

EDITORS' PICK

How Hamas' Crypto Fundraising Backfired

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RAMALLAH, ISRAEL — Hamas thought it could flout U.S. sanctions by fundraising with bitcoin. But the ... [\[+\]](#) LOS ANGELES TIMES VIA GETTY IMAGES

Senator Elizabeth Warren sent a [letter](#) to the White House this week imploring the administration to take a closer look at the role of cryptocurrency in financing terrorism. Reports that [Hamas had raised millions of dollars in crypto](#) before the recent attack against Israeli civilians prompted Warren's letter. Warren, who has long

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But Hamas would beg to differ. Since the extremist group first began soliciting bitcoin donations in 2019, that haven has become a hell. How?

Hamas learned the hard way what so many criminals have learned before: sending money over the most advanced, transparent payment system ever invented makes it nearly impossible to conceal illegal behavior. Digital footprints left on the blockchain can be used by forensic experts to expose networks of financiers, provide evidence for law enforcement, and create an avenue for authorities to divert funds originally directed towards illicit causes.

Hamas knows this now. That's why it abandoned bitcoin altogether in April of this year.

But just as the terrorist network can't change the blockchain, it can't change the damage it's done. Hamas' foray into crypto has not only exposed some of its most ardent supporters to criminal prosecution; it has also financed its greatest enemies—the United States and Israel—to the tune of millions of dollars.

This is the context missing from recent reports on Hamas' prolific fundraising efforts—rather than being a resounding success for the organization, Hamas' experiment with crypto appears to be a series of own goals. Consider the group's dismal record with digital assets:

2019—Early Bungles With Bitcoin

In January 2019, al-Qassam Brigades— Hamas’ military arm— issued a call to donors across the world to “support the resistance financially through the bitcoin currency,” according to a [report](#) from Al Jazeera. With this fundraising pitch, Hamas became the first terrorist group to adopt cryptocurrency for its fundraising operations.

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Hamas thought it could circumvent Western sanctions by adopting decentralized money. But in its early communications with followers, it made two critical mistakes: 1) telling supporters bitcoin donations are anonymous when they are, in fact, pseudonymous; and 2) claiming that transactions on the network are “untraceable,” when they are, in fact, traceable down to the last millisecond.

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From day one, Hamas had set itself up for failure by misunderstanding the fundamental nature of blockchain as an

immutable public ledger. But the gravity of its mistake wouldn't become apparent until the following year.

2020—Uncle Sam Hijacks Hamas Website

The ineptitude of Hamas' crypto bundlers made them an easy target for Western law enforcement. In August 2020, the Department of Justice conducted its largest ever seizure of terrorist crypto accounts, confiscating millions of dollars from al-Qaeda, ISIS, and Hamas. Hamas was the biggest prize of the three, with federal officers tracking and seizing [150 accounts](#) associated with the terrorist organization. In addition, the DOJ brought criminal charges against multiple Hamas donors based on their blockchain activity.

The DOJ then funneled Hamas' crypto funds into the U.S. treasury—but it didn't stop there. With judicial authorization, it also began to covertly operate Hamas' fundraising website, [alqassam.net](#). With Uncle Sam as the man behind the curtain, Hamas supporters thought they were donating bitcoin to support violence against Israel. But in reality, all their bitcoin was going to wallets controlled by the American government.

2021-2023— Israel Claims Crypto For Treasury, Hamas Abandons Bitcoin

In the years that followed the DOJ operation, Israel's National Bureau for Counter Terror Financing seized nearly 190 accounts linked to Hamas and "tens of millions of dollars" in crypto, according to a recent report from [Reuters](#). In an ironic twist, Israel then redirected that crypto to its own treasury—the same treasury funding the fight against Hamas.

With its every move on the digital ledger being tracked, Hamas finally recognized in April 2023 that bitcoin is a flawed tool for money laundering. And so, it warned its followers to stop sending donations via the cryptocurrency.

In an official [statement](#), Hamas announced that it had made this decision “to ensure the safety of donors and protect them from any harm.” The terrorist group explained that “the intensification of prosecution and the redoubling of hostile efforts against anyone who tries to support the resistance through this currency” was the reason behind its bitcoin moratorium. After suspending bitcoin, total cryptocurrency donations cratered almost overnight.

So why did Hamas decide to ditch bitcoin so abruptly? I interviewed Alex Gladstein, the chief strategy officer at the Human Rights Foundation, to put Hamas’ decision in context.

“It’s not a good idea to do large-scale crime with bitcoin because it is trackable from the fiat on- and off-ramps,” said Gladstein. “For an individual human rights activist, bitcoin is a great tool for concealing a few hundred or even a few thousand bucks. But for an organization like Hamas with a billion-dollar annual budget, it’s going to be hard for them to buy and sell large amounts of bitcoin without getting busted.”

Gladstein also emphasized how efficient Israel has become in mapping out cryptocurrency transactions. “The IDF is very good at tracking this stuff,” said Gladstein. “It is less good at tracking cash, gold, and Qatari bank accounts.”

Why Hamas Prefers Cash to Crypto

Since Hamas’ attack against innocent civilians earlier this month, the flood of crypto donations that was once flowing to the

organization has slowed to a trickle. The terrorist group has only moved a few thousand dollars in digital assets over the last several days, [according](#) to TRM Labs, a blockchain intelligence company. TRM believes this is likely because Israeli intelligence has learned to snipe Hamas accounts at the first sign of movement.

“Over the years, the U.S. and Israeli authorities have leveraged the power of the blockchain to investigate, block, and seize funds related to Hamas’ attempts to fundraise in crypto,” said Isabella Chase, a senior policy advisor at TRM, in an interview. “Hamas has troubles competing with Western intelligence in cyberspace, so it’s no wonder it relies far more heavily on old-fashioned funding streams.”

Chase explained that these more traditional funding streams include “state sponsors like Iran, networks of shell companies, hawalas, bulk cash smuggling, and taxes. The simple truth is, it’s much harder to track and trace the movement of these funds as opposed to cryptocurrency.”

Another reason Hamas might prefer cash is because it becomes almost impossible to move crypto to fiat off-ramps once the wallet holding it has been blacklisted by law enforcement. So even though Hamas reportedly raised \$41 million in cryptocurrency according to [The Wall Street Journal](#), it’s debatable the extent to which that money has any utility at all. The U.S. and Israel have sanctioned the wallets holding this crypto, which means that any exchanges that interact with them could be sanctioned as well.

Moreover, there’s a good chance that much of Hamas’ crypto has already been seized by the Israeli government. Yaya Fanusie, the Director of Policy for AML and Cyber Risk at the Crypto Council for Innovation, told me that “recent media reports refer to Israeli

seizure documents for some of their information, which indicates that Israel may have confiscated these funds in whole or in part.”

The Bigger Picture

The Hamas case study directly challenges the idea that bitcoin is good for illicit financing. To the contrary, bitcoin can be a honeypot for terrorists and money launderers. The promise of permissionless payments unfettered by international sanctions is the sweet, irresistible bait. But the transparent, permanent, and immutable nature of the blockchain is the trap.

If criminals are beginning to understand this, then policymakers should too. Legislators who would ban digital assets for fear that they could be used for illicit finance should consider the unique failures of Hamas’ cryptocurrency fundraising program.

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