technical instructions to ensure that notaries share a common understanding of the implementation of PMPJ.<sup>89</sup> However, the international community still considers Indonesia at risk of money laundering and terrorism financing due to its inadequately developed financial system regulations, ineffective law enforcement, as well as the widespread practices of corruption.<sup>90</sup>

## Conclusion

Terrorism has been a primary concern all over the world. At first, this nefarious act was based on political or ideological factors. However, in the late 20<sup>th</sup> Century, it started to shift towards religion. Extremists that engaged in this act in the name of religion started to emerge in major countries globally, and Indonesia was also affected. An effective means to counter-terrorism is by luring the suspect with money. This indicates that the authorities need to monitor the source of the terrorist financing to prevent this criminal act from occurring. It is similar to money laundering, whereas both crimes aim to hide the funds from the authorities. After the 9/11 tragedy, anti-money laundering measures were implemented to combat terrorist financing, as tracking such crimes is easier.

Member states have been urged to ratify the International Convention for the Suppression of Financing of Terrorism. Besides that, the UN Security Council continues to create resolutions for counter-terrorist financings, such as Resolution No. 1267, which obliged the state to freeze funds from Al-Qaeda; Resolution No. 1373, an amendment of Resolution No. 1267 concerning the freezing and seizure of the perpetrators' accounts and access. FATF, an international agency intended to combat money laundering, has implemented specific recommendations as ground measures for countries to prevent terrorist financing. UN Security Council has urged member states to enact these policies through Resolution 1617.

Following the Christchurch tragedy, UNSCR 2462 was adopted as the latest international regulation concerning terrorist financing. It was issued by the UN Security Council, which recognized specific new threats such as terrorist financing through technologies or Non-Profit Organizations. The UNSCR 2462 also appreciated the FATF recommendations regarding the counter-terrorist financing measure, which the member states were promoted to apply.

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<sup>86</sup> Sukmana, "Joined-Up Government in the Prevention of Terrorist-Financing Offenses by Non-profit Organizations: An Evidence-Based Approach.": 270-271

<sup>87</sup> Reza Rama Valiandra, et al., "The Existence of Notaries in Supporting Electronic Transaction Security Systems Related To Money Laundering And Terrorism Financing In Indonesia," *Journal of Positive School Psychology* 6, no. 9 (2022): 1597-1598.

<sup>88</sup> Rolib Sitorus, "Principles of Recognizing Service Users in Corruption Prevention, Money Laundering and Terrorism Financing," *Asian Journal of Law and Governance* 4, no. 4 (2022): 42.

<sup>89</sup> Alum Simbolon and Irene P. A. S. Sinaga, "Implementation of the Principle of Recognizing Service Users (PMPJ) for Notaries in Indonesia," *Asian Journal of Law and Governance* 5, no. 1 (2023): 1.

<sup>90</sup> Juno Karo Karo et al., "Comparison of Regulations in the Eradication of Money Laundering Criminal Offence Originating From Narcotics Between the Countries of Indonesia and the United States of America," *Advances in Social Science, Education and Humanities Research* 642, (2022): 72.

Law No. No. 9 of 2013 concerning the Eradication and Prevention of Terrorism Financing Crime has been the ground rules for criminalizing terrorist financing. Indonesia has implemented safety measures and succeeded in applying the FATF's nine recommendations. However, as this process is continually being developed, as stated in UNSCR 2462, Indonesia must enhance its regulation on terrorist financing. Although it has implemented specific measures to monitor this process through the OJK circular letter, the emergence of cryptocurrency has not been entirely regulated, and this needs to be prevented due to its rapid growth, which has led to its use as terrorist financing in Indonesia. Concerning NPO, the risk assessment stated that it is highly risky to be used as terrorist funding. The task force, consisting of the Supervisory and Regulatory Agency of NPO, law enforcement agencies, and PPATK, must engage in adequate supervisory activities to tackle this issue.

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