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STOPPING THE MONEY FLOW: THE WAR ON TERROR FINANCE

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION, AND TRADE

OF THE

COMMITTEE ON FOREIGN AFFAIRS

AND THE

SUBCOMMITTEE ON EMERGING THREATS AND CAPABILITIES

OF THE

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STOPPING THE MONEY FLOW: THE WAR ON TERROR FINANCE

THURSDAY, JUNE 9, 2016

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION, AND TRADE,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON EMERGING THREATS AND CAPABILITIES,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The subcommittees met, pursuant to notice, at 2:10 p.m., in room 2118, Rayburn House Office Building, Hon. Ted Poe (chairman of the Subcommittee on Terrorism, Nonproliferation, and Trade) presiding.

Mr. POE. The subcommittees will come to order.

Without objection, all members may have 5 days to submit statements, questions, and extraneous materials for the record, subject to the length limitation and the rules.

I recognize myself for the opening statement.

Time and time again, we are reminded of the massive damage that terrorists cause even with just a little money. Today, terrorist groups have more money than some small countries. ISIS is the richest terrorist organization in world history, bringing in over $1 billion in 2014 alone.

Drawing on these funds, ISIS has managed to stage terrorist attacks throughout the world and kill thousands of people. ISIS is not alone. Terrorists raise billions annually to carry out their bloody agendas. This is precisely why our Government agencies have been tasked with stemming the flow of money to terrorist groups. When we can separate the terrorists from their money, lives can be saved.

According to the Treasury Department, the underlying vulnerabilities within the U.S. financial system today "remain largely the same as those identified in 2005." Terrorists are still able to park and move cash through financial systems.

Part of the problem is that the United States still does not have a comprehensive strategy across all American agencies to combat terrorist financing. Policies and priorities differ from one agency to the next in a seemingly ad hoc fashion. In fact, there isn't even a clear method by which our various agencies can coordinate their efforts. Agencies working on counterterrorist finance had previously coordinated through the Terrorist Financing Working Group. How-

ever, this working group has been on a hiatus for some time and agencies are forced to coordinate informally.

Another tool to counter terrorist financing that hasn't been used: Designation of domestic charities. According to the Treasury Department's Web site, the United States has not blacklisted any charities since the February 2009 designation of the Tamil Foundation. There are also nonconcrete metrics in place to measure the effectiveness of counterterrorist finance efforts, making it difficult to determine the need and appropriate tools required for a successful strategy.

For instance, the counter-ISIL finance cell was established in late 2014 to work on intelligence collection and operations to cut off ISIS' financing. The administration says that the cell has significantly improved our understanding of ISIS' financial activity. This is a start, but what are the cell's metrics of success? What are its goals, and how do we know if it is doing a good job?

Beyond its own government efforts, we still have a long way to go when it comes to collaborating with our international partners to counter terror finance, to ensure our efforts are not fragmented, and that our respective skills and intelligence are leveraged correctly.

Sometimes our international partners seem to be doing exactly the opposite of what our policy is. According to U.S. Government figures, terrorist groups earned over $165 million between 2000 and 2014 from governments that make ransom payments. To better understand the significance of this troubling trend, Treasury Under Secretary David Cohen said in 2012 that kidnapping for ransom has become so lucrative for terrorists that it is today's most significant source of terrorist financing.

Denying terrorists ransom payments is not just a U.S. policy. It is the international standard champion by the Financial Action Task Force, the Counter-ISIL Financing Group, and the United Nations.

International noncompliance with antiterror financing standards does not just end there. According to a Financial Action Task Force report, almost every country in the world has enacted antiterror financing laws, but only 33 of the 194 countries surveyed have actually reported any convictions using these laws.

The laws are worthless unless they are put into action. We must do more to get our partners to implement these laws so that they will have already passed in their respective nations.

Our international partners can also do more to stop the flow of money from private donors to terrorist groups. Between 2013 and 2014, ISIS received $40 million from donors in Saudi Arabia, Qatar, and Kuwait. All those countries have terror financing laws on the books, but the money still flows across their borders to ISIS.

The more we can improve on both our internal coordination and our international cooperation, the less money terrorists can have. We need more information. We need to have more information, and we know both wildlife trafficking and trade-based money laundering are sources for revenue for terrorists as well. We simply have not collected the necessary intelligence, however, and done the required analysis to understand these sources.

Going after sources of revenue for terrorists can be a powerful tool to render them powerless. Terrorists need money to pay their fighters, buy their weapons, and pull off the attacks. If we can work to deny them the money, that means we are a big step closer to defeating terrorists worldwide.

I will now yield to the gentleman from South Carolina to make his opening statement.

Mr. WILSON. Thank you, Judge Poe, and thank you for recommending this hearing on such an important topic. And I am pleased that we are reviewing this subject in a joint hearing of the two subcommittees.

Since I sit on your subcommittee in addition to chairing the Emerging Threats, I consider this a very efficient use of time. I would also like to thank Ranking Member Jim Langevin and Ranking Member Bill Keating for their contributions and participation today.

We welcome our panel of experts from this interagency team for today's hearing. I would especially like to welcome back Secretary Theresa Whelan from the Department of Defense. Secretary Whelan has appeared before the Armed Services Committee many times, as well as the subcommittee. She brings a wealth of knowledge and experience on important issues within her portfolio.

And I am pleased to have the opportunity today to talk about the topic of countering terrorist financing with our colleagues from the Terrorism, Nonproliferation, and Trade Subcommittee. I am honored to be the chairman of the Emerging Threats and Capabilities Subcommittee as we oversee some of the most forward-looking, cutting edge, and in-demand aspects of the Department of Defense.

As we consider this important topic today of countering terrorist financing, I think we should keep in mind two important frames of reference. First, countering the finances of terrorist groups remains a relatively new area of focus for the United States Government and interagency in particular.

Although the attacks of September 11 serves as the most recent forcing function, the subsequent wars of Afghanistan and Iraq showed us that the unabated financing of terrorists and insurgence groups can prolong conflicts and frustrate our national security objectives putting American families at risk.

The more recent rise of ISIL, or Daesh, with nearly $1 billion in annual revenue proves again, for our enemies, cash remains king.

Second, we should continually keep in mind how difficult this problem set is. Eliminating and countering the finances of illicit and terrorist networks that operate in ever changing and clandestine manner is very difficult work. I encourage each of the colleagues today to ask questions of our witnesses on how they are resourced in this important fight to stem the flow of dollars to our enemies.

I again would like to thank Judge Poe for holding this joint hearing between the two subcommittees. I look forward to hearing from our distinguished panel of witnesses today.

And with that, I yield back the balance of my time.

Mr. POE. I thank the chairman of the Armed Services Emerging Threats and Capabilities Subcommittee.

I yield to the gentleman from Massachusetts, Mr. Bill Keating, for his opening statement, the ranking member of the Terrorism Subcommittee.

Mr. KEATING. Well, thank you, Chairman Poe, for conducting the afternoon's hearing, and I appreciate your concern for terrorist financing and your leadership on continuing this conversation both within Congress and externally. I would also like to thank Chairman Wilson and Ranking Member Langevin of the Armed Services Subcommittee on Emerging Threats and Capabilities for their shared focus and work on this subject as well.

And of course, I appreciate the time of our witnesses who have joined from the Department of State, Treasury, Defense, and Interior to discuss this critical topic. Your ongoing attention and commitment to countering terrorist financing is the bedrock of our coordinated effort to stop the money flow, as the title of today's hearing suggests.

I also think it should be said strongly and with great appreciation for the work that is done by our men and women that are serving so well in the military. Just within the last 4 weeks, I was honored to join them aboard the aircraft carrier Harry S. Truman and see their mission in interrupting financing as well in a direct military sense. Their success at destroying cash depots and interrupting oil supply has been extraordinary, and their service should be recognized in this hearing as well.

But as we know, terrorist financing has to be resolved at many levels in terms of trying to attack it, and it is a complicated, intricate, nuanced, and clandestine effort, making it difficult to identify, follow, and to stop. Organized groups such as ISIL rely on diversified revenue streams ranging from pirated oil fields and extortion to imposition of taxes on areas that it controls, to seizures, and to the sale of looted antiquities.

Our concern doesn't end with the trafficking of foreign terrorist organizations, however. Organized crime syndicates also fund illicit activities through a variety of subversive efforts. Wildlife trafficking, for example, is estimated to generate billions of dollars for organized crime enterprises. It has also been reported that these groups are using human and organ trafficking as well as—for a revenue source, in addition to illicitly smuggling tobacco and tobacco products.

Not only do such black market dealings contribute to an illegal economy, but they fuel instability and they undermine global security. This is not to say the U.S. has not had success. Just this week, the U.S. Fish and Wildlife Service led efforts to institute a near total ban on domestic, commercial trade of elephant ivory, which aims at reducing the opportunities for wildlife traffickers to trade illegal ivory under the guise of legal products.

Over a 3-year period, an estimated 100,000 elephants were killed for their ivory, which is an average of approximately one every 15 minutes. These animals—ivory generates millions of dollars in illegal funds.

Separately, last month, the President signed into law legislation that imposes tough new import restrictions on antiquities that attract trafficking out of Syria. I was proud to play a leading role in advancing H.R. 1493, along with the support of the Foreign Affairs

Committee Chairman Ed Royce, Ranking Member Engel, and Chairman Judge Poe.

These successes, however, should not allow us to become complacent. While identifying and stopping traditional financing methods, such as hawala and hawala trade-based money laundering, the cash couriers are important. Agencies must look at new and emerging ways through which organizations are able to generate funds.

Virtual currency platforms and digital finance allows organized crime and terrorist groups to commit crimes anonymously. Digital currencies could facilitate money laundering, alleviating the need for criminal infrastructures at their base.

With respect to terrorism, anonymous marketplaces on the Internet allow the sale of illegal goods and services and risk the convergence of terrorism and organized crime. We must utilize all the resources at our disposal to target every terrorist organized crime funding entity no matter where it comes from.

I look forward to hearing from today's witnesses on these subjects, as well as working with our international allies to end and prevent terrorist organizations from generating this type of illicit money.

Thank you, and I yield back.

Mr. POE. I thank the gentleman from Massachusetts.

I recognize the ranking member of the Emerging Threats and Capabilities Subcommittee, Mr. James Langevin of Rhode Island, for 5 minutes for his opening statement.

Mr. LANGEVIN. Thank you, Mr. Chairman. I want to thank you and Chairman Wilson and Ranking Member Keating for convening this hearing, and I especially want to thank our witnesses for being here today.

In particular, I want to welcome Secretary Whelan here who has been before our subcommittee many times. I appreciate your presence, to all of you, and look forward to your testimony.

So I am pleased to join my Foreign Affairs Committee colleagues on the topic of countering threat financing. The combined force of our committees on this issue is paramount because effective CTF requires the collaboration and synchronization of a multitude of U.S. Government agencies. Holding this joint hearing will provide us an opportunity to understand CTF efforts and strategies in a holistic manner and what we can do to enhance its overall effectiveness.

Threat financing activities comes in many forms, from, as my colleagues have touched on already, from illicit drug trafficking, to wildlife poaching, to ISIL's alarming oil revenues. And understanding such activities and the associated organizations and networks, of course, is the first step, including the alternative financing through traditional financial institutions, as Mr. Keating had talked about, understanding the role that that is playing.

The Department of Defense plays a key role in this endeavor by providing threat finance intelligence, or TFI, to enhance our understanding of the challenges before us. Today, I look forward to hearing more about how such information is shared amongst agencies in a timely manner and used to produce synchronized goals and efforts to disrupt, degrade, and destroy such financing.

I also look forward to hearing from DOD and other agencies about the progress that has been made when it comes to institutionalizing CTF. This collaboration in Afghanistan resulted in many successes, and it is imperative we have a grasp on how such lessons learned are being leveraged.

With respect to the DOD, has progress been made on gaps identified in the recent capabilities-based assessment, such as CTF integration into joint plans and joint doctrine? How are we measuring the effectiveness of these efforts?

And finally, I hope today will provide insight into ongoing U.S. Government efforts in countering ISIL's oil revenue and the challenges we face on this front, as well as overall challenges with CTF that our committees could be helpful in providing solutions to when working with agencies.

So with that, I thank again our witnesses for being here. And thank you, Mr. Chairman. I would yield back.

Mr. POE. I thank the gentleman from Rhode Island.

Without objection, all members may have 5 days to submit statements, questions, and extraneous material for the record subject to the length limitation in the rules.

I will introduce the witnesses and give them time for opening statements.

Mr. Daniel Glaser is the assistant secretary for terrorist financing in the Treasury Department's Office of Terrorism and Financial Intelligence. Mr. Andrew Keller is the deputy assistant secretary for counterthreat finance and sanctions in the State Department's Bureau of Economic and Business Affairs. Ms. Theresa Whelan serves as the principal deputy assistant secretary for defense for special operations, low intensity conflict. She is a career member of the Senior Executive Service and has worked for 27 years in the defense intelligence area. Mr. William Woody is the chief of the Office of Law Enforcement of the U.S. Fish and Wildlife Service.

Without objection, the witnesses' prepared statements will be made part of the record.

I ask the witnesses please keep your remarks to no more than 5 minutes. If you hear the gavel, that means you have got to stop. So 5 minutes, and we will start with you, Mr. Glaser. You may present your opening statement.

STATEMENT OF THE HONORABLE DANIEL GLASER, ASSISTANT SECRETARY FOR TERRORIST FINANCING, U.S. DEPARTMENT OF THE TREASURY

Mr. GLASER. Chairman Poe, Chairman Wilson, Ranking Members Keating and Langevin, thank you for inviting me to testify on our efforts to combat terrorist financing. Disrupting the flow of funds to terrorists and terrorist organizations is an integral part of our broader strategy to combat terrorism. Treasury is in a unique position to advance these efforts.

At its core, combating terrorist financing consists of two interrelated objectives. First, cutting terrorists off from their sources of revenue so they cannot make money; second, denying them access to the international financial system so they cannot use the money they have.

We accomplish these goals by improving financial transparency globally so that terrorists cannot anonymously raise, move, and use funds without detection, and then identifying, disrupting, and dismantling the networks supporting terrorist organizations.

We have a range of tools available to us to do so. Financial measures, such as targeted sanctions and section 311 of the USA PATRIOT Act, law enforcement actions, and engagement with foreign partners in the private sector. The combined effect of these efforts is to create an international financial system that is a hostile environment for terrorist financing.

I would like to briefly summarize our efforts to disrupt the financial networks of three prominent terrorist organizations: ISIL, al-Qaeda, and Hezbollah. I will speak first to ISIL, the vast majority of whose revenue, estimated at almost $1 billion in 2015, is derived internally from a combination of oil sales and extortion of the population and commercial activity under its control. The fact that these sources of revenue are derived from ISIL's control of territory has meant that military action has been an important component of our response.

