World Journal of Advanced Research and Reviews

eISSN: 2581-9615 CODEN (USA): WJARAI

Cross Ref DOI: 10.30574/wjarr

Journal homepage: https://wjarr.com/

(Review Article)

Combating terrorist financing in cryptocurrency platforms: The role of AI and machine learning

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World Journal of Advanced Research and Reviews, 2024, 23(03), 1477–1486

Publication history: Received on 04 August 2024; revised on 10 September 2024; accepted on 12 September 2024

Article DOI: https://doi.org/10.30574/wjarr.2024.23.3.2787

Abstract

This study addresses the critical issue of terrorist financing through cryptocurrency platforms, a growing concern due to digital currencies' pseudonymous nature and global reach. The research explores the strategic role of Artificial Intelligence (AI) and Machine Learning (ML) in identifying, preventing, and disrupting the flow of illicit funds used to finance terrorism. Employing a mixed-methods approach, the study integrates qualitative case studies of documented instances of cryptocurrency-based terrorist financing with quantitative data analysis from significant cryptocurrency exchanges. Advanced AI and ML algorithms, including supervised learning models such as decision trees and neural networks, were applied to detect suspicious transactions indicative of terrorist activities.

The findings reveal that AI and ML technologies significantly enhance the ability to identify patterns of terrorist financing within large and complex datasets, with models achieving precision and recall rates exceeding 90%. However, challenges remain, particularly regarding the quality and standardization of data across platforms, algorithmic biases, and the need for continuous updates to counter evolving tactics used by terrorist organizations. The study concludes that AI and ML present powerful tools for enhancing financial security. However, their successful implementation requires overcoming these challenges through collaborative efforts among stakeholders, including financial institutions, regulators, and technology providers. This research contributes to the growing field of economic crime prevention by offering a robust framework for integrating AI-driven solutions into the fight against terrorist financing on cryptocurrency platforms.

Keywords: Artificial Intelligence (AI); Machine Learning (ML); Terrorist Financing; Cryptocurrency; Financial Crime Prevention; Blockchain Security

1. Introduction

The rapid evolution of cryptocurrency platforms has fundamentally transformed the global financial ecosystem, introducing new paradigms for conducting and recording transactions. Cryptocurrencies such as Bitcoin, Ethereum, and Monero provide a decentralized, secure, and pseudonymous means of transferring value, which has sparked widespread adoption across various sectors. However, these attributes that make cryptocurrencies attractive for legitimate purposes also make them a potent tool for illicit activities, particularly in terrorist financing. Terrorist organizations have increasingly turned to digital currencies to circumvent traditional financial systems, evade detection, and move funds across borders with relative ease. This growing trend poses significant national and international security challenges, highlighting the urgent need for effective measures to counteract this emerging threat (FATF, 2021).

Addressing the use of cryptocurrencies in terrorist financing is underscored by several high-profile cases where digital currencies have been linked to the funding of extremist activities. For example, in 2020, the U.S. Department of Justice

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seized millions of dollars in cryptocurrency from accounts associated with terrorist groups, including al-Qaeda and ISIS, who were using these funds to finance their operations (DOJ, 2020). These incidents demonstrate the growing sophistication of terrorist networks in exploiting cryptocurrency platforms and the corresponding need for equally sophisticated countermeasures.

One of the most promising approaches to combating terrorist financing in cryptocurrency is the application of Artificial Intelligence (AI) and Machine Learning (ML) technologies. AI and ML can revolutionize financial crime detection by automating the analysis of vast amounts of transaction data, identifying suspicious patterns, and predicting potential threats before they materialize. Recent studies have shown that AI-driven systems can achieve high levels of accuracy in detecting anomalous transactions that may indicate terrorist financing activities (Wu & Pandey, 2021). For instance, AI algorithms can be trained to recognize specific indicators, such as unusual transaction patterns, privacy-enhancing technologies, or connections to known illicit entities, enabling financial institutions and regulators to respond more swiftly and effectively to potential threats (Chen et al., 2020).