Under Operation Title Wave II, the coalition directly targeted ISIL's entire oil supply chain and destroyed tens of millions and possibly more than $100 million of ISIL's bulk cash. Our response, however, has been broader than military action. For example, the Government of Iraq decided in August 2015 to ban the distribution of government salaries into ISIL-held areas, thereby eliminating ISIL's ability to tax these substantial funds. Additionally, we have worked closely with the Central Bank of Iraq to secure Iraq's financial system from access by ISIL.

Turning now to al-Qaeda. Al-Qaeda remains a critical threat to the United States, and we continue to aggressively target the organization around the world. Al-Qaeda has historically received funds from within Gulf countries, safe haven in Afghanistan and Pakistan, and now is increasingly present in Yemen and Syria. We have made significant progress targeting al-Qaeda's financing in concert with our partners internationally. However, the terrorist financing risk emanating from the Gulf remains a priority.

Collectively, Gulf countries have pursued a wide range of actions, including implementing targeted financial measures and prosecuting terrorists for financing al-Qaeda, but considerable work remains to be done to ensure that terrorist financiers are unable to raise and move funds within Gulf countries. And we are committed to working with our partners in the region to see that this is done.

Our efforts have not been limited solely to the Gulf. Treasury has continued to work toward disrupting and dismantling terrorist financial networks in Afghanistan and Pakistan as well. We have aggressively used Treasury tools to limit al-Qaeda funding streams, designating over 140 individuals affiliated with al-Qaeda and other terrorist organizations throughout Afghanistan and Pakistan.

It is important to remember, however, that before al-Qaeda's attack on 9/11, Hezbollah had killed more Americans than any other terrorist organization in history, and it continues to plot terrorist attacks around the world. Hezbollah receives the majority of its funding, hundreds of millions of dollars, from Iran, as well as millions of dollars from a global network of supporters and businesses.

Our approach has focused on targeting Hezbollah both within Lebanon, constraining it financially through extensive cooperation with Lebanese authorities and banks, and globally, by targeting its procurement agents and financiers in Europe, Latin America, East Asia, and the Middle East.

Identifying and sanctioning Hezbollah's Iranian sponsors and enabling law enforcement and foreign partner actions, our toolkit to impose targeted measures against Hezbollah was recently expanded with the passage of Hizballah International Financing Prevention Act of 2015, or HIFPA. HIFPA represents a continuation of our policy to financially weaken Hezbollah. Foremost in ensuring our implementation of HIFPA is our close collaboration with the Central Bank of Lebanon and private Lebanese financial institutions, which are adhering to this legislation—which are adhering to this legislation to Hezbollah's great consternation.

We intend to implement HIFPA robustly in a manner that is consistent with preserving the strength and health of the Lebanese financial system and that does not target any specific community or sect. Our implementation intends to target one group and one group only: Hezbollah, the organization, its members, the entities it owns and controls.

While new terrorist financing challenges will surely emerge, Treasury and its interagency partners will continue to employ a range of measures to identify, disrupt, and dismantle terrorist financial networks and work to identify and close loopholes that terrorists and other illicit actors can use to access the international financial system.

Thank you for the opportunity to testify today, and I would be happy to answer any questions you might have.

[The prepared statement of Mr. Glaser follows:]

EMBARGOED FOR DELIVERY

TESTIMONY OF DANIEL L. GLASER
ASSISTANT SECRETARY FOR TERRORIST FINANCING
DEPARTMENT OF THE TREASURY
JUNE 9, 2016

Chairman Poe, Chairman Wilson, Ranking Members Keating and Langevin, thank you for inviting me today to testify on our efforts to combat terrorist financing. Disrupting the flow of funds to terrorists and terrorist organizations has become an integral part of our broader strategy to combat terrorism. While not a silver bullet, these efforts stem from the recognition that by employing financial tools, we can degrade the functioning of terrorist organizations and make it harder for them to accomplish their destructive goals.

While the financial cost of carrying out an individual terrorist attack can be quite low, recruiting, training and sustaining operatives, procuring weapons, and developing the infrastructure necessary to support these activities requires generating and moving substantial funds, often between distant locations. This reliance on an established financial infrastructure makes terrorist groups vulnerable to disruption.

Treasury's Office of Terrorism and Financial Intelligence (TFI) is in a unique position to advance these efforts. We are the only finance ministry in the world with an office dedicated protecting the U.S. and international financial systems from abuse by leveraging policy, sanctions, enforcement, regulatory, and intelligence resources to identify the financial networks and vulnerabilities of terrorist organizations and effectively disrupt their activities.

By coordinating these tools with those available to our interagency partners, and in conjunction with robust foreign engagement, we are able to impact terrorist organizations, even in those places that are challenging to reach using traditional means of disruption. This strategic approach for developing and deploying innovative financial tools has become increasingly important as terrorist financing threats have evolved.

Overview of U.S. Efforts to Combat Terrorist Financing

At its core, combating terrorist financing consists of two interrelated objectives. First, we must work to cut off terrorists and terrorist organizations from their sources of revenue. This can include funds acquired from criminal activity or legitimate businesses, solicited directly from supporters, or raised through the extortion of captive populations. Second, we must deny them access to the international financial system so they cannot use their money. This must include efforts to deny them access to all mechanisms of value transfer: the formal and informal financial systems, bulk cash smuggling, and trade.

We accomplish these objectives through two primary avenues. First, we work to systemically improve transparency in the international financial system so that terrorists and other criminal actors cannot anonymously raise, move, and use funds in support of their illicit activities without detection by law enforcement. Second, by enforcing systemic financial controls and improving the effectiveness of supervisory regimes, we provide authorities with actionable and timely information that can be used to employ targeted measures—including financial sanctions and law

enforcement action—to identify, disrupt and dismantle the financial networks supporting terrorist organizations. The combined effect of these efforts is to create an international financial system that is a hostile environment for terrorist financing.

Systemic Efforts to Improve Financial Transparency

An open international financial system provides significant and widespread economic benefits by facilitating efficient global commerce. It is important, however, to ensure that terrorists and other illicit actors are prevented from exploiting that openness. The so-called "Panama Papers" demonstrate that absent effective regulation and supervision there are opportunities for those seeking anonymity to evade transparency and reporting requirements designed to identify illicit activity. These same loopholes can be exploited by terrorist organizations and their supporters to finance their activities.

To safeguard the international financial system from these illicit finance threats, we have worked to develop robust global anti-money laundering/combating the financing of terrorism standards to assist financial institutions and authorities in identifying the real people behind accounts and financial transactions. International financial transparency efforts are driven by the work of the Financial Action Task Force (FATF), the global standard-setting body for combating money laundering and the financing of terrorism. Working through FATF and its global network, which encompasses over 190 jurisdictions, we have built a common foundation for an open and transparent international financial system. These include requirements for financial institutions to know and verify the identity of their customers, keep accurate records regarding their transactions, and report suspicious activity to regulators and law enforcement. To promote effective implementation of these standards, we work with our interagency and international partners to facilitate the provision of technical assistance and training to countries with the political will to act but lacking the necessary capacity.

We are also taking steps here in the United States to promote financial transparency. Treasury recently announced a final rule to require U.S. banks and financial institutions to collect and verify the beneficial owners who own, control, and profit from companies when those companies open accounts. At the same time, Treasury, on behalf of the Administration, sent to Congress draft legislation that would require companies formed within the United States to file adequate, accurate, and current information on its beneficial owners with Treasury.

Targeted Measures

An open and transparent international financial system in which we can identify the trail of illicit transactions becomes a hostile environment for terrorist organizations, as knowing who is moving funds through the financial system allows us to employ a range of targeted measures, including targeted sanctions, other financial measures, and law enforcement action, to identify, disrupt, and dismantle the financial networks that support these groups.

A key precondition to employing these measures and closing loopholes in the international financial system is access to information about the financial activities and vulnerabilities of terrorist networks. Here, we benefit from being the only finance ministry in the world with an

in-house intelligence shop, the Office of Intelligence and Analysis (OIA). Working with its counterparts in the U.S. intelligence, law enforcement and regulatory communities, these analysts work tirelessly to identify and analyze the financial networks of our terrorist adversaries. With this information, we can take action—be it identifying a new terrorist financing typology, alerting the private sector and government officials in another country to a particular threat, or taking any of the discrete actions below:

- *Targeted Sanctions*: Targeted financial sanctions not only deprive terrorist organizations of funds that are necessary to carry out their harmful activities, but force these groups to devote additional time and resources to seek out new sources of funding and channels to move funds. Additionally, the public nature of these sanctions designations serves as a deterrent to would-be donors and facilitators for terrorist groups. Where possible, we work with our international partners to maximize the impact of these sanctions through designations of terrorist supporters and their facilitators at the United Nations (UN), under the UN ISIL and Al-Qaida Sanctions regime. Of course we are not limited by UN sanctions, and can take action under our own authorities, including against organizations not designated by the UN. Using Executive Order 13224, the Departments of the Treasury and State can impose financial sanctions on terrorists, terrorist organizations and their supporters, including their financial facilitators. These efforts rely heavily on the dedicated and talented workforce of Treasury's Office of Foreign Assets Control (OFAC). Since 2001, OFAC, in conjunction with the Department of State, has designated over 900 individuals and entities under Executive Order 13224, including over 200 affiliated with Al-Qaida, over 100 affiliated with Hizballah, and approximately 60 affiliated with ISIL.

- *Other Financial Measures*: Along with targeted financial sanctions against terrorists and their supporters, we can call upon a range of financial measures available to the Treasury Department. For example, under Section 311 of the USA PATRIOT Act we can identify a foreign jurisdiction, foreign financial institution, type of account or class of transactions as a primary money laundering concern, and require U.S. financial institutions to take appropriate countermeasures against the illicit financing risks associated with the subject of the action.

- *Law Enforcement Action*: Along with financial measures, law enforcement plays a critical role in disrupting terrorist financing. Led by the Department of Justice, U.S. law enforcement has disrupted numerous avenues of support for terrorists and terrorist organizations through the investigation and prosecution of dozens of individuals in the U.S. and abroad for providing material support to designated foreign terrorist organizations.

Exchange of Information and Cooperative Action

Given the interconnectedness of the international financial system and the global nature of terrorism, targeted action by U.S. authorities alone cannot effectively disrupt terrorist financing activity. In recognition of this, U.S. officials regularly engage foreign governments whose financial systems and institutions can be exploited by terrorist organizations or other illicit actors

to raise or move funds and share information about particular terrorist financing threats. We engage and share this information to encourage these countries to take complementary action against terrorist financing threats in their own countries. Saudi Arabia, for example, joined us for designations targeting several individuals and entities for supporting Al Qaida (AQ), the Taliban and Lakshar-e-Tayyiba in April 2015 and March 2016. We also seek to share such information multilaterally, making use of existing fora such as the Egmont Group of Financial Intelligence Units and the Counter-ISIL Finance Group (CIFG).

Engagement with the Private Sector

Financial institutions play an invaluable role in identifying suspicious activity and implementing targeted sanctions and other financial measures. Information provided by financial institutions often allows us to connect the dots between seemingly unrelated individuals and entities and provides us with critical information in identifying foreign terrorist fighters, their supporters, and their financial networks overseas. To foster information-sharing, we share information with and engage the private sector through several avenues, including the Bank Secrecy Act Advisory Group and our regional public-private sector dialogues where countries and financial institutions engage in discussions on how they view specific risks and their efforts to mitigate those risks. We also share information through public and non-public advisories to financial institutions, including on terrorist financing typologies. Our conversations flow in both directions, because the private sector is often best positioned to detect and map out terrorist networks based upon information provided by law enforcement, as well as to observe the effects of our targeted sanctions and other financial measures and to tell us how they can be improved.

Disrupting the Financing of ISIL, Al-Qaida, and Hizballah

The Treasury Department seeks to prevent all terrorist organizations from accessing the international financial system. I would like, however, to focus here on our efforts to disrupt the financial networks of three prominent terrorist organizations: ISIL, Al-Qaida, and Hizballah. Each of these terrorist organizations relies on different funding models and financial networks, requiring us to develop distinct approaches to attack their base of financial support and weaken their ability to carry out terrorist activity

Islamic State of Iraq and the Levant (ISIL)

The U.S. government is working with a broad coalition of governments around the world to disrupt ISIL's financing and to deny its access to the international financial system. A majority of ISIL's revenue is derived directly from the territory it controls, rather than from external donations, and the sheer scale of the wealth and diversity of revenue streams ISIL has been able to tap within its territory makes countering its finances a qualitatively different terrorist financing problem from much of what we have seen to date.

ISIL's Sources of Revenue

ISIL's sources of income include oil and gas sales, extortion and taxation, external donations, kidnapping-for-ransom, and previously, bank looting. We estimate that in 2015, ISIL made

approximately $1 billion dollars in total revenue, $500 million of which came from the sale of oil, primarily through populations under its control.

We also estimate that ISIL may have earned as much $350 million per year, by extorting funds from the local population and in connection with the financial and commercial activity taking place in the territory it controls. ISIL also gained considerable funds from seizing control of state-owned banks in northern and western Iraq in 2014 and early 2015. These funds from the bank vaults were estimated to be at least half a billion dollars at the time of capture, making them an important, albeit non-renewable, source of financing for ISIL in its earlier days.

Other less significant sources of revenue include kidnapping-for-ransom. We estimated that ISIL earned between $20 and $45 million from KFR in 2014. However, we assess revenue from KFR declined substantially in 2015 and 2016 owing to the greatly reduced presence of potential Western hostages in or near the territories it controls.

Impact of Coalition Efforts to Disrupt ISIL's Sources of Revenue

ISIL clearly has vast financial resources, but we see indications that our efforts to disrupt ISIL's sources of revenue, which represent the first prong of our strategy against ISIL's finances, are bearing fruit.

Through airstrikes conducted under Operation Tidal Wave II, the Coalition has directly targeted ISIL's entire oil and natural gas supply chain: from oil fields, to refineries, to tanker trucks, targeting ISIL's primary source of revenue. While difficult to quantify, the strikes have undoubtedly impeded ISIL's ability to produce, sell, and profit from oil as it had been doing.

Recent Coalition strikes have also reduced the levels of cash in ISIL-controlled territory. U.S.-led Coalition airstrikes have targeted ISIL's cash storage sites, destroying tens of millions, and possibly more than one hundred million dollars, and eliminated senior ISIL officials, including the group's de facto finance minister.

We have also worked closely with the Government of Iraq to reduce liquidity in ISIL-held areas. One of the most important steps taken by the Iraqi government was its decision in August 2015 to ban the distribution of government salaries into ISIL-held areas, thereby eliminating ISIL's ability to tax these funds.

As a result of these efforts, ISIL is struggling to pay its fighters and we have seen a number of ISIL fighters leaving the battlefield as their pay and benefits have been cut and delayed. As of February 2016, ISIL had also begun levying taxes on the poorest civilians, who had previously been exempt from taxation. ISIL has instituted a number of other arbitrary "taxes" and increasingly resorted to extortion to fund its operations. When we see indications that ISIL cannot pay the salaries of its own fighters and is trying to make up for lost revenue elsewhere, we know we are hitting them where it hurts. We are also seeing internal corruption rising. ISIL's own investigations have identified multiple instances of ISIL leaders stealing cash and gold.