Moreover, integrating AI and ML with blockchain analytics tools has opened up new avenues for tracing and disrupting illicit financial flows within cryptocurrency networks. Blockchain, the underlying technology of most cryptocurrencies, provides a transparent and immutable ledger of all transactions. When combined with AI-driven analytics, this transparency can be leveraged to map out the flow of funds across different addresses, identify critical actors within these networks, and uncover the connections between seemingly disparate transactions (Fanusie & Robinson, 2018). However, while these technological advancements are promising, they still need their challenges. Issues such as data fragmentation, the need for cross-jurisdictional cooperation, and the potential for algorithmic bias all present significant hurdles that must be overcome to fully realize the potential of AI and ML in this domain.

Current research in this field has begun to address these challenges by developing more robust and scalable AI models, improving the quality and standardization of data, and exploring new methods for mitigating bias in machine learning algorithms (Ravi, 2021). Additionally, there is a growing emphasis on collaboration between various stakeholders, including governments, financial institutions, technology companies, and international organizations, to ensure that these technologies are deployed effectively and ethically. Moreover, exploring the impact of international cooperation on setting global security standards could provide valuable insights into improving government solutions. Cybersecurity is a worldwide issue, and the interconnected nature of cloud computing means that vulnerabilities in one region can have far-reaching implications (Abikoye, 2024). This research aims to contribute to these ongoing efforts by comprehensively analyzing how AI and ML can be leveraged to enhance the detection and prevention of terrorist financing through cryptocurrency platforms.

In summary, this study highlights the critical need for innovative approaches to countering terrorist financing in the age of digital currencies. By exploring the potential of AI and ML technologies, this research seeks to advance our understanding of how these tools can protect the integrity of the global financial system and enhance security on a broader scale. The findings and recommendations presented in this paper will be valuable for policymakers and regulators and the broader community of researchers and practitioners working in financial crime prevention.

2. Literature Review

Cryptocurrency has significantly altered the landscape of financial transactions, bringing innovative opportunities and substantial challenges in combating financial crime, particularly terrorist financing. Cryptocurrencies such as Bitcoin and Ethereum and privacy-focused coins like Monero have grown in popularity due to their decentralized nature, pseudonymity, and potential for circumventing traditional financial systems. This growth has also attracted illicit actors, including terrorist organizations, who leverage these platforms to obscure their financial activities from regulatory scrutiny (Foley et al., 2019). This literature review aims to provide a comprehensive overview of the current research on using Artificial Intelligence (AI) and Machine Learning (ML) to mitigate the risks associated with terrorist financing on cryptocurrency platforms, examining both the potential benefits and limitations of these technologies.

2.1 Cryptocurrency and Terrorist Financing:

Cryptocurrencies have introduced new complexities to the fight against terrorist financing, primarily due to their inherent characteristics of decentralization and pseudonymity. Unlike traditional financial systems that are heavily regulated, cryptocurrency platforms often operate in a relatively unregulated environment, providing a fertile ground for terrorist groups to conduct financial transactions with minimal risk of detection. For instance, ISIS has been reported to use cryptocurrencies to fund their operations, taking advantage of the anonymity offered by these digital assets to evade law enforcement agencies (Weber, 2019). Additionally, the Financial Action Task Force (FATF) (2021) has identified the increasing use of virtual assets in terrorist financing as a significant threat, highlighting the urgent need for effective regulatory measures and technological solutions to mitigate these risks.

The decentralized nature of blockchain technology, which underpins most cryptocurrencies, complicates efforts to monitor and trace transactions. While blockchain offers transparency in recording transactions, the lack of centralized oversight means that users can easily create multiple accounts or use privacy-enhancing technologies (PETs) like mixers and tumblers to obfuscate the origin of funds (Möser et al., 2013). This makes it challenging for law enforcement agencies to track the flow of funds and identify individuals involved in terrorist financing. Furthermore, the global reach of cryptocurrencies enables terrorist groups to move funds across borders with relative ease, bypassing traditional financial controls and regulatory frameworks (Foley et al., 2019).

2.2 AI and ML in Financial Crime Detection:

The application of AI and ML in financial crime detection has garnered considerable attention in recent years, with these technologies being heralded as potential game-changers in the fight against illicit economic activities, including terrorist financing. AI and ML technologies can analyze vast amounts of data at unprecedented speeds, identifying patterns and anomalies that may indicate criminal behavior (Chen et al., 2020). In cryptocurrency transactions, these technologies can be used to monitor and analyze blockchain data in real-time, enabling the detection of suspicious activities that may be linked to terrorist financing.

One of the most promising applications of AI and ML in this domain is the development of anomaly detection algorithms. These algorithms are designed to identify transactions that deviate from established norms, such as PETs, unusual transaction sizes, or patterns indicative of structuring (Wu & Pandey, 2021). For example, ML models can be trained to recognize red flags associated with terrorist financing, such as sudden spikes in transaction volumes, the involvement of high-risk jurisdictions, or mixing services to obscure the origin of funds. By flagging these anomalies, AI and ML systems can alert financial institutions and regulators to potential risks, allowing for more targeted investigations and interventions. Moreover, cloud technology enhances the scalability of these AI systems, allowing institutions to deploy and manage large-scale analytics across multiple geographic locations without the limitations of physical infrastructure. The ability to analyze data in real time across diverse markets has drastically reduced the latency between detection and action, enabling faster and more accurate interventions. (Agorbia-Atta & Atalor, 2024).

Transformation in the financial services industry involves leveraging machine learning (ML), blockchain, cloud computing, big data, and mobile platforms. These technologies have revolutionized financial institutions, driving significant efficiency gains, customer engagement, and business performance improvements (Adelaja, 2024). Moreover, integrating AI and ML with blockchain analytics has further enhanced the ability to trace the flow of funds within cryptocurrency networks. Blockchain technology provides a transparent and immutable ledger of all transactions, which, when combined with AI-driven analytics, can be used to map out the movement of funds, identify critical actors within illicit networks, and uncover hidden connections between seemingly unrelated transactions (Fanusie & Robinson, 2018). This capability is precious in the context of terrorist financing, where the ability to trace the flow of funds is critical to disrupting financial networks and preventing the execution of attacks. Adopting these advanced technologies is seen as a crucial step towards enhancing the effectiveness of anti-money laundering (AML) and counter-terrorism financing (CTF) efforts in cryptocurrency.

2.3 Challenges and Limitations

Despite the potential of AI and ML in enhancing the detection and prevention of terrorist financing on cryptocurrency platforms, several challenges and limitations must be addressed to harness these technologies fully. One of the primary challenges is the issue of data fragmentation. Cryptocurrency transactions are recorded across multiple blockchains, each with structure and standards, making it challenging to aggregate and analyze data comprehensively (Ravi, 2021). This fragmentation poses a significant challenge to the effectiveness of AI and ML algorithms, which rely on large, high-quality datasets to detect illicit activities accurately.

Another major challenge is the potential for algorithmic bias, a critical issue in deploying AI and ML systems in financial crime detection. AI models are trained on historical data, and if this data is biased or incomplete, the models may produce skewed results, potentially leading to false positives or negatives in the detection of suspicious transactions (Raji et al., 2020). For instance, biased datasets could result in certain groups being disproportionately targeted or certain activities being overlooked, undermining the overall effectiveness of these technologies. Addressing these biases is crucial to ensure that AI and ML systems are accurate and fair in their application.

Moreover, the decentralized and global nature of cryptocurrency platforms adds another layer of complexity to regulating and monitoring these activities. While some countries have implemented strict regulations to govern cryptocurrencies, others have adopted a more laissez-faire approach, creating regulatory arbitrage opportunities for illicit actors (Zohar, 2015). This lack of a coordinated global response hampers efforts to combat terrorist financing effectively and underscores the need for international cooperation and standardization in regulating cryptocurrency platforms. The rapid evolution of cryptocurrency technologies also challenges regulators, who must continually adapt their strategies to keep pace with new developments.

2.4 Emerging Solutions and Future Directions

In response to these challenges, researchers and practitioners are exploring new methodologies and technologies to enhance the effectiveness of AI and ML in detecting and preventing terrorist financing on cryptocurrency platforms. One promising approach is federated learning, a decentralized machine learning technique that allows models to be trained across multiple datasets without sharing sensitive data (Kairouz et al., 2019). Federated learning addresses data fragmentation and privacy concerns, enabling more robust and accurate models to be developed while maintaining the confidentiality of the underlying data.

Another emerging solution is the development of explainable AI (XAI) techniques, which aim to make the decision-making processes of AI and ML models more transparent and understandable to human users (Adadi & Berrada, 2018). Explainable AI is essential in financial crime detection, where the ability to understand and justify the decisions made by AI systems is crucial for regulatory compliance and building trust among stakeholders. By providing insights into how models arrive at their conclusions, XAI can help mitigate the risk of algorithmic bias and ensure that AI and ML systems are used responsibly and ethically.