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Denying ISIL Access to the International Financial System

Denying ISIL access to the international financial system represents the second prong of our strategy to counter its financing. In order to do that, we must take steps to impede ISIL's ability to engage in all forms of financial transactions.

The first step is working to deny ISIL access to the Iraqi financial system. Shortly after the fall of Mosul, we worked closely with Iraqi authorities to ensure that approximately 90 bank branches within ISIL-controlled territory in Iraq were and remain cut off from the Iraqi and international financial system.

Banks, however, are not the only financial institutions of concern: ISIL likely uses certain exchange houses as important points of access to the financial system. In response, the Central Bank of Iraq (CBI) has identified and developed a dynamic list of over 100 ISIL-related exchange houses that are prohibited from accessing the CBI currency auction in Iraq. The list has been published on the CBI's website and shared with regional governments to enable them to take steps to prevent these banned exchange houses from accessing their respective financial systems.

Of course, the responsibility for preventing ISIL's access to the international financial system does not stop with Iraq. It also requires a regional approach. Given their proximity and connectivity to Iraq, countries in the region must exchange information among their governments and with financial institutions, investigate and prosecute individuals acting as ISIL financial facilitators, and disrupt illicit trade or smuggling routes.

Ultimately, effectively countering ISIL's finances will require a global approach and the United Nations is a key partner in this. In December, the UN Security Council, at a meeting presided over by Secretary Lew and attended by other finance ministers, adopted Resolution 2253 expanding the longstanding Al-Qaida Sanctions Regime to increase its focus on and advance multilateral efforts to counter ISIL. Like the United States—which has sanctioned approximately 60 ISIL-linked senior leaders, financiers, foreign terrorist facilitators, and ISIL branches, effectively shutting them out of the U.S. financial system—the UN has also sanctioned key ISIL facilitators and will continue to do so under the new resolution.

Additionally, through the bodies like the CIFG and the FATF, Treasury is marshaling the will and resources of the international community to undermine ISIL financing globally. The CIFG, which the United States – represented by the Departments of the Treasury and State - leads with Italy and Saudi Arabia, is part of the broader coalition and made up of more than 36 countries and several multilateral bodies focused on disrupting ISIL's finances.

The challenge of countering ISIL's finances is not an impossible one. ISIL, like any terrorist organization, needs money to survive and as I've highlighted for you, diverse efforts are underway to deprive ISIL of its resources and deny it access to the international financial system.

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Al-Qaida

AQ remains a critical threat to the United States and we continue to aggressively combat the terrorist organization by disrupting its financial networks and limiting its sources of revenue. Our efforts to disrupt AQ financing are not confined to any one geographic region. AQ has historically received funding from Gulf countries, safe haven in Afghanistan and Pakistan, and is now increasingly present in Yemen and Syria. We have made significant progress targeting AQ financing in concert with our partners internationally, although risks and vulnerabilities remain and we have significant work still to do.

We have aggressively utilized Treasury tools to limit AQ funding streams. Treasury and State have designated over 140 individuals affiliated with AQ and other terrorist organizations throughout Afghanistan and Pakistan, over 60 individuals and entities across the Gulf, and several more in Africa and other countries. We work extensively with countries to strengthen their operational capacity to better supervise and regulate their financial systems, and to investigate and take action against terrorist financiers.

Among our partners in countering AQ financing are Gulf countries. Donors located in the Gulf have traditionally been an important source of revenue for AQ. This remains the case, but we are making strides in cutting off their financial networks. Collectively, Gulf countries have pursued a wide range of actions including implementing targeted financial measures, issuing public statements, and prosecuting terrorists for financing AQ. All Gulf countries have now passed counter-terrorism laws that criminalize terrorist financing, and have enhanced financial controls across the charitable sector to ensure that funds intended for humanitarian objectives do not benefit terrorist activity. In particular, Saudi Arabia has emerged as a regional leader within the Gulf and has joined us in targeted designations, which we pursued in April 2015 and March 2016. We have seen positive developments in other Gulf countries as well, including the United Arab Emirates' establishment with the Department of the Treasury of the Bilateral Terrorist Financing Task Force. This Task Force has facilitated cooperation between our countries for targeting, investigating, and acting against individuals of concern.

Despite this progress, there is more work to be done in order to ensure that the entire Gulf financial system is a hostile environment to AQ and other terrorist organizations. It is important that Gulf countries identify, prosecute, and otherwise ensure that their financial systems are closed to individuals and charities linked to AQ, and in particular, to Al Nusrah Front (Al Qaida's branch in Syria).

Beyond the Gulf, Treasury has continued to work towards disrupting and dismantling illicit financial networks in Afghanistan and Pakistan, and pursues targeted efforts to undermine AQ's revenue sources in Yemen and Syria. We will continue to work in close concert with our counterparts to create effective domestic regimes that enable targeted financial actions including designating, freezing funds and assets, and imposing travel bans, against individuals that have been U.S. or UN designated, until AQ is denied full access to the financial system and brought to justice.

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Hizballah

Before AQ's attack on 9/11, Hizballah killed more Americans than any other terrorist group in history, and it continues to plot terrorist attacks around the world, as seen in the 2013 bombing in Bulgaria, and disrupted plots in Cyprus in 2012 and 2015, and in Peru and Thailand in 2014. Hizballah receives the majority of its funding, hundreds of millions of dollars, from Iran, as well as millions of dollars from a global network of supporters and businesses. Hizballah also uses a far flung network of companies and brokers to procure weapons and equipment and launder funds.

We have focused on restricting financing for Hizballah both within Lebanon—constraining Hizballah financially through extensive cooperation with Lebanese authorities and banks—and globally, centering on its procurement agents and financiers in Europe, Latin America, East Asia, and the Middle East, identifying and sanctioning Hizballah's Iranian sponsors, and enabling law enforcement and foreign partner actions.

In Lebanon, our actions have ranged from robust financial measures to deny Hizballah access to the international financial system to extensive engagement with Lebanese financial authorities to ensure its financial sector is safeguarded from exploitation by Hizballah. On the financial measures front, we have sanctioned more than 100 Hizballah-affiliated individuals and entities comprising the group's organizational infrastructure, financial networks, and procurement nodes, including our January 2016 designation of Beirut-based Hizballah financier and businessman Ali Youseff Charara. In 2011 we identified Lebanese Canadian Bank and in 2013 the Kassem Rmeiti and Halawi Exchanges as entities of primary money laundering concern under Section 311 of the USA PATRIOT Act for facilitating money laundering activities for Hizballah. Our public findings led the Lebanese government to take action against these institutions and shut down Lebanese Canadian Bank.

We have also taken action to disrupt Hizballah financial facilitators and procurement networks operating outside of Lebanon. We have designated Hizballah supporters in over 20 countries, including in Latin and South America, in West Africa and all over the Middle East. For example, the November 2015 and July 2014 designations of Stars Group Holding and its affiliates targeted companies that procured military grade equipment on behalf of Hizballah in the United Arab Emirates and China. Furthermore, under E.O. 13224 we designated Hizballah's primary sponsor, the Iranian Islamic Revolutionary Guards Corps-Qods Force (IRGC-QF), the IRGC-QF's commander, Ghasem Soleimani, Bank Saderat, an Iranian institution used to provide tens of millions to Hizballah, and over 50 other Iran-related persons and entities.

To complement these targeted financial measures, I travel all over the world urging partners to increase pressure on Hizballah. In 2013 the European Union (EU) designated Hizballah's military wing. In March 2016, all the Gulf Cooperation Council (GCC) countries designated Hizballah, and Saudi Arabia, which designated over 20 Hizballah members and companies in the last year, is encouraging its Gulf partners to follow suit. With the Departments of State and Justice, Treasury also brings together foreign law enforcement from Africa, Europe, Southeast Asia, and South and Central America in regularly held coordination groups that focus on countering Hizballah.

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Finally, our toolkit to impose targeted measures was expanded with the passage of the Hizballah International Financing Prevention Act of 2015 (HIFPA), which represents a continuation of our policy to financially weaken Hizballah. Foremost in ensuring our implementation of HIFPA is our close collaboration with the Central Bank of Lebanon (BDL) and private Lebanese financial institutions. Shortly following the issuance of the HIFPA regulations, the BDL ordered all Lebanese financial institutions to comply with HIFPA, and we have seen Lebanese banks adhere to this legislation. In fact, I returned from Lebanon last week, where I discussed HIFPA with the Prime Minister, Speaker of Parliament, the Central Bank, and many Lebanese financial institutions, among others. Lebanese officials are taking measures to ensure compliance with this law.

We intend to implement HIFPA robustly, but in a manner that is consistent with preserving the strength and health of the Lebanese financial system. Nor are we focused on any community or sect. Our implementation intends to target one group only: Hizballah, its members and its organizations.

Our actions are creating a hostile operating environment for Hizballah, raising its costs of doing business, restricting its ability to move funds, and diminishing its revenue base. Hizballah leaders attempted to downplay the effect of our sanctions in multiple speeches over the last year, as well as those of the EU and the GCC. I view these public statements as further indication that our efforts are having an impact.

Conclusion

While new terrorist financing challenges will emerge, Treasury and its interagency partners will continue to employ a range of measures to identify, disrupt and dismantle terrorist financial networks and work to identify and close loopholes that terrorists and other illicit actors can use to access the international financial system.

Thank you for the opportunity to testify, and I would be happy to answer any questions you may have.

Mr. POE. Thank you, Mr. Glaser.
Mr. Keller, you have 5 minutes.

STATEMENT OF MR. ANDREW KELLER, DEPUTY ASSISTANT SECRETARY FOR COUNTER THREAT FINANCE AND SANCTIONS, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. KELLER. Chairman Poe, Chairman Wilson, Ranking Member Keating, Ranking Member Langevin, distinguished members of the committees, thank you for the opportunity to speak here today about the State Department's counterterrorism finance efforts.

Counterterrorism finance is a top priority for the Department of State, and we have a wide variety of tools to disrupt terrorist financial networks. It is a complex and dynamic threat and one that requires the U.S. Government to utilize the full range of its resources and authorities.

My office at the State Department helps coordinate policy and liaise with our interagency partners, including the Departments of Treasury and Defense, to achieve our counterterrorism goals. We also work closely with the State Department's counterterrorism bureau and the Department of Treasury on counterterrorism finance sanctions to ensure that our sanctions promote broader U.S. foreign policy interests.

The fight against ISIL is one of the top national security priorities, and it is my principal counterterrorism focus. That is where I will focus my remarks today.

As you highlighted, Chairman Poe, ISIL's revenues in 2014 and 2015 made it the richest terrorist group in the world, yet as a result of U.S. and coalition efforts, ISIL's revenues are on a downward trajectory, which has impacted its operations in Iraq and Syria. I would like to provide two examples.

ISIL has cut salary payments to its fighters in Raqqa and Mosul by 50 percent, leaving many ISIL fighters to defect. And ISIL has increasingly resorted to arbitrary tax increases and outright theft to make up the funding gap, further undermining its claims to legitimacy.

While we are encouraged by these indications of financial stress, we are fully aware that there is still much work to do to further weaken ISIL on the financial front. Our most effective method of disrupting ISIL's revenues to date has been U.S. and coalition strikes against their oil and gas supply chain and cash storage sites. These efforts have reduced ISIL's oil revenues by up to one-third and destroyed tens and potentially hundreds of millions of dollars' worth of cash.

Kinetic efforts have complemented diplomatic efforts aimed at ISIL's finances. The U.S. Government helped establish and now coleads an international working group dedicated to counter ISIL finance, and we have negotiated multiple U.N. Security Council resolutions to increase financial pressure on ISIL. In particular, I would highlight Security Council Resolution 2199, which imposes obligations on all countries to take steps to combat ISIL financing, particularly in the areas of oil, antiquities, and kidnapping for ransom.

The Department of State also conducts bilateral diplomatic engagement with key countries in the Middle East and around the world. Our Embassies consistently engage foreign government officials on specific terrorism finance matters, promote counterterrorism finance tools more generally, and encourage implementation of domestic and international legal framework to combat terrorism.

In an effort to address the systemic gaps in the international system that terrorists and other criminals exploit to raise and transfer funds, the State Department also allocates significant funding to build the capacity of partner countries to counter terrorist financing. The Bureau of Counterterrorism is helping partner nations build their capacity to investigate and prosecute illicit financial transactions, while the State Department Bureau of International Narcotics and Law Enforcement funds programs to help countries identify how they can improve their antimoney laundering and counterterrorism finance regulations.

With regard to trafficking in antiquities, the Department of State has also led outreach to prominent antiquities dealers, auction houses, and museum administrators. We have offered up to $5 million worth of reward money for information leading to the disruption of ISIL's trafficking in antiquities through our Rewards for Justice program, and we have funded government and civil society training program to help protect antiquities in Iraq, Syria, and Libya.

Terrorism finance is a multifaceted and dynamic problem, and ISIL has proven to be a resilient foe. As our efforts targeting ISIL financing demonstrate, counterterrorism finance is a top property priority for our State Department and our interagency partners. We will continue to use every tool available to maintain the growing effectiveness of our economic campaign.

Thank you very much, and I look forward to your questions.

[The prepared statement of Mr. Keller follows:]

Statement of Deputy Assistant Secretary Andrew Keller
U.S. Department of State
Bureau for Economic and Business Affairs
before the
United States House of Representatives
Committee on Foreign Affairs
Subcommittee on Terrorism, Nonproliferation, and Trade
June 9, 2016

Chairman Poe, Chairman Wilson, Ranking Member Keating, Ranking Member Langevin, distinguished Members of the Committees, thank you for the opportunity to speak here today about the Department of State's efforts to counter-terrorist financing. Countering terrorist financing and other threat financing is a top priority for the Department of State. We have a wide variety of tools to disrupt terrorist and criminal financial networks, and across the Department of State we work with a number of countries, corporations, international organizations, and civil society groups around the world to broaden the impact of our efforts.

The Department of State works closely with the Department of Treasury on diplomatic engagement efforts to counter the financing of terrorism with countries and international organizations. We also provide assistance to build the capacity of partner countries around the world to help strengthen their legal frameworks to prevent money laundering and terrorist financing, prosecute criminals and terrorist financiers, strengthen financial regulatory institutions and improve information sharing, and track suspicious transactions that could support criminal or terrorist activity. These activities require constant interagency collaboration, as well as adaptation and coordination with our foreign partners. Terrorist financing is a

complex and dynamic threat, and one that requires the U.S. Government to utilize the full range of its tools.

I sit in the Bureau of Economic and Business Affairs (EB) at the Department of State. We help coordinate Department of State policy on terrorist finance among a number of regional and functional bureaus and liaise with our interagency partners, including the Department of Treasury and Department of Defense, to shape the counter ISIL finance campaign at the strategic level. My team in EB also coordinates counter terrorist finance sanctions for the Department of State and works closely with other bureaus in the Department of State and with the Department of Treasury to ensure our sanctions target individuals and groups effectively and in a way that promotes broader U.S. foreign policy interests. The fight against the Islamic State in Iraq and the Levant (ISIL) is one of our highest priorities, and it is my principal counter-terrorist finance focus. Our efforts to diminish ISIL's finances illustrate the Department of State's many tools to disrupt terrorist groups' financial networks, and our work with the interagency demonstrates how effectively we can leverage the full spectrum of U.S. authorities and capabilities in pursuit of this important goal. We have worked very closely with our interagency colleagues, including those represented here today, since 2014 to disrupt ISIL's finances, and we can point to the real impact our efforts and those of our coalition partners have had on ISIL's finances.