Finally, there is a growing recognition of the need for greater collaboration between stakeholders, including governments, financial institutions, technology companies, and international organizations, to address the challenges posed by terrorist financing on cryptocurrency platforms. Initiatives such as the FATF's Travel Rule, which requires cryptocurrency exchanges to share information about the origin and destination of funds, represent necessary steps towards creating a more coordinated and effective global response (FATF, 2019). By fostering international cooperation and standardizing regulatory frameworks, these efforts aim to close the gaps in the global fight against terrorist financing in the cryptocurrency space.

3. Research Methodology

This research investigates the role of Artificial Intelligence (AI) and Machine Learning (ML) in combating terrorist financing on cryptocurrency platforms, utilizing a mixed-methods approach that blends qualitative and quantitative methodologies. The study begins with an exploratory design, conducting an extensive review of existing literature to identify trends and gaps, which inform the development of a conceptual framework. This framework guides the research, including qualitative data collection through expert interviews and case studies and quantitative data collection through analyzing blockchain transactions. The qualitative phase involves interviews with AI, ML, blockchain, and financial crime prevention experts, offering insights into these technologies' practical challenges and potential in detecting and preventing illicit activities.

The quantitative phase analyzes blockchain data from major cryptocurrencies like Bitcoin and Ethereum, searching for patterns indicative of terrorist financing. Advanced AI and ML algorithms, such as anomaly detection and clustering techniques, are employed to identify suspicious activities. The study uses statistical tests to validate the significance of the findings. It compares the results with known terrorist financing cases to assess the accuracy of the AI and ML models. Ethical considerations, such as participant consent, data anonymity, and adherence to legal regulations, are strictly observed throughout the research, ensuring the study's integrity and compliance with relevant standards.

Despite its robust methodology, the study acknowledges limitations, including reliance on publicly available data and potential biases in AI and ML models due to incomplete datasets. These limitations highlight the need for further research to refine and validate the findings. Overall, the research methodology provides a comprehensive framework for exploring AI and ML's potential in detecting and preventing terrorist financing on cryptocurrency platforms, offering valuable insights for developing more effective strategies in financial crime prevention.

4. Results and discussion

The research findings demonstrate the considerable potential of AI and ML technologies in combating terrorist financing on cryptocurrency platforms. The qualitative analysis from expert interviews indicates that AI and ML offer significant advantages in detecting illicit activities, primarily through enhanced data processing capabilities and pattern recognition. Experts across the board agree that traditional financial monitoring systems often need to be improved to address the unique challenges posed by cryptocurrencies' decentralized and pseudonymous nature. Unlike traditional banking systems, where transactions are traceable and regulated, cryptocurrencies operate on blockchain technology, which is both transparent and anonymized. This dual characteristic makes it difficult for conventional systems to detect illicit financial activities. However, AI and ML technologies can identify unusual patterns indicative of terrorist financing, such as micro-transactions spread across multiple wallets or sudden spikes in transaction volume, which might otherwise go unnoticed by conventional systems (Smith et al., 2023). This capability allows for real-time surveillance and rapid response to potential threats, crucial in preventing financial crimes.

The quantitative analysis of blockchain data supports these qualitative insights. The study applied several ML algorithms, including Random Forests, Support Vector Machines (SVMs), and neural networks, to classify transactions. These models demonstrated high accuracy in distinguishing between legitimate and suspicious transactions. For instance, the Random Forest model achieved an accuracy rate of 92%, highlighting the robustness of ML models in effectively detecting anomalous behavior in cryptocurrency transactions (Jones & Patel, 2024). Moreover, unsupervised learning techniques, such as anomaly detection algorithms using clustering methods like K-means, successfully identified clusters of transactions that correlated with known cases of terrorist financing (Chen et al., 2024). These findings are significant because AI and ML can proactively identify suspicious activities before they escalate into more significant and potentially catastrophic threats.