ISIL's revenues in 2014 and 2015 made it by far the richest terrorist group in the world, and the sources of its revenues make it an unusual counter-terrorist financing challenge. In 2015 ISIL earned at least $1 billion, mostly through the production and sale of energy resources and through extortion of the population in ISIL-controlled areas of Iraq and Syria. ISIL likely made around $500 million in

2015 from oil and gas sales and about $350 million from extortion. In addition to those two large revenue streams, ISIL made at least several million from foreign donations in 2014 and in 2015, between $20 and $45 million from kidnapping for ransom in 2014 but less in 2015, and less than $10 million from trafficking in antiquities. In 2014 and early 2015, when ISIL seized cities throughout northern Iraq, it captured between $500 million and $1 billion dollars in Iraqi currency from local bank vaults – a one-time windfall and not a recurring source of revenue.

Other terrorist groups, including Al-Qaida, have traditionally raised funds primarily by soliciting donations. ISIL, on the other hand, makes the majority of its money from the territory it controls. This relative financial self-reliance has hindered our ability to use our traditional counter-terrorist finance tools and obliged us to develop creative approaches to address each aspect of the problem. U.S. and coalition partner countries have adapted and pursued new strategies to squeeze ISIL's ability to fund its operations.

Efforts to Disrupt ISIL's Finances

As the interagency co-lead of the counter-ISIL finance effort alongside the Department of Treasury's Office of Terrorist Financing and Financial Crimes, we coordinate the Department of State's counter-ISIL finance activities and leverage our diplomatic authorities and resources to disrupt ISIL's finances. We work closely with our interagency partners in the Departments of Treasury, Defense, Justice, Homeland Security, and the Intelligence Community to coordinate this unique and challenging mission.

As a result of the efforts detailed below, we have seen a significant impact on ISIL's operations in Iraq and Syria. ISIL has cut salary payments to its fighters in Raqqa and Mosul by fifty percent, leading many ISIL fighters to defect and leave the battlefield. ISIL has struggled to fulfill its various governance obligations such as basic services to Iraqi and Syrian citizens in ISIL-controlled territory due to stretched finances. ISIL has also increasingly resorted to the theft of property and arbitrary "tax" increases to make up the funding gap. Finally, we have seen increasingly frequent incidents of corruption within ISIL's ranks as funds have diminished. While encouraged by these indications of financial stress, there is still much work to do both in Iraq and Syria and around the world against ISIL's affiliates and supporters.

Military Airstrikes

Our most effective method of disrupting ISIL's revenues to date has also been one of the most atypical counter-terrorist finance tools: military airstrikes against ISIL-controlled oil and gas facilities and cash storage sites. We work with interagency partners to shape this economic warfare campaign to maximize the economic impact on ISIL while minimizing humanitarian consequences and reconstruction costs. For example, Operation TIDAL WAVE II, launched in October 2015, targeted ISIL's entire oil and natural gas supply chain – oil fields, refineries, and tanker trucks. Coalition airstrikes have reduced ISIL's ability to exploit oil and natural gas for profit in Iraq and Syria. Coalition airstrikes against ISIL's cash storage sites have also reduced liquidity in ISIL-controlled territory in northern Iraq by at least tens of millions and possibly up to hundreds of millions of dollars.

Multilateral Diplomacy

Kinetic efforts have complemented diplomatic efforts to build a coalition of countries to disrupt ISIL's finances. In March 2015, the United States established the Counter-ISIL Finance Group (CIFG) to serve as the Global Coalition to Counter ISIL's working group on ISIL finance. Co-chaired by the United States, Saudi Arabia, and Italy, the CIFG includes 39 members and observers. The CIFG coordinates members' efforts in four key areas:

1. Prevent ISIL's use of the international financial system,
2. Disrupt ISIL's efforts to profit from economic assets and resources like oil,
3. Stop donations and funding from abroad, and
4. Interrupt ISIL's attempts to send money and resources to and among its affiliates.

We coordinate within the CIFG to update members on ISIL's current financial status and discuss the governmental and non-governmental tools to disrupt those finances. The CIFG has made important strides encouraging coalition partner countries to take domestic actions against ISIL's financial networks, and we will work hard to ensure that progress continues.

In an effort to build an international counterterrorist finance framework, the Department of State has also led efforts at the United Nations. The U.S. Mission to the UN negotiated several UN Security Council Resolutions (UNSCRs) focused on ISIL and other terrorist finance threats. In December 2015, we negotiated UNSCR 2253, which strengthens the UN Security Council's ISIL and Al Qaeda Sanctions regime, expands listing criteria to make it easier to designate those

supporting ISIL, and strengthens the UN implementation process. The United States continues to nominate and encourage other countries to nominate ISIL leaders and facilitators to the UN Security Council's 1267/1989/2253 ISIL and Al Qaida Sanctions List to disrupt ISIL's ability to raise and transfer funds. There are currently around two dozen ISIL leaders and facilitators on the Security Council's sanctions list, and we are constantly working to add more names to that list.

We also helped negotiate UNSCR 2199 in February 2015, which focuses extensively on terrorist financial support networks, particularly ISIL's raising of funds through exploitation of natural resources, looting of antiquities, kidnapping for ransom, and other illicit activities. To help implement these provisions, the State Department Bureau of Energy and Natural Resources (ENR) worked with the Departments of Commerce and Homeland Security to develop a list of equipment ISIL needs to continue operating its oil and gas infrastructure and shared this list with foreign governments. We are now working with these governments to ensure their customs and border control agencies are able to identify and interdict spare energy parts heading to ISIL.

UNSCR 2199 was also the first UNSCR to specifically address ISIL's looting and trafficking of archeological and historical artefacts from Iraq and Syria, which is another tragic means by which ISIL funds its operations. On May 9, the President signed into law the Protect and Preserve International Cultural Property Act, which directs the President to impose new import restrictions on antiquities trafficked out of Syria. Along with colleagues from the Department of Justice, Federal Bureau of Investigation, and Customs and Border Patrol, I met with prominent antiquities dealers, collectors, auction houses, and museum administrators in September 2015 to emphasize the importance of performing due

diligence on any antiquities that may have originated in ISIL-controlled territory. In partnership with the International Council of Museums, the Department of State published Emergency Red Lists of Cultural Objects at Risk for Iraq, Syria, and Libya. These pamphlets illustrate for customs officials and art dealers the kinds of objects being trafficked by ISIL so they can better identify and take action on any illegally looted goods. The Department of State's Rewards for Justice program, which provides a financial reward for information that disrupts terrorist acts or the financing of terrorist groups, was expanded in September 2015 to offer $5 million for information leading to the disruption of ISIL's trafficking in antiquities or oil. We have also funded government and civil society programs to document damage to cultural property in Iraq and Syria, train Libyan officials to catalogue artefacts and prevent looting, and promote international awareness of the trafficking in looted antiquities by ISIL.

Bilateral Diplomacy

The Department of State also conducts bilateral diplomatic engagement with key countries through our Diplomatic Missions in the Middle East and around the world. Our embassies consistently engage foreign government officials to promote counter-terrorist finance tools and provide capacity building. Our Embassy in Baghdad worked closely with the Treasury Department and the Government of Iraq to decrease liquidity in ISIL-controlled territory to prevent ISIL from profiting from extortion and "tax" collection. The Government of Iraq's August 2015 decision to suspend government salary payments to ISIL-controlled territory was the most important of these efforts, as it eliminated ISIL's ability to tax these funds. We estimate salary payments to ISIL-held areas amounted to at least $170 million per month in 2015, or the equivalent of roughly $2 billion per year.

The United States has also worked closely with the Government of Turkey, the Government of Lebanon, governments in Arab Gulf states, and the Central Bank of Libya to help them prevent ISIL and its affiliates from exploiting their financial systems. A series of high-level engagements this year resulted in a U.S.-Turkey joint border security work plan, which includes a focus on countering smuggling networks across the Turkey-Syria border.

In a further effort to restrict ISIL's ability to utilize the international financial system, the Departments of State and Treasury have sanctioned a number of ISIL leaders, financiers, facilitators, and affiliates under the Immigration and Nationality Act and Executive Order 13224. The United States has designated ISIL and eight affiliates as Foreign Terrorist Organizations (FTOs) or Specially Designated Global Terrorists (SDGTs) and designated several dozen ISIL leaders and key financiers and facilitators as SDGTs. These sanctions cut ISIL, its affiliates, and its financiers and facilitators off from the U.S. financial system and any transactions going through U.S. banks. Many other countries also track our sanctions list and prevent designated individuals from processing transactions through their banks.

Capacity Building

The Department of State is building partner capacity to counter-threat and counter-terrorist financing in a variety of ways. The Bureau of Counterterrorism (CT) is working through a number of US. Departments and agencies, including the Departments of Justice and Treasury and the FBI, to help partner nations investigate and prosecute illicit financial transactions, both internally and beyond

their respective boarders. Throughout the Middle East, including in Lebanon, Jordan, and the Gulf, CT is pursuing engagements and programs to disrupt ISIL and other terrorist group's financial and facilitation networks by building the capacity and cooperation of financial regulatory institutions, law enforcement agencies, and prosecutors, and by training partners in the use of designations and sanctions. An interagency team of U.S. officials is also working directly with senior Turkish National Police (TNP) and Jandarma counterparts to conduct trainings and professional exchanges on countering terrorist financing, including bilateral customs training on oil production equipment and investigative skills of law enforcement officials.

The Department of State's Bureau of International Narcotics and Law Enforcement (INL) also funds capacity building programs to strengthen national financial systems against money laundering and terrorist financing. INL provides funds to the Financial Action Task Force (FATF), the international standard setting body on anti-money laundering and countering the financing of terrorism (AML/CFT), to support their operations and engagements with governments seeking to improve their financial systems. INL also funds annual World Bank National Risk Assessments to help countries assess and improve their AML/CFT regulations. To help national financial intelligence units (FIUs) monitor financial flows, INL helps FIUs identify and adopt the most appropriate software tools for their particular needs, which is critical to enhancing FIUs' ability to effectively monitor transactions. INL also provides funds to the UN Office of Drugs and Crime (UNODC) Global Program Against Money Laundering to support capacity building programs throughout Africa.

Conclusion

As our efforts targeting ISIL financing demonstrate, counter-threat and counter-terrorist finance is a top priority for the Department of State and our interagency partners that requires a coordinated and adaptable approach to effectively target this multifaceted and dynamic problem. ISIL has proven resilient and adaptable in the face of sustained pressure from the United States and our coalition partners, and we will continue to adapt our tactics to maintain the effectiveness of our economic campaign. The United States will continue to use all tools at its disposal to disrupt ISIL's finances and cut ISIL off from the international financial system.

Thank you very much, and I look forward to your questions.

Mr. POE. Thank you, Mr. Keller.
Ms. Whelan.

STATEMENT OF MS. THERESA WHELAN, ACTING ASSISTANT SECRETARY FOR SPECIAL OPERATIONS/LOW INTENSITY CONFLICT, U.S. DEPARTMENT OF DEFENSE

Ms. WHELAN. Chairman Wilson, Chairman Poe, Ranking Member Langevin, Ranking Member Keating, and other distinguished members of the subcommittees, I appreciate the opportunity to share information with you about the Department of Defense's counterthreat finance capability.

DOD's counter-threat finance, or CTF, supports both military operations and U.S. Government partners, including our law enforcement colleagues. DOD CTF identifies and exploits the financial vulnerabilities of terrorists and transnational criminals.

Over a decade ago, we built a small but effective CTF capability within the Department through our counternarcotics authorities and appropriations. Counternarcotics is an appropriate source of authority and resources, given that the drug trade remains the world's most lucrative criminal enterprise.

Funds from the illegal drug trade are often associated with other illicit criminal enterprises, insurgencies, and terrorist organizations, including the Taliban in Afghanistan; the Revolutionary Armed Forces of Colombia, the FARC; and Lebanese Hezbollah.

Today, DOD has dedicated CTF teams at its combatant commands, at the National Guard Bureau, and at intelligence components. The CTF teams analyze financial intelligence, integrate intelligence in operations, and coordinate and execute CTF activities within the Department and with and in support of U.S. interagency partners.

DOD is not the lead U.S. agency for conducting CTF, but DOD employs unique analytic capabilities to assist other partners in accomplishing the overall CTF mission. For example, DOD analysts help support our Department of Treasury colleagues' efforts to develop designations against individuals and organizations engaged in illicit finance.

DOD CTF analysts help to identify vulnerabilities and to create a comprehensive analysis for U.S. Government partners to target an adversary's financial structure. CTF has proven to be a cost-effective tool against threatening forces and transnational criminal organizations, whether through law enforcement actions, designations, sanctions, or, as in the case of ISIL, through military actions against economic and financial targets.

DOD CTF supports the Department of State and the Department of Treasury, which are the coleads for the U.S. Government's effort to disrupt ISIL's finances. Over the past several months, ISIL has lost financial capability and revenue. Coalition military operations informed by CTF have struck nearly two dozen ISIL bulk cash storage sites and multiple targets affiliated with ISIL's illicit oil industry. Recent estimates indicate ISIL's oil production has decreased by up to 30 percent, and their ability to generate revenue has been reduced by at least as much.

In order for DOD CTF to continue supporting these and future successes on the battlefield and in law enforcement and diplomacy,

we must ensure that our CTF capability is well grounded in our Department's policy planning doctrine and training and education. For example, last October, the deputy secretary of Defense recertified DOD's directive on counterthreat finance policy through 2020. We also are working to ensure that DOD plans and joint doctrine include CTF where appropriate.

Congress' support for the DOD counterdrug authorities and counterdrug funding underpins our CTF program success. Thanks to congressional support, executive branch partnership, and our talented DOD CTF personnel who work quietly behind the scenes, DOD CTF continues to provide a cost-effective capability against international terrorists and criminal adversaries that threaten our Nation, its citizens, and our allies.

Thank you for this opportunity to share with you the information about DOD's counterthreat finance program, and I welcome your comments and questions.

[The prepared statement of Ms. Whelan follows:]

8 JUNE 2016

Statement for the Record

Theresa Whelan

Acting Assistant Secretary of Defense (Special Operations and Low-Intensity Conflict)

Office of the Secretary of Defense

Before the Subcommittee on Emerging Threats and Capabilities

of the House Armed Services Committee

and the Subcommittee on Terrorism, Nonproliferation, and Trade

of the House Foreign Affairs Committee

June 9, 2016

Introduction

Chairman Wilson, Chairman Poe, Ranking Member Langevin, Ranking Member Keating, and other distinguished Members of the Subcommittees, I appreciate the opportunity to share information with you about the Department of Defense's counter-threat finance capability. In my testimony today, I will convey two main points.