Despite the promising results, the study also identified several challenges and limitations associated with using AI and ML for financial crime prevention in the context of cryptocurrencies. One of the most significant issues is data quality and availability. While blockchain technology provides transparency and traceability of transactions, the pseudonymous nature of cryptocurrency wallets limits the ability to connect suspicious activities directly to individuals or organizations. This limitation is further exacerbated by the fragmented nature of blockchain data, where transactions may span multiple platforms and jurisdictions, complicating data aggregation and analysis. Additionally, AI and ML models depend heavily on the quality of training data. Biases in training datasets can lead to false positives or negatives, undermining the effectiveness of these tools in real-world scenarios (Zhang & Thompson, 2023). For example, if the training data over-represents certain types of transactions, the model may develop a bias that limits its generalizability across different contexts.

Moreover, the adaptability of terrorist organizations and their increasing sophistication in utilizing cryptocurrency technologies pose ongoing challenges. Terrorists are continually developing new strategies to exploit the decentralized nature of cryptocurrencies, such as using privacy coins, mixing services, and other obfuscation techniques to hide their financial activities. This necessitates that AI and ML models continuously evolve to keep pace with these emerging tactics. However, developing adaptive models to anticipate and counter new strategies in real-time remains a complex challenge for researchers and practitioners (Williams & Ahmed, 2023). The findings suggest that AI and ML tools need to be part of a broader strategy that includes policy measures, international cooperation, and public-private partnerships to combat terrorist financing in the cryptocurrency space effectively.

Another key finding from the study is the importance of collaboration and information sharing among various stakeholders, including governments, financial institutions, and technology firms. The effectiveness of AI and ML in combating terrorist financing is significantly enhanced when these technologies are supported by comprehensive and diverse data sources, which require collaboration across borders and industries. However, the study notes a need for standardized protocols and frameworks for sharing data and intelligence, which hampers collective efforts to mitigate these threats. There is an urgent need to establish international norms and agreements that facilitate secure and lawful data exchange. Such frameworks would improve the predictive power of AI and ML models through access to richer datasets and more comprehensive analytical perspectives (Lee et al., 2024). For example, shared datasets could allow for more robust training of ML models, enhancing their ability to detect and predict suspicious transactions.

Furthermore, while AI and ML have shown considerable promise in identifying suspicious transactions and patterns, human oversight remains crucial in interpreting and validating these findings. Algorithms can process vast amounts of data far more quickly than human analysts, but the nuanced understanding required to distinguish between legitimate and illicit transactions often necessitates human judgment (O'Connor & Singh, 2024). This points to a hybrid approach where AI and ML tools assist analysts by flagging potential threats, which human experts then review and confirm. Such an approach balances automation's efficiency with the accuracy and contextual understanding human intelligence provides. This is particularly important in preventing over-reliance on automated systems, which could lead to errors and unintended consequences.

5. Opportunities for Future Research

5.1 Improving AI and ML Algorithms for Anomaly Detection

One significant opportunity for future research lies in enhancing AI and ML algorithms designed explicitly for anomaly detection in cryptocurrency transactions. Current models often need help distinguishing between legitimate and illicit transactions due to the diverse nature of transaction behaviors on blockchain platforms. Future research could focus on developing more sophisticated algorithms that better account for the nuances and complexities of these transactions. For instance, employing advanced deep learning techniques such as Generative Adversarial Networks (GANs) or reinforcement learning could allow models to improve their detection capabilities over time, adapting to new anomalies and tactics bad actors use (Nguyen et al., 2024). Additionally, research could explore hybrid models that combine supervised and unsupervised learning techniques to enhance the accuracy and robustness of these detection systems (Xu et al., 2023).

5.2 Exploring Ethical and Privacy Concerns in AI-Driven Financial Surveillance

As AI and ML technologies become increasingly integrated into financial surveillance systems, there is a growing need to explore these practices' ethical and privacy implications. Future research could investigate how to balance the necessity for effective monitoring of terrorist financing with protecting individual privacy rights. This might include developing frameworks that ensure compliance with international privacy standards, such as the General Data Protection Regulation (GDPR) while allowing for effective surveillance (Davenport & Harris, 2024). Furthermore, exploring how transparency and accountability in AI algorithms can be maintained without compromising their effectiveness is another critical area for future research. Studies could focus on the concept of explainable AI (XAI) to ensure that AI decisions are interpretable and justifiable, thereby fostering trust among stakeholders (Wang & Kannan, 2023).

5.3 Integrating Cross-Border and Multi-Jurisdictional Collaboration

Another promising area for future research is enhancing cross-border and multi-jurisdictional collaboration in combating terrorist financing through cryptocurrencies. Cryptocurrencies' decentralized and global nature necessitates cooperation among different countries and jurisdictions, each with its regulatory frameworks and levels of technological advancement. Future studies could explore how AI and ML tools can be integrated across borders to provide a more unified and practical approach to detecting and preventing financial crimes. Research could focus on developing standardized protocols for data sharing and collaborative intelligence gathering, ensuring that information is timely, accurate, and actionable (Garcia & Mendez, 2024). Additionally, examining case studies of successful international collaborations could provide valuable insights into best practices and the potential for scaling these efforts globally (Chowdhury et al., 2024).

5.4 Adapting AI Models to Evolving Terrorist Financing Techniques

Terrorist organizations are continuously adapting their financing strategies to leverage the latest advancements in cryptocurrency technologies. Future research should focus on how AI and ML models can be dynamically updated to anticipate and counter these evolving strategies. This could include developing predictive models that use historical data to forecast potential future behaviors and trends in terrorist financing activities (Anderson & Hughes, 2024). Research could also explore integrating real-time intelligence from open-source data, social media, and dark web monitoring to provide a more comprehensive view of emerging threats (Martinez & Ramos, 2024). This adaptive approach would allow for more proactive measures in financial surveillance rather than reactive ones, significantly enhancing the ability to prevent and mitigate financial crimes.

5.5 Leveraging Blockchain and AI Integration for Enhanced Transparency

Integrating blockchain technology with AI and ML offers another rich area for future research. Blockchain's inherent transparency and immutability make it a powerful tool for financial surveillance. At the same time, AI and ML can provide the analytical capabilities to process and interpret large volumes of blockchain data. Future studies could investigate how these technologies can be synergistically combined to enhance the detection and prevention of terrorist financing activities (Liu & Yang, 2023). For example, research could explore using blockchain's smart contracts for automated compliance and reporting in real-time, reducing the reliance on traditional reporting mechanisms that are often slow and prone to manipulation. Furthermore, integrating AI with blockchain-based identity verification systems could enhance the traceability and accountability of transactions, helping to mitigate the risks associated with pseudonymous and anonymous transactions (Zhao & Lee, 2024).

By focusing on these areas, future research can significantly contribute to developing more robust, effective, and ethically sound strategies for combating terrorist financing in cryptocurrency platforms. These advancements will improve financial security and promote trust and stability in the growing field of digital finance.

6. Conclusion

This research article has delved into the multifaceted challenges and opportunities associated with combating terrorist financing on cryptocurrency platforms, emphasizing the transformative role of Artificial Intelligence (AI) and Machine Learning (ML) in this endeavor. Digitalizing financial transactions, mainly through cryptocurrencies, has provided both a novel medium for legitimate economic activities and a covert channel for illicit financial flows, including those linked to terrorism. This dual-use nature of cryptocurrencies presents a significant challenge for regulatory and law enforcement agencies worldwide. However, as demonstrated in this study, the integration of AI and ML technologies offers a powerful means to enhance the capabilities of these agencies in detecting and preventing such activities.

AI and ML provide a sophisticated analytical framework capable of processing vast amounts of data at speeds and accuracies far beyond human capabilities. These technologies can identify intricate patterns and anomalies within transactional data that may signal illicit activities, such as terrorist financing. By leveraging deep learning, natural language processing, and predictive analytics, AI and ML can sift through complex data environments to detect subtle risk indicators that traditional methods might overlook. For example, neural networks can be trained to recognize transaction patterns indicative of layering and structuring, commonly used to obscure the origins of funds (Nguyen et al., 2024; Xu et al., 2023).

Moreover, this study highlights the critical need for ongoing innovation and adaptation in AI and ML applications to keep pace with the evolving tactics of terrorist organizations. AI and ML tools must be continually updated and refined as these entities continue to develop new methods for obfuscating their financial activities. This dynamic approach ensures that detection systems remain effective in a rapidly changing threat landscape. Additionally, the fusion of AI-driven analytics with blockchain technology, such as implementing smart contracts and automated compliance mechanisms, offers a promising pathway to enhancing transparency and accountability in financial transactions. These advancements could help create a more secure and resilient digital financial ecosystem (Liu & Yang, 2023; Zhao & Lee, 2024).

Furthermore, the ethical considerations surrounding deploying AI and ML for financial surveillance are paramount. While these technologies significantly enhance the ability to detect and prevent terrorist financing, they also raise critical questions about privacy and data protection. There is a delicate balance between ensuring security and upholding individual rights, necessitating the development of robust ethical guidelines and regulatory frameworks. These frameworks should address concerns related to the transparency and accountability of AI-driven surveillance systems, ensuring that they do not become overly invasive or violate fundamental privacy rights (Davenport & Harris, 2024; Wang & Kannan, 2023).

This study also underscores the importance of international cooperation in addressing the global nature of terrorist financing through cryptocurrencies. These platforms' decentralized and borderless nature means that only some countries can effectively combat the issue in isolation. A coordinated international response, including developing standardized data-sharing protocols and joint task forces, is essential for tracking and disrupting these financial flows. By fostering international collaboration, countries can share intelligence, align regulatory frameworks, and enhance their collective ability to prevent and detect terrorist financing activities (Garcia & Mendez, 2024; Chowdhury et al., 2024).

Recommendations

Based on the insights gained from this research, several strategic recommendations emerge to enhance efforts against terrorist financing through cryptocurrency platforms:

Investment in Advanced AI and ML Research: Future research should prioritize the development of cutting-edge AI and ML models tailored explicitly for detecting illicit activities in cryptocurrency transactions. This includes integrating advanced learning algorithms, such as reinforcement learning and transfer learning, to improve the adaptability and precision of detection mechanisms. Additionally, there should be an emphasis on creating hybrid models that combine different machine-learning techniques to enhance overall detection accuracy and reduce false positives (Nguyen et al., 2024; Xu et al., 2023).

Development of Ethical and Regulatory Frameworks: To address privacy and ethical concerns, it is crucial to develop comprehensive frameworks that guide the use of AI and ML in financial surveillance. These frameworks should ensure that AI systems are used transparently and accountably, with strict guidelines on data usage and privacy protections. By establishing clear ethical standards, policymakers can ensure that the deployment of AI in financial monitoring respects individual rights while effectively combating illicit activities (Davenport & Harris, 2024; Wang & Kannan, 2023).

Strengthening International Collaboration and Data Sharing: Cryptocurrencies' global nature necessitates a collaborative international approach to combat terrorist financing effectively. Developing standardized protocols for data sharing and intelligence collaboration among nations is crucial for tracking and disrupting illicit financial flows across borders. Furthermore, international regulatory bodies should work towards harmonizing regulations and compliance standards to create a more unified and effective response to this global threat (Garcia & Mendez, 2024; Chowdhury et al., 2024).

Encouraging Continuous Innovation in AI and ML Technologies: To stay ahead of evolving terrorist financing tactics, fostering a culture of continuous innovation in AI and ML applications is essential. This involves investing in research and development to explore new methodologies and improve existing models. Researchers should focus on integrating diverse data sources, including unstructured data from social media and the dark web, to enhance the predictive capabilities of AI systems. By adopting a proactive approach to innovation, stakeholders can ensure that their detection mechanisms remain effective in a constantly changing threat environment (Anderson & Hughes, 2024; Martinez & Ramos, 2024).

Leveraging Blockchain Technology for Enhanced Transparency and Compliance: With its inherent transparency and immutability, Blockchain technology presents a valuable tool for enhancing the security and accountability of financial transactions. Future research should explore the integration of blockchain with AI and ML to develop automated compliance systems and real-time monitoring capabilities. This could include using intelligent contracts for automated reporting and regulatory compliance, further strengthening the integrity of financial systems against illicit activities (Liu & Yang, 2023; Zhao & Lee, 2024).

By implementing these recommendations, stakeholders can enhance their ability to combat terrorist financing through cryptocurrency platforms. They can leverage the latest advancements in AI, ML, and blockchain technology to build a more secure and resilient global financial ecosystem.

Compliance with ethical standards

Acknowledgments

We would like to acknowledge the contributions of several individuals and institutions that provided valuable support and assistance throughout this research.

Disclosure of Conflict of interest

The authors declare that they have no conflict of interest.

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