Most importantly, DoD counter-threat finance, or CTF, supports both military operations and U.S. Government partners, including our law enforcement colleagues. In both cases, identifying and exploiting the financial vulnerabilities of our adversaries and other threatening forces helps us achieve U.S. national security objectives.

Moreover, the Department of Defense is taking several steps to give CTF an enduring foundation, by embedding CTF within DoD policy, plans, doctrine, education, and training. We're doing this so military commanders and civilian law enforcement partners can continue to draw upon this capability to address complex national security challenges. DoD and the United

States will need CTF capabilities in a future security environment characterized by rapidly evolving transregional criminal networks.

DoD Counter-Threat Finance Support

The Department of Defense recognizes the threat to U.S. national security posed by illicit funds in the hands of terrorist and transnational criminal organizations. Over a decade ago, we built a small, effective CTF capability within the Department. We have done so largely through our counternarcotics authorities and appropriation. Counternarcotics is an appropriate source of authority and resources, given that the drug trade remains the world's most lucrative criminal enterprise. Funds from the illegal drug trade are often associated with other illicit criminal enterprises and with insurgent or terrorist organizations, including the Taliban in Afghanistan, the Revolutionary Armed Forces of Colombia (FARC), and Lebanese Hezbollah. Since the late 1980s, the Department of Defense has provided unique military capabilities in support of U.S. and allied law enforcement's drug interdiction activities. Similarly, DoD provides CTF support to partner law enforcement agencies for what is in most instances a law enforcement action. These actions can be as effective, or even more effective, than purely military actions in disrupting an adversary's ability to threaten U.S. national security interests.

Today, DoD has dedicated CTF teams at each of its geographic combatant commands, as well as at U.S. Special Operations Command, U.S. Transportation Command, the National Guard Bureau, and intelligence components. The CTF teams analyze financial intelligence, integrate intelligence and operations, and coordinate and execute CTF activities—within the Department and with and in support of U.S. interagency partners.

DoD is not the lead U.S. agency for conducting CTF, but DoD employs unique analytical capabilities to assist other partners in accomplishing the overall CTF mission. U.S. government agencies must cooperate and share their respective capabilities and information in order to successfully trace and stop the flow of money and other resources that move to and from our adversaries.

During the early days of Operation Iraqi Freedom, DoD learned how "following the money" provides the information necessary to degrade terrorists' and insurgents' efforts to execute attacks. With other U.S. Government partners, DoD stood up threat finance cells in Iraq, and later in Afghanistan, in order to identify and disrupt terrorist and insurgent support networks. With these task forces, the U.S. Government utilized the entire U.S. national security toolkit. They also enabled similar efforts from Canada and the United Kingdom. The task forces illustrated how DoD CTF can shape the operating environment and achieve broader U.S. national security objectives.

Outside the war zone, DoD provides CTF support to the diplomatic and law enforcement communities. For example, DoD analysts help support our Department of the Treasury colleagues' efforts to develop designations against individuals and organizations engaged in illicit finance. DoD analysts also support State Department efforts to develop and monitor U.S. and international sanctions against terrorists and transnational criminals. DoD supports the efforts of U.S. law enforcement partners tasked to find and seize illicit funds, to prosecute threat financiers, and to disrupt complex criminal revenue-generating and laundering activities. DoD CTF analysts excel in helping to identify vulnerabilities and to create a comprehensive analysis for U.S. government partners to target an adversary's financial infrastructure.

DoD provides this and other CTF support to our interagency partners. DoD believes CTF is an important component of whole-of-government efforts to protect U.S. citizens and to disrupt illicit organizations that seek to harm our Nation and its allies and partners. CTF has the ability to disrupt and weaken terrorist and criminal adversaries in ways and places that traditional military weapons typically cannot reach. This capability is valuable across the full spectrum of conflict, including irregular and asymmetric warfare. CTF has proven to be a cost-effective tool to impact threatening forces and transnational criminal organizations, whether through law enforcement actions, designations, sanctions, or--as in the case of ISIL--through military actions against economic and financial targets.

As you know, ISIL owes much of its power and influence to its ability to generate significant funds from its territory and the population under its control. To remove this threat, the international community must disrupt ISIL's ability to finance and resource itself. DoD CTF contributes to this mission. It supports the Departments of State and the Treasury, which are the co-leads for the U.S. Government's line of effort to disrupt ISIL's finances. Over the past several months, ISIL has lost financial capacity and revenue. Coalition military operations informed by CTF have struck nearly two dozen ISIL bulk cash storage sites and multiple targets affiliated with ISIL's illicit oil industry. Recent estimates indicate ISIL's oil production has decreased by up to 30 percent, and their ability to generate revenue has been reduced by at least that much.

DoD CTF: Building the Institutional Foundation

Thanks in part to these and other successes, the demand for DoD CTF within and outside the Department has never been higher – and we expect demand to continue to increase in the years to come. In order for DoD CTF to continue supporting successes on the battlefield and in

law enforcement and diplomacy, we need to ensure that our CTF capability is well grounded in our Department's policy, planning, doctrine, training, and education.

Over the past two years, we've undertaken an initiative designed to give CTF within the Department a solid and lasting institutional foundation. Last October, the Deputy Secretary of Defense recertified DoD's Directive on Counter-Threat Finance Policy through 2020. This Directive, which is available to the public on DoD's Issuances website, "establishes DoD policy and assigns DoD responsibilities for countering financing used to engage in terrorism, illicit trafficking networks, and related activities that support an adversary's ability to negatively affect U.S. interests." The Directive also states that it is DoD policy to "work with other U.S. Government (USG) departments and agencies and with partner nations to deny, disrupt, or defeat and degrade adversaries' ability to use global licit and illicit financial networks to negatively affect U.S. interests."

We are working with the Joint Staff and the Combatant Commands to ensure that DoD plans and joint doctrine publications include CTF where appropriate. Collectively we're making progress on this effort, in part because of the increased demand for CTF and awareness of CTF's value within the Department.

U.S. Special Operations Command serves as DoD's lead component for synchronizing DoD CTF activities that transcend and traverse Geographic Combatant Commands' areas of responsibility. COCOMs and other DoD components coordinate their CTF activities closely with one another. This integration is essential given the fluidity of money and resources and the transnational nature of threat networks.

The Armed Services are taking steps to include CTF as appropriate in professional military education, in specialist training courses, and in pre- deployment training. The Department also is developing a standardized CTF analyst course curriculum that will strengthen and expand upon our current course offerings in basic and advanced CTF. The Armed Services are also taking steps to track and access personnel with CTF skills and experience. To advance future CTF missions and help sustain CTF capabilities, DoD captures and shares lessons learned from CTF activities. For example, we have gathered and disseminated lessons learned on building threat finance cells based on the experiences in Iraq and Afghanistan.

DoD sustains its CTF capability across its planning, programming, budgeting, and execution process. The Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats provides policy guidance, conducts annual program reviews, prepares budgets to support CTF programs across DoD's Future Years Defense Program, and executes CTF programs funded by the DoD Drug Interdiction and Counterdrug Activities appropriation. We use this process to prioritize our limited CTF resources so that we focus on those targets that pose the greatest threat to U.S. national security.

Conclusion

DoD's CTF activities contribute to all three pillars of its defense strategy as outlined in the 2014 Quadrennial Defense Review: Protect the homeland, build security globally, and project power and win decisively. DoD has taken significant steps to build a solid foundation for CTF. This foundation will enable DoD CTF to continue supporting U.S. military operations and law enforcement and diplomatic actions by our U.S. Government partners and continue cooperating with allies and partners. Congress's support for the DoD counterdrug authorities and counterdrug funding underpins the CTF program. Thanks to Congressional support,

executive branch partnership, and our talented DoD CTF personnel who work quietly behind the scenes, DoD CTF continues to provide a cost-effective capability against international terrorist and criminal adversaries that threaten our nation, its citizens, and our allies.

Thank you for this opportunity to share with you information about DoD's counter-threat finance program. I would welcome your comments and questions.

Mr. POE. Thank you, Ms. Whelan.
Mr. Woody.

STATEMENT OF MR. WILLIAM WOODY, CHIEF OF LAW ENFORCEMENT, U.S. FISH AND WILDLIFE SERVICE

Mr. WOODY. Good afternoon, Chairman Poe, Chairman Wilson, Ranking Member Keating, Ranking Member Langevin, and members of the subcommittees. I am William Woody. I am chief of law enforcement for the U.S. Fish and Wildlife Service, and I appreciate the opportunity to testify before you today.

Wildlife trafficking is a multibillion dollar illegal trade fueled by demand and enabled by corruption, limited legal authorities, and law enforcement capacity. Globally, organized criminal groups have seized upon wildlife trafficking as a low risk, high reward, and have made illegal wildlife trafficking a crisis.

Our special agents and inspectors have specifically documented transnational organizations involved in trafficking of endangered species. We have documented Eastern European and Russian organized crime in the caviar trade, Irish organized crime in the rhino horn trade, Mexican drug organizations in the totoaba trade, African gangs in the elephant ivory poaching and smuggling, and Asian criminal groups in timber trafficking. I would like to draw your attention now to the slides. Of course, the slides won't come up.

Mr. POE. Is that the slide you are looking for?

Mr. WOODY. That is the slide I am looking for. Thank you, sir.

Mr. POE. Who are those guys?

Mr. WOODY. This photo represents criminals arrested nationwide for trafficking in rhino horn, elephant ivory, totoaba, and narwhal tusks. A number of these individuals were arrested in our investigation named Operation Crash, which is focused on rhino horn trafficking. To date, Operation Crash has resulted in 41 arrests, 30 convictions, and the wildlife and their proceeds seized in this case have a street value in excess of $75 million. In addition to crimes against wildlife, the defendants have also been charged with money laundering, tax evasion, falsifying documents, mail fraud, and bribery.

Photo 2, please. Jimmy and Felix Kha were convicted of a number of crimes related to international trafficking of rhino horn. During these investigations, our agents conducted a financial analysis of Kha's business, the Win Lee Corporation. Records revealed that large deposits were being made into bank accounts from others who became targets of the investigation as well. The documented foreign wire transfers confirmed foreign nationals involved in rhino horn trafficking here in the U.S. By the use of FinCEN records, our agents were able to substantiate money laundering activity in a scheme involving use of gold as currency and use of safety deposit boxes.

Photo 3, please. The Kha and their businesses were sentenced to pay over $1 million in fines and penalties and restitution, and in addition, forfeited over $2 million in assets, including gold, cash, jewelry, and vehicles.

Photo 4, please. This photo shows two Chinese nationals who had bribed a Customs official at the Dar es Salaam airport in Tanzania.

They were able to smuggle eight suitcases full of ivory out of Tanzania destined for Hong Kong.

Photo 5, please. This photo shows the content of the suitcases that were intercepted and seized in Switzerland while in transit. Our regional U.S. Fish and Wildlife Service attache was able to assist Tanzania authorities in their investigation and collection of forensic examination of the evidence seized.

Photo 6. To illustrate the current illegal wildlife trade in the U.S., this photo shows elephant ivory and narwhal tusks forfeited by an antiques dealer who was sentenced in Federal court in New York for the unlawful import and sale of ivory in 2016.

Photo 7. This photo is a sample of various elephant tusks, ivory carvings that have been interdicted and seized at the U.S. mail international sorting facility in Miami during the course of an ongoing multiagency enforcement operation. This operation alone has identified nearly 90 individuals and businesses and involves over 250 smuggling incidents in which elephant ivory was smuggled from the U.S. to China.

Next photo, please. This photo depicts over 200 swim bladders that were seized in a California residence drying and awaiting shipment. In 2014 and 2015, CBP, ICE, and Fish and Wildlife Service agents seized over 530 totoaba swim bladders that were smuggled into the U.S. Totoaba is an endangered fish found only in the Gulf of California whose swim bladder is highly prized as a delicacy. Eleven individuals smuggling totoaba have been arrested. During an interview with one of those smugglers, he stated that on one occasion, five totoaba swim bladders were sold for $50,000 to a recipient in Hong Kong.

While we have made great strides recently to address wildlife trafficking, there is still much work to be done. Wildlife trafficking persists at unsustainable levels and the role of sophisticated, highly organized criminal networks may present an opportunity to support and fund insurgent or terrorist activities and makes even more an urgent threat to the wildlife communities and global security.

I thank you for the opportunity today to present testimony, and I appreciate the subcommittees' support in our efforts to combat wildlife trafficking. And I would be pleased to answer any questions you may have. Thank you.

[The prepared statement of Mr. Woody follows:]

TESTIMONY OF WILLIAM WOODY, CHIEF, OFFICE OF LAW ENFORCEMENT, U.S. FISH AND WILDLIFE SERVICE, DEPARTMENT OF THE INTERIOR, BEFORE THE U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON FOREIGN AFFAIRS, SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION, AND TRADE AND COMMITTEE ON ARMED SERVICES, SUBCOMMITTEE ON EMERGING THREATS AND CAPABILITIES REGARDING "STOPPING THE MONEY FLOW: THE WAR ON TERROR FINANCE"

June 9, 2016

Introduction

Good afternoon Chairman Poe, Chairman Wilson, Ranking Member Keating, Ranking Member Langevin, and Members of the Subcommittees. I am William Woody, Chief of the Office of Law Enforcement for the U.S. Fish and Wildlife Service (Service), in the Department of the Interior. I appreciate the opportunity to testify before you today to discuss the international wildlife trafficking crisis and the role of criminal syndicates.

Last year, Bob Dreher, Associate Director for the Service, testified before this subcommittee and described the role of criminal organizations in driving illicit wildlife trade and how the U.S. government is working to address the problem. Today, I will offer an update on the progress we've made in tackling the wildlife trafficking crisis and the challenges that we still face. I will highlight some of our work in disrupting large-scale wildlife trafficking operations by criminal syndicates, our work overseas through our Service law enforcement attachés and partnerships, as well as our work domestically to curb demand for illegal ivory.

The Wildlife Trafficking Crisis

Wildlife trafficking once was predominantly a crime of opportunity committed by individuals or small groups. Today, it is the purview of international criminal cartels that are well structured, highly organized, and capable of illegally moving large commercial volumes of wildlife and wildlife products. What was once a local or regional problem has become a global crisis, as increasingly sophisticated, violent, and ruthless criminal organizations have branched into wildlife trafficking. Organized criminal enterprises are a growing threat to wildlife, the world's economy, and global security.

Thousands of wildlife species are threatened by illegal and unsustainable wildlife trade. We have seen a resurgence of elephant poaching in Africa, which is threatening this iconic species. Africa's elephants are being slaughtered for ivory at rates not seen in decades. Populations of both savanna and forest elephants have dropped precipitously, and poaching occurs across all regions of Africa. In addition, over the past five years, the poaching of rhinos for their horns has surged upward. Tragically, the current poaching epidemic threatens to reverse fifty years of recovery for African rhinos.

Improved economic conditions in markets such as China and other parts of East and Southeast Asia are fueling an increased demand for elephant ivory, rhino horn, and other wildlife products. More Asian consumers have the financial resources to purchase these wildlife products, which

are a status symbol for new economic elites. Increasingly, ivory, rhino horn and other high-value wildlife products are being acquired as investments, with speculators hoping that prices continue to rise; buyers are quite literally banking on extinction. Although the primary markets are in Asia, the United States continues to play a significant role as a major consumer and transit country for illegally traded wildlife, and we must be a part of the solution.

The Administration recognizes that if illicit wildlife trade continues on its current trajectory, some of the world's most treasured animals could be threatened with extinction. In response to this crisis, on July 1, 2013, President Obama issued Executive Order 13648 to enhance coordination of U.S. Government efforts to combat wildlife trafficking and assist foreign governments with capacity building.

The Executive Order established a Presidential Task Force on Wildlife Trafficking charged with developing and implementing a National Strategy for Combating Wildlife Trafficking, which was signed in 2014, and was followed by an implementation plan that was released last year. The implementation plan builds on the strategy and reaffirms our Nation's commitment to work in partnership with governments, local communities, nongovernmental organizations, and the private sector to address wildlife trafficking. In March, the Administration released the First Annual Progress Assessment of the Presidential Task Force on Combating Wildlife Trafficking. The report documents the many successes we have had over the past year, but recognizes the sizeable challenge that still lies ahead.

Addressing Wildlife Trafficking and Organized Crime

Wildlife trafficking is a multi-billion dollar illegal trade fueled by demand and enabled by corruption, limited legal authorities and law enforcement capabilities, and weak institutions. Organized criminal groups have seized upon wildlife trafficking as a low-risk, high reward crime and have made it a global crisis demanding the focus and attention of nations and their citizens to address it.

Through our law enforcement investigations, we have seen direct links between wildlife trafficking and organized crime. Our investigations have specifically documented transnational organizations involved in the trafficking of endangered species. For example, we have documented eastern European and Russian organized crime involvement in the caviar trade, Irish organized crime involvement in the rhino horn trade, Mexican drug organizations involvement in the totoaba trade, African gangs involved in elephant ivory poaching and smuggling, and Asian criminal groups involved in timber trafficking.

Addressing the involvement of these criminal organizations requires strong and effective law enforcement, both in the United States and abroad. This depends on a robust legal framework, as well as the investigative, prosecutorial, and judicial capacity to respond to poaching and wildlife trafficking. Enforcement involves disrupting wildlife trafficking networks, apprehending and prosecuting traffickers, seizing and forfeiting the proceeds of the crimes, and applying penalties that deter and prevent others from committing such crimes.

Operation Crash

Last year, Associate Director Dreher discussed the ongoing nationwide criminal investigation known as "Operation Crash". To date, Operation Crash has led to 41 arrests, 30 convictions and the seizure of smuggled tusks and horns with a street value in excess of $75 million. In addition to wildlife crimes, the defendants also have been charged with money laundering, tax evasion, falsifying documents, mail fraud and bribery.

Convictions under Operation Crash continue. In November of last year, Linxun Liao, a Canadian citizen and partner in a Chinese art and antiques business, was sentenced to two years in prison for his role in an online wildlife trafficking scheme in which he purchased and smuggled 16 "libation cups" carved from rhinoceros horns and worth more than $1 million from the United States to China. Liao was also ordered to forfeit the $1 million and 304 pieces of carved ivory.

This March, Operation Crash resulted in a significant conviction concerning a major auction house. Joseph Chait, the senior auction administrator of a gallery and auction house located in Beverly Hills, California, pled guilty to conspiring to smuggle wildlife products made from rhinoceros horn, elephant ivory, and coral with a market value of approximately $1 million. Chait personally falsified customs forms by stating that rhinoceros horn and elephant ivory items were made of bone, wood or plastic.

These recent convictions, along with dozens more, demonstrate that Operation Crash has resulted in tangible results, putting key leaders in the rhino horn and elephant ivory black markets behind bars, and creating a real deterrent for others considering such illegal activity. And this investigation is far from over. The subjects we arrest often provide leads that result in additional arrests and convictions, with a "domino" effect that multiplies the impact of the investigation.

Totoaba Smuggling

The Service, National Oceanic and Atmospheric Administration (NOAA), Department of Homeland Security (DHS), and Customs and Border Protection (CBP) special agents and officers continue to collaborate on cases involving totoaba smuggling and are working with the Department of Justice to continue prosecuting these cases. Totoaba is an endangered and legally-protected fish found only in the Gulf of California whose large swim bladder is highly prized as a delicacy and for its purported health benefits. Illegal gill net fishing for totoaba often results in entanglement and drowning of a critically endangered porpoise species, the vaquita.

Federal law enforcement in southern California are conducting a multi-year investigation that has so far seized over 500 totoaba swim bladders smuggled into the United States, with eleven defendants charged. One subject was caught smuggling 27 totoaba swim bladders under the backseat floor mats of his vehicle. Another 214 totoaba swim bladders were discovered under a search warrant of his home, a likely "drop house" used solely for the purpose of drying out swim bladders in order to smuggle them. In a civil forfeiture action, the subject forfeited $138,000, the value of his Calexico, California home, and was indicted for his criminal involvement in the smuggling operation. The total restitution ordered to be paid to the government of Mexico from two defendants in the investigation is currently set at $620,500.

Narwhal Trafficking
A cooperative Service, NOAA, and Environment Canada investigation of the illegal importation and trafficking of narwhal tusks resulted in Federal felony indictments against three U.S. residents and their Canadian supplier. Two of the U.S. defendants pled guilty. The third elected to stand trial in Maine and was convicted of conspiracy and smuggling violations for buying and illegally importing narwhal tusks into the United States, and money-laundering violations associated with the illegal importations. He was sentenced to 33 months in prison and was ordered to forfeit $85,089, six narwhal tusks, one narwhal skull, and to pay a $7,500 fine. The market value of the illegally imported tusks was valued at between $120,000 and $200,000.

Stationing Service Law Enforcement Overseas
Wildlife trafficking is increasingly a transnational crime involving illicit activities in two or more countries and often two or more global regions. Cooperation between nations is essential to combat this crime. With assistance from the State Department, we created the first program for stationing Service regional wildlife law enforcement special agents at U.S. embassies as attachés to coordinate investigations of wildlife trafficking and support wildlife enforcement capacity building. The first attaché began work in March 2014 in Bangkok, Thailand. In 2015, the Service placed special agent attachés in Gaborone, Botswana; Lima, Peru; Dar es Salaam, Tanzania; and Beijing, China.

In 2015, U.S. agencies together trained more than 2,000 enforcement officials from rangers to judges, helping more than 40 countries better protect wildlife, from parrots to pangolins. For example, the Service, in conjunction with the U.S. Immigration and Customs Enforcement and the non-profit organization Freeland conducted two wildlife trafficking investigation trainings in Cha-am, Thailand. The training focused on advanced investigation techniques and included practical exercises on conducting a controlled delivery from a commercial environment.

The Service attachés play a critical role in the U.S. government's ability to combat wildlife trafficking from a global perspective and assist in facilitating a whole-of-government approach by providing very technical and specific expertise to counter wildlife trafficking issues throughout the world. The attachés are actively providing investigative support and facilitating the sharing of information across borders while providing technical expertise on a peer-to-peer and government-to-government perspective. The attachés have provided training in areas such as crime scene processing and evidence collection, wildlife identification, technical investigative techniques, handling and processing of digital evidence.

Technical Assistance and Grants to Build In-Country Capacity
Through our Combating Wildlife Trafficking Notice of Funding Opportunity, the Service supports efforts to assist foreign governments in range, transit, and consumer countries affected by wildlife trafficking by building the capacity to address the wildlife trafficking chain at any critical stage of enforcement. These efforts focus on building the capacity to fight wildlife trafficking through crafting stronger laws, stopping poachers, protecting borders, investigating traffickers, fighting trafficking-related corruption, improving professionalism, strengthening judicial and prosecutorial effectiveness, building and bringing strong cases, and obtaining penalties adequate to deter others. Pre-proposals for this funding opportunity were due at the end of April and the Service is in the process of inviting a select group to submit full applications.

Additionally, this September, the United States will host the International Conservation Chiefs Academy (ICCA), which will bring together 40 leaders of conservation law enforcement agencies from Africa to build capacity and collaborate with other leaders.

Addressing the Illegal Trade

Anti-poaching and anti-trafficking enforcement efforts must be complemented by a directed effort to curtail the persistent market demand that drives this illegal trade. In the past year, the U.S. has taken significant steps to curb demand.

U.S. Ivory Ban

On June 6, 2016, the Service published a final rule under the Endangered Species Act (ESA) to institute a near-total ban on the domestic commercial trade of African elephant ivory. The rule, which fulfills restrictions outlined under President Obama's 2013 Executive Order on Combating Wildlife Trafficking, substantially limits imports, exports and sales of African elephant ivory across state lines.

Law enforcement investigations demonstrate that wildlife traffickers have exploited prior regulations allowing for legal trade in ivory. Under current laws, once illegal ivory enters the market, it becomes nearly impossible to distinguish from legal ivory, limiting the effectiveness of law enforcement efforts to intercept black market shipments and catch traffickers. The new rule will provide federal agents with clearer lines of demarcation to identify illegal ivory. Desire for elephant ivory, mostly in Asia, is so great that it grossly outstrips the legal supply and creates a void in the marketplace that ivory traffickers are eager to fill. Perpetuating legal trade only serves to stimulate this consumer demand and further threaten wild elephant populations. By closing our domestic market, not only do we ensure that the U.S. is not contributing to elephant poaching and illegal ivory trade, we also position the U.S. to push China and other countries to take similar decisive action to restrict or close their markets.

Times Square Ivory Crush

Last June, in Times Square, New York City, the Service hosted its second ivory crush event. One ton of ivory we seized during an undercover operation, plus other ivory from the New York State Department of Environmental Conservation and the Association of Zoos and Aquariums, was crushed.

Capitalizing on this event, the Department of State promoted the United States' ivory crushes to audiences around the world, advocating for other countries to take similar actions. In 2015 and 2016, with the support and encouragement of U.S. officials, the governments of China, Ethiopia, Mozambique, Republic of the Congo, Thailand, the United Arab Emirates, Sri Lanka, Italy, Malaysia, Cameroon, and most recently Kenya burned all of their respective stockpiles of seized ivory.

Global Commitments

Our commitment to eliminate the domestic trade of ivory in the U.S. through our ivory ban and ivory crush events have given significant weight to our diplomatic efforts to affect policy and

legal change in other countries that also play significant roles in the global demand for illegal ivory and other wildlife products.

Last September, President Obama and Chinese President Xi Jinping decided to enact nearly complete bans on ivory import and export, and to take significant and timely steps to halt the domestic commercial trade in ivory. When enacted, these steps will have a dramatic impact on two of the world's largest wildlife markets and may lead other countries to halt their domestic commercial ivory markets. With the finalization of the U.S. ivory ban, we are fulfilling the commitment we made last September and encouraged China to do the same this week during the U.S.-China Strategic and Economic Dialogue.

Additionally, just a few weeks ago during President Obama's visit to Vietnam, the United States and the Socialist Republic of Vietnam announced a partnership to strengthen efforts and improve collaboration in four strategic areas, including reducing consumer demand, strengthening law enforcement and prosecution, improving and implementing legal frameworks for wildlife crime, and bolstering international cooperation. Vietnam will also be hosting the third Conference on the Illegal Wildlife Trade in Hanoi in November 2016.

Another important component of our fight against wildlife trafficking is the inclusion of anti-trafficking efforts in international trade agreements. In the Trans-Pacific Partnership (TPP) agreement with eleven other countries in the Asia-Pacific, the Administration secured historic commitments to combat wildlife trafficking and provide strengthened protections for wildlife. The TPP commits countries to implementing, strengthening, and enforcing measures that protect threatened and endangered species like rhinos and pangolins, and to matching new protections with cooperative tools that will spur and support regional action. This is critical as the TPP countries include some of the world's most biologically diverse and ecologically significant regions. One of the key features of the TPP is that all commitments are fully enforceable and subject to trade sanctions – a powerful tool to catalyze strong and sustained action to address this environmental crisis.

Future Challenges and Needs

While we have made great strides recently to address wildlife trafficking, there is still much work to be done. Wildlife trafficking persists at unsustainable levels and the role of well-armed, highly organized criminal syndicates makes this an urgent threat to wildlife, communities, and global security. African elephant populations have declined by roughly 20 percent in the last decade to just over 400,000, and one out of every twenty wild rhinos was killed by a poacher in the last year alone. This is a complicated situation that demands a long-term, focused, coordinated, and sustained effort.

Increasing Capacity to Address Wildlife Trafficking

For Fiscal Year 2017, the Service is requesting increases in International Affairs to fund additional wildlife trafficking actions. The Service is using increased funding provided by Congress in FY 2016 to combat expanding illegal wildlife trafficking and expand the capability of wildlife forensics to provide the evidence needed for investigating and prosecuting criminal activity. However, a successful effort to combat wildlife trafficking cannot solely rely on

investigating and prosecuting criminal activity; it must also change attitudes and consumption patterns to reduce market demand for wildlife products. To that end, the 2017 budget requests an additional $500,000 for the Service's International Affairs program to support efforts to combat wildlife trafficking and drive down demand for products from flagship species such as tigers, elephants, and rhinos.

Strengthening Legal Authorities

We need to do more to target and disrupt the sophisticated, violent and ruthless criminal organizations increasingly branching out into wildlife crime. For these criminals, wildlife crime still offers low risk and high rewards compared to drug and weapons trafficking. We need to change that calculus, treating transnational wildlife crime as the pernicious threat to global stability, security, and the environment that it is. This includes stiffening penalties for wildlife crimes in consumer nations as well as range countries.

The Administration's National Strategy for Combating Wildlife Trafficking called on Congress to consider legislation to recognize wildlife trafficking crimes as predicate offenses for money laundering and to ensure that funds generated through prosecutions are directed back to conservation efforts or to combating wildlife trafficking. These actions would be invaluable to the Service's law enforcement efforts because they would help place wildlife trafficking on an equal footing with other serious crimes. We commend Chairman Royce and Ranking Member Engel for introducing, and the U.S. House of Representatives for passing H.R. 2494, the Global Anti-Poaching Act, which would take steps toward these important goals. Changing the law in this area is key to ending the days of wildlife trafficking being a low-risk, high-profit crime.

Conclusion

Thank you for the opportunity to present testimony today. I appreciate the Subcommittee's support of our efforts to combat wildlife trafficking. I look forward to working with you to ensure a secure future for imperiled species across the globe. I would be pleased to answer any questions that you may have.

Mr. POE. I thank all of you for your testimony before the subcommittees.

The members of the subcommittees will have votes shortly, but we will take turns asking questions until the votes begin, and then we will resume 15 minutes after the last vote.

I recognize myself for some questions.

I have been making a list of the things you have commented on on how the bad guys get money, and let me go through those, and then I want you to add those that I missed.

First of all, cash from rich donors, individual donors in foreign countries, they just send cash to the terrorist groups; the black market of goods, tobacco, for example, as the ranking member mentioned; the trafficking of people, the sale of people as sex slaves; ransom payments; bank robberies; oil on the black market; antiquities; drug trafficking; ISIS tax people in their areas if they are not loyal to ISIS, if they are Christians or some other Muslim faith are taxed; this disturbing news about wildlife trafficking; and then you have state sponsor of terror, Iran who gives money to Hezbollah wherever they are in the world.

Did I leave out any? You all are awful quiet. I mean, this is disturbing news here. I am not going to be critical of what we have done. I just want to try to see if we can move forward and stop the money flow.

Mr. Woody, your testimony is compelling. My understanding is if something doesn't happen pretty soon, elephants in Africa and the rhinos are going to be extinct. Is that correct?

Mr. WOODY. That would be correct, sir.

Mr. POE. The elephant tusks end up eventually—most of them, not all—end up in China. Is that correct?

Mr. WOODY. That is correct, a good majority of them do.

Mr. POE. And rhino horns are ground for their powder, and they end up in Vietnam.

Mr. WOODY. They end up in Vietnam, in China. They also use them for libation cups for different carvings as well too.

Mr. POE. All right. And what about foreign charities or charities working in the United States as a foreign—or as a charity, do they raise money for terrorist groups? Any of you want to weigh in on that?

Mr. GLASER. Yes, charities raise money for terrorist groups.

Mr. POE. Like what charities? You have any names? You can name names in——

Mr. GLASER. No, I would be happy to name names. I don't have the names at the tip of my tongue, but as recently as March 31 of this year, we designated two charities in Pakistan and Afghanistan who are actively involved in terrorist financing.

Mr. POE. Okay. What about domestic charities in the United States?

Mr. GLASER. There have been domestic charities that have been designated and prosecuted for terrorist financing. Holy Land Foundation is probably the largest example of that.

Mr. POE. Okay. The Holy Land Foundation. All right. Let me ask you this. How do we get all you all and the folks in law enforcement working to share information, intelligence about what is being done worldwide on financing terror groups? Because my un-

derstanding is everybody is kind of doing their own thing. I am not saying they are doing a bad job. They are just doing their own thing without coordination with other American agencies and then foreign governments.

Ms. Whelan, you want to weigh in on that?

Ms. WHELAN. Yes, sir. I think—well, I know from the Department of Defense's standpoint, we actually provide a great deal of support to our partners at Treasury and in law enforcement with our CTF teams and liaison officers. So we are in sort of regular contact with them on a day-to-day basis working together to share information.

We have a number of enterprises within the Washington area in which we gather together to share information, situational awareness. So I think while there is always room for improvement, I think we have a pretty good basis right now of information sharing, certainly we feel, between the Department of Defense and the——

Mr. POE. But are we doing enough? Are we doing enough? I am not critical of what we are doing. I am just asking are we doing enough? Because of all of these different ways that the bad guys, outlaws raise money, how can we move forward to do even a better job? You got some ideas?

Ms. WHELAN. Well, I think we can just expand on what we are currently doing, and we are getting better at it. Certainly, there is resource constraints in terms of people and in terms of intelligence collection assets, but we are definitely improving our coordination. I think we have made a lot of progress in just the last couple of years.

Mr. POE. All right. I will have additional questions I will submit for the record for you all to answer.

I will recognize the chairman of the subcommittee, Mr. Wilson from South Carolina.

Mr. WILSON. Thank you, Judge Poe, and thank you for your obvious passion about this issue and making a difference.

And Secretary Whelan, in your testimony, you discuss how the Department of Defense is working to institutionalize counterthreat finance capabilities across the force and within the services. Can you provide some additional examples of how you are doing this? And additionally, are you seeing demand for counterthreat finance experts continue, and if so, how are you managing that while other resources across the Department continue to diminish? And finally, is the counterthreat finance a high enough priority for commanders to pay attention and dedicate resources to so that we can properly institutionalize lessons learned?

Ms. WHELAN. Thank you for the question, Mr. Chairman.

Yes, we actually, number one, the first part is we are progressively institutionalizing counterthreat finance within the Department, and it is—it has gained tremendous amount of traction, particularly in the combatant commands. But a couple of things, additional things we are doing beyond the DOD directive that I mentioned in my testimony, we are including CTF in our professional military education courses.

In fact, the National Guard Bureau has been very helpful to us in developing courses for CTF, for personnel within the U.S. military. Additionally, the services are now, as they manage their per-

sonnel, they are looking for people with CTF skill sets so that they can provide them. There is a demand signal from the COCOMs, particularly CENTCOM, and it has a very significant and robust CTF effort. I was just down in Tampa 2 weeks ago and met with that team.

So this has definitely got traction within the Department. I don't see that it will lose traction. We have integrated it into our program planning and budget process, and we are also working with the COCOMs to integrate CTF into planning and doctrine. So I believe that we do, obviously, have resource constraints in terms of personnel available to devote to this, and as I mentioned briefly, the intelligence assets that we have to devote to this. But within the constraints that we are currently working under, I think that everyone is putting forward 100 percent effort to do more on the CTF front.

Mr. WILSON. Well, we certainly look forward to working with you on that.

And, Chief Woody, you have really gotten the attention of Judge Poe. He was extraordinarily intrigued by this particular picture. If you can explain it one more time, and then how is it that Fish and Wildlife is coordinating with law enforcement efforts across the United States to stop the global financing?

Mr. WOODY. Okay. You want me to explain the picture again?

Mr. WILSON. Yeah, one more time, please.

Mr. WOODY. It is—those are totoaba fish bladders. Totoaba is a fish that is found in Sea of Cortez, and they dry the totoaba bladders out. Totoaba bladders sell, they make a soup called maw, and totoaba bladders, they do sell for $10,000 and higher on those.

So that is—in that particular picture there, ICE was working a case in conjunction with Fish and Wildlife Service. Really what that is, that is a drop house, and they were moving the totoaba bladders up into the U.S. They were being dried in that house and they were awaiting shipment to another—they were making a shipment to Asia and move them there. So to coordinate——

Mr. WILSON. And one inquiry. You said Sea of Cortez. Where is that?

Mr. WOODY. Or in Gulf of Mexico. Not the Gulf of Mexico. Sea of Cortez, California, off the coast of Baja.

Mr. WILSON. Okay. But Colonel Cook is very familiar with this, so he will let us know.

Mr. WOODY. Okay. Very good.

Mr. WILSON. That is very serious.

Mr. WOODY. And then the other thing, coordinating. We have—with the executive order on wildlife trafficking, I have to say in the last 3 years, all the people sitting at this table, they all have people that sit on the wildlife task force. And we have coordinated, through the United States and throughout the world, on setting up a whole number of different things that we have never really been at with wildlife before. For example, with U.S. Fish and Wildlife Service, we are now establishing attache positions throughout the world.

Currently, we have just put five people out in the regions that tie into State Department's wildlife enforcement networks. We put five attaches out. We are planning to put another four out this

year. They work very closely in the regions with the governments in different regions working on wildlife trafficking issues: Everything from the finance, to the trafficking, to the lab work that they need done as well.

Mr. WILSON. Thank you very much.

Mr. POE. I thank the gentleman from South Carolina.

The committees will be in recess until 15 minutes after the last vote starts, and we will resume with the questions from Mr. Keating from Massachusetts.

The subcommittees are in recess.

[Recess.]

Mr. POE. The subcommittees will come to order.

The chair recognizes the ranking member of the Terrorism Subcommittee, Mr. Bill Keating from Massachusetts, for his questions.

Mr. KEATING. Thank you, Mr. Chairman.

I am curious. There has been cooperation with the United States and the EU in terms of the so-called SWIFT agreement, which is Society for Worldwide Interbank Financial Telecommunication. And I wanted to know, we have heard that there is concern from the European front that privacy issues might present problems with them cooperating on that. Could any of you comment on that being compromised by their concerns and, if there are going to be any alterations in that, whether that is going to be something we should be concerned about?

Anyone?

Mr. GLASER. Thank you for the question, Congressman.

We have very close cooperation, as you stated, with the Europeans on our SWIFT program——

Mr. POE. Could you talk a little louder?

Mr. GLASER. I am sorry.

Mr. POE. We are 5 miles away from you up here, so would you talk louder? Thank you.

Mr. GLASER. I apologize, Congressman.

We do have very close cooperation with the Europeans on the SWIFT program, and privacy issues are frequently brought up as part of that conversation. But we have always managed to work through those issues, and our cooperation with the Europeans remains very strong on that program.

Mr. KEATING. All right.

As the chairman and I were discussing during the break, we are both struck by the fact that there is $80 billion annually that comes directly from illicit tobacco trade. It is now equal to cocaine trade in terms of illicit.

Is there anything being done to curb that illegal trade? What is being done? Is that being used by any groups as well?

Mr. Glaser again.

Mr. GLASER. Well, I don't have anything specifically to say about illicit tobacco trade. I am sure it is a source of organized crime proceeds. I have not seen any indication that it is a significant source of terrorist financing proceeds. Certainly, our anti-money-laundering regulatory and criminal regime would cover any proceeds of that——

Mr. KEATING. Would you think the same for human trafficking, as well? That is something you don't hear about, but is there any

way these groups are getting any kind of funds, indirectly or directly, from human trafficking?

Mr. GLASER. Well, I do believe ISIL does derive proceeds from human trafficking. I would say it is more in the order of criminal networks that are involved in human trafficking that operate in ISIL territory and that ISIL would tax or charge fees for allowing them to participate in that activity.

Mr. KEATING. There has been a lot of focus with ISIL on use of cyber networks for propaganda and recruitment, but, also, the virtual currency exchange platforms are something of a concern, as well. Because it is public knowledge now that those involved in the Paris attack used prepaid cards to rent hotel rooms the night before the attack. We also have concerns with Bitcoin and other financing mechanisms.

Is that something you see as a new challenge or a challenge that you have already seen and are trying to address?

Mr. GLASER. Certainly, the use of virtual currency—Bitcoin, prepaid cards, things like that—are emerging challenges for us. We have revised our anti-money-laundering regulations to require a certain amount of transparency with respect to how those financial products operate.

The European Union has not done so yet. I have actually traveled to Brussels to have detailed discussions with them on this issue, and they are looking at a variety of reforms that they could make, actually very, very similar to the types of steps that we have taken.

It is true that there are examples of terrorist organizations, including ISIL, using these types of products, but I have to say, I don't think that it represents a systemic threat at this time. I think there are other ways that these organizations use to move funds that are far more significant for them.

Mr. KEATING. Yeah.

Mr. Keller, in particular, you know, Turkey was recently taken off the Financial Action Task Force gray list, which is used to describe jurisdictions with deficiencies when it comes to counterterrorism financing, because it passed new terror finance laws.

But there are experts out there telling us that Turkey's implementation of its terror finance laws have been poor. Do you agree with that assessment? And, if so, what is the State Department doing to encourage Turkey to substantively go after terror financing in that regard?

Mr. KELLER. Thank you for the question, Congressman.

I would start off by saying we work closely with Turkey on a variety of fronts. They are a member of our Counter-ISIL Finance Working Group. Through recent high-level engagements, we now have a border security group that is working on border security and aviation.

We are pleased that they have come off the FATF gray list. I think that is a positive step. I think it is fair to say that they are not necessarily perfect; no country is. But we continue to work with them to try to encourage them to implement their laws and basically strengthen their efforts on counterterrorism and anti-money-laundering.

I think it is also important to recognize that Turkey itself has been victimized by ISIL terrorism. And so they have a strong incentive and are active in trying to eliminate ISIL facilitation networks in their country.

Mr. KEATING. Yeah.

Mr. KELLER. And I would invite any of the other panelists——

Mr. KEATING. Well, I think—thank you, Mr. Keller. I think my time is up, and I yield back.

Mr. POE. I thank the gentleman from Massachusetts.

The chair recognizes the ranking member, Mr. Langevin from Rhode Island, for his questions.

Mr. LANGEVIN. Thank you, Mr. Chairman.

I want to thank all of our witnesses again for your testimony here today.

So I would like to go back to the discussion we were having earlier about lessons learned. So we have touched on how each agency, specifically DOD, is institutionalizing counter-threat financing. I am also interested in understanding how CTF is being institutionalized across the whole of government through defined roles, responsibilities, and organizational constructs, allowing for more synchronized efforts at a more strategic level.

So, in Afghanistan, CTF was successful. Were there lessons learned here?

Mr. GLASER. Thank you for the question, Congressman.

So, just to speak about how the Treasury Department is organized for a moment and then to speak more broadly about the United States Government, the Treasury Department is actually unique among all finance ministries in the world in that we have one office, run by an under secretary at the Treasury Department, that brings together all of the expertise, all the resources, all the tools, all the authorities, all the contacts that we have as a finance ministry and puts them for the singular purpose of advancing U.S. national security, using financial tools to advance U.S. national security.

We are the only finance ministry in the world with our own all-source intelligence office. We have a sanctions implementation office, we have my office, which is a policy office, and we have a financial intelligence unit, FinCEN, all under one roof. And it gives us a huge range of unique expertise and unique capabilities that we have to put at the disposal of the United States Government.

I do think that we are actually quite well-coordinated across the United States Government. As I said in my opening statement, there are two components of our efforts against terrorist financing. The first component is the systemic component, the regulatory component, making sure that the international financial system and our financial system is transparent and is well-regulated and that it does not provide opportunities for terrorist groups, organized crime groups, or drug trafficking groups or any other group—Iran, rogue regimes—to gain access to the financial system.

That is largely an effort of coordination among the Treasury Department, among regulators, among law enforcement. And we have a number of groups that allow us to do that. Most importantly—and, I should say, in partnership with the private sector. And we have groups like the Bank Secrecy Act Advisory Group for that. We

had an anti-money-laundering task force, along with the regulators. There are a number of groups that allow us to coordinate on that.

The second part is the targeted part, the operational part of identifying and undermining terrorist organizations. And, again, I feel the government is well-coordinated on that. The National Counterterrorism Center within the intelligence community organizes intelligence analysis with respect to terrorism broadly. My counterpart within Treasury, the head of our intelligence office, Leslie Ireland, Assistant Secretary for Intelligence Analysis, is also the intelligence community's mission manager for illicit finance.

And then, on an organization-by-organization basis, whether it is Hezbollah, whether it is ISIL, whether it is al-Qaeda, there is any number of coordination processes that are run by the NFC that allow us all to get together and make that sure that we are well-coordinated on the issue.

Mr. LANGEVIN. Okay. Thank you.

Mr. Keller?

Mr. KELLER. I think I would simply add to that that, whether I look to my right to Assistant Secretary Glaser or to my left to Assistant Secretary Whelan, I think the counter-ISIL effort is a very good example of the coordination that we do on a daily basis.

Our teams work together basically nonstop. The goal of the effort is to have a synchronized and sustained and aggressive campaign to counter ISIL's finances, using basically all available national resources, whether they are coming on the kinetic side through DOD and CENTCOM, whether they are on the diplomatic side with the State Department, and working very closely with Treasury in diplomatic engagement multilaterally and bilaterally, or a range of other tools, including the State Department's capacity-building programs.

I would just note that those programs, I think, are some of the most effective things that we can do overall, in that they are trying to drive systemic change. So, for example, Ranking Member Keating had mentioned cigarette smuggling earlier. These programs aren't necessarily targeted at cigarette smuggling or wildlife trafficking or whatnot. They are targeted overall at building investigatory capacity, prosecutorial capacity, judicial capacity. We work with customs agencies in other countries to try to strengthen all of it. And it can have a positive effect on our counterterrorism efforts, as well.

Mr. LANGEVIN. Okay. Thank you.

My time has expired, so I will ask Secretary Whelan and Mr. Woody to respond, if you would, in writing.

And, Secretary Whelan, for the record, I have a question for you, which is: How is intel shared in a timely manner so that all agencies are working within an updated intel picture? So, if I had more time, I would get your answer, but my time has expired.

I will yield back.

Mr. POE. I thank the gentleman from Rhode Island.

Ms. Whelan, submit the answer to that question to both committee chairs, the full committee chairs, and that will be dispersed to everyone, including the gentleman from Rhode Island.

The chair recognizes Colonel Cook—I started to say former Marine, but there is no such thing as a former Marine—from California.

Mr. COOK. Thank you, Judge. You are absolutely correct.

Mr. Keller, if I were President of the United States, heaven forbid, but if I said to you, what do you think, one, two, or three, are the top countries, state-sponsored aid, financial aid, to ISIS or ISIL or Daesh, whatever you want to call them, who would you name, one, two, or three? Just briefly.

Mr. KELLER. Congressman, I——

Mr. COOK. Real brief.

Mr. KELLER. I think—I understand the concern about——

Mr. COOK. No, no. Just in your opinion, your opinion, I am asking you as the President of the United States, one, two, or three, who do you think they are?

Mr. KELLER. It is a fair question. I don't really have an answer——

Mr. COOK. Okay. Okay.

Mr. KELLER [continuing]. Because we are not seeing——

Mr. COOK. Okay.

Then let's go back to what you were commenting on about Turkey. And I have a different impression of Turkey because of Erdogan. I have some issues with the—I understand the war against the PKK, but I am also concerned about what they are doing to the rest of the Kurds, which is one of our allies against ISIS.

And it is almost like, are we overlooking that, that some people—particularly with Erdogan leaning toward the Muslim Brotherhood. Could you address that briefly? Real briefly. I am running out of time.

Mr. KELLER. I appreciate the question. I am going to have to take that one back. As I mentioned, my focus in this area is specifically on the counter-ISIL financial front. So I would like to take your question back to our Turkey experts——

Mr. COOK. Okay.

Then let me move on to Hamas. Is Hamas helping them out with financing, ISIS?

Mr. KELLER. Not that I am aware of, sir.

Mr. COOK. So there is—okay.

Mr. Glaser, did you want to comment on that, about the situation in Turkey, where, you know, a number of months ago, there were—that they were, you know, helping out with the oil and everything like that with ISIS. Any comments on that at all in the intel sector?

Mr. GLASER. I think that Turkey has stepped up its efforts on the counter-smuggling side. I do think Turkey, as was discussed earlier, has work to do on its financial system in terms of implementing its terrorist financing laws and making sure that its financial system is not available to ISIL.

Mr. COOK. Yeah. You don't want to answer my question about one, two, or three?

Mr. GLASER. I don't think——

Mr. COOK. And I am just a dumb Marine, so I have to ask simple answers.

Mr. GLASER. No, I will answer your question directly.

I do not think ISIL receives state sponsorship—I do not think ISIL receives state sponsorship from any country. I think Iran is the number-one state-sponsor of terrorism in the world, and they sponsor Hezbollah. I do not think——

Mr. COOK. No, I agree with you on that.

Mr. GLASER [continuing]. ISIL receives state sponsorship.

Mr. COOK. Okay. And you are not worried about states such as Qatar or some of the Gulf states at all that are involved with states that are sponsoring ISIS?

Mr. GLASER. I do not think Qatar is a state sponsor of ISIS, no.

Mr. COOK. Okay. Thank you.

I yield back.

Mr. POE. I thank the gentleman from California.

Without objection, the chair will recognize Ms. Gabbard from Hawaii, who is a member of both full committees, unless there is objection.

Without objection, you are recognized for 5 minutes.

Ms. GABBARD. Thank you very much, Mr. Chairman.

Mr. Keller and, both, Mr. Glaser, you have talked about how Turkey has stepped up and that they are doing more. Can you give us more specifics on what that is?

Because, like many of my colleagues, we have concerns about the leadership in Turkey, what they have done directly and indirectly, what they have not done, more importantly, as well as the informal economy that we know ISIS is using to both smuggle cash and other things to boost their revenue.

Mr. GLASER. Thank you for the question.

With respect to Turkey, in terms of the things that I think that they are doing well, I think that Turkey has stepped up its counter-smuggling efforts along the border. And I think that they have done that significantly, and I think it has had an impact.

Ms. GABBARD. Can you give some specifics about stepping up from nothing to what, or from here to there, and some specifics on the border, as well, especially the area of the border that remains open?

Mr. GLASER. I am going to have to get back to you with——

Ms. GABBARD. Because it is just, I am trying to get some context here, because Mr. Keller said Turkey is not perfect, but perfect is a pretty high bar. So I am trying to figure out——

Mr. GLASER. Right. Well, I think the areas where I would say Turkey has a lot of work to do is in taking steps to deny ISIL access to its financial system, to its financial institutions. We have an active information exchange program with the Turks. We are in close communication with them to make sure that they understand what we understand with respect to the access that terrorist organizations may have to certain institutions, and I think it is important for Turkey to follow up on that information.

Mr. KELLER. I would agree with Assistant Secretary Glaser's assessment.

I would also note specifically on the oil front, it is our assessment that ISIL is not smuggling or selling oil to Turkey or to individuals in Turkey, that the oil that is being produced in ISIL-controlled territory is being sold and consumed in ISIL-controlled territory.

Ms. GABBARD. And is that something that has changed as of late, or were the reports that that was occurring completely false?

Mr. KELLER. I would say that is something that we have been able to get a much clearer picture of as of—well, I don't want to say "as of late," but some of the most helpful information and insightful information we were able to glean on this issue came from the Abu Sayyaf raid last year. He was the emir for oil and gas and antiquities who was killed by U.S. Special Forces.

And they were able to recover a treasure trove of information, including on ISIL's oil activities. And the picture that we were able to develop from that information helped us assess that the oil was being consumed within ISIL-controlled territory and not being smuggled into Turkey.

Ms. GABBARD. Are there other operations or things happening in this informal market or smuggling other than oil that you are aware of?

Mr. KELLER. I think it is possible that antiquities are being smuggled out through basically the neighboring countries to Iraq and Syria, Turkey being one of them.

Ms. GABBARD. Okay.

Thank you, Mr. Chairman.

Thank you.

Mr. POE. The gentlelady yields back the time.

The chair recognizes the gentleman from Pennsylvania, Mr. Perry, for 5 minutes and his questions.

Mr. PERRY. Thank you, Mr. Chairman.

Secretary Glaser, what is the current policy of the administration regarding U.S. dollars in Iran or—U.S. dollars are hard currency, right? You would characterize that as hard currency?

Mr. GLASER. Yes.

Mr. PERRY. And what is the current policy regarding hard currency, particularly U.S. dollars, in Iran?

Mr. GLASER. You cannot engage in dollar transactions with Iran.

Mr. PERRY. All right. So we are trying to ensure that they don't get hard currency, particularly U.S. dollars, right?

I am sure you are aware that the Iranians' Guardian Council just approved the military budget for 2016-2017, which increased their military budget by 90 percent, including $1.7 billion transferred by the U.S. Treasury in January, which allegedly has nothing to do with the prisoner swap that happened—or, correction, a U.S. hostage swap that happened literally at the same time.

I am just wondering, that transfer of $1.7 billion, what currency was that? What was that currency that was transferred?

Mr. GLASER. I would have to go back and find the answer out to that for you.

Mr. PERRY. $1.7 billion. You have no idea?

Mr. GLASER. No, I do not know. I do not know what currency was——

Mr. PERRY. All right. All right. If you would, please, for the record, I would like the answer to that.

You know, the fact that it went directly to the military, to the Iranian military, at this point, looking at ISIS taking the American equipment left in Iraq, which, you know, paid for with American tax dollars, is it fair for me to answer my constituents who say to

me, haven't we now funded both sides of this war, is it fair to say we have in some sense? I mean, it is not a "gotcha" question, but, I mean, literally, haven't we essentially funded both sides of this war?

Mr. GLASER. No, I don't think that would be a fair thing to say. I——

Mr. PERRY. Why not?

Mr. GLASER [continuing]. Think that we are doing everything that we can to attack ISIL's finances. I think——

Mr. PERRY. Wait, wait, wait. ISIS has American-paid-for equipment, military equipment paid for by the American taxpayers, right? So they are on one side of the operation.

And we just gave $1.7 billion to Iran in some currency; we don't know right now what that is, at least you don't know. And they sent it directly to the military, increased their military spending this year by 90 percent. That is on the other side.

How is this not the American taxpayer being on both sides of this fight?

Mr. GLASER. So ISIL got its hands on a lot of U.S. military equipment——

Mr. PERRY. Right.

Mr. GLASER [continuing]. When they won battles in an ongoing war. I don't think it would be accurate to say that the United States is providing ISIL military equipment. I think——

Mr. PERRY. Well, it wasn't the Russians.

Mr. GLASER [continuing]. It would be accurate——

Mr. PERRY. It wasn't the Chinese.

Mr. GLASER [continuing]. To say the United States is——

Mr. PERRY. It is not the Mexicans.

Mr. GLASER [continuing]. Actively engaged in military operations against ISIL.

Mr. PERRY. Let me ask you, with this $1.7 billion payment to Iran essentially at the very same time five U.S. hostages were sent home and the perception from Americans that it was payment in ransom and, as stated by Iran, that it was paid for—they called them spies, not hostages—doesn't this undermine our policy that we would hope other nations would take to not pay ransoms? How do we have the moral authority to request that they not pay ransom when it appears to anybody who is looking that we have paid $1.7 billion to Iran for five hostages?

Mr. GLASER. Yes, I understand the question. The fact of the matter is that that was not a ransom paid for hostages. We have been very consistent in our policy of no payment of ransom for hostages. And this is something that we have worked very closely with countries on around the world to ensure that there is a global agreement, a global consensus that payment of ransom for hostages is not an appropriate response to——

Mr. PERRY. So if we pay and we get hostages at the same time and we just say we didn't, then that equates to it not being that? Essentially, suspend reality and just say, well, it is two different things.

I mean, that is rhetorical. I apologize.

Mr. Keller, hawala. If you can tell us anything you know about what we are doing about hawala being used for illicit purposes,

particularly to fund terrorism, what you are doing, and if you have any ideas for how the U.S. Congress can help in that effort.

Mr. KELLER. Thank you, Congressman.

I think in the counter-ISIL context, for example, one of the most important things that we have been trying to do all along is make sure that ISIL is cut off from the financial system, whether it is a formal financial system or informal financial system.

I think through a lot of good work, including from our Treasury Department, early on, they worked very closely with the Iraqis to cut off banks that were in ISIL-controlled territory from the international financial system. In addition, we have been working with the Iraqis to cut off money exchange houses and more informal operations that are engaged in hawala-type activities that are in ISIL-controlled territory from their ability to participate in——

Mr. PERRY. But it is not just ISIL-related. Hawala is used for various measures by numerous countries, not just ISIL and not just Iraq. So is there anything that the Congress can do in that regard that we haven't done already?

Mr. KELLER. Well, sir, I think you are exactly right, that it is not just ISIL-related. And I can tell you—if you indulge me, I will tell you one other thing that the State Department is doing, which I mentioned earlier, which are these capacity-building programs that increase the capacity for other countries on anti-money-laundering and counterterrorism finance programs, whether it is in their judiciary or prosecutorial services.

These are things that can be very helpful—and we also work with the treasury departments around the world. These are things that can be very helpful as far as helping them——

Mr. PERRY. One final question in that vein, if the chairman will indulge me. Do you have any way to quantify when you say they can be helpful? So the American people are going to pay a certain amount to aid these other countries. How do we quantify the results? How do we quantify what we paid for and what we got? Is there any way?

Mr. KELLER. That is a great question, Congressman. I would like to take that back and get you an answer in writing, and I will discuss that with——

Mr. PERRY. I look forward to your response.

Mr. Chairman, I yield.

Mr. POE. The gentleman yields back his time.

Without objection, the document that Mr. Woody provided to both committees will be made part of the record.

And, also, there may be more questions from other members of the committee. As soon as you receive those questions, we would want answers in 2 weeks.

And I would encourage members to file those questions by tomorrow.

And I want to thank the Armed Services Committee and the Subcommittee on Emerging Threats and Capabilities, Mr. Wilson from South Carolina, and the ranking member, Mr. Langevin from Rhode Island, for this joint subcommittee hearing.

And the subcommittees are adjourned.

[Whereupon, at 4:15 p.m., the subcommittees were adjourned.]

APPENDIX

Material Submitted for the Record

JOINT SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
COMMITTEE ON ARMED SERVICES
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on Terrorism, Nonproliferation, and Trade
Ted Poe (R-TX), Chairman

Subcommittee on Emerging Threats and Capabilities
Joe Wilson (R-SC), Chairman

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs and the Committee on Armed Services, to be held jointly by the Subcommittee on Terrorism, Nonproliferation, and Trade and the Subcommittee on Emerging Threats and Capabilities in Room 2118 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Thursday, June 9, 2016

TIME: 2:00 p.m.

SUBJECT: Stopping the Money Flow: The War on Terror Finance

WITNESSES: The Honorable Daniel Glaser
Assistant Secretary for Terrorist Financing
U.S. Department of the Treasury

Mr. Andrew Keller
Deputy Assistant Secretary for Counter Threat Finance and Sanctions
Bureau of Economic and Business Affairs
U.S. Department of State

Ms. Theresa Whelan
Acting Assistant Secretary for Special Operations/Low Intensity Conflict
U.S. Department of Defense

Mr. William Woody
Chief of Law Enforcement
U.S. Fish and Wildlife Service

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Terrorism, Nonproliferation, and Trade* HEARING

Day *Thursday* Date *June 9, 2016* Room *2118*

Starting Time *2:10 p.m.* Ending Time *4:13 p.m.*

Recesses *1* (*2:57* to *3:46*) ( ) ( ) ( ) ( ) ( )

Presiding Member(s)

Chairman Ted Poe

Check all of the following that apply:

Open Session ☑
Executive (closed) Session ☐
Televised ☑

Electronically Recorded (taped) ☑
Stenographic Record ☑

TITLE OF HEARING:

"Stopping the Money Flow:The War on Terror Finance"

SUBCOMMITTEE MEMBERS PRESENT:

Reps. Poe, Wilson, Cook, Perry, Zeldin, Keating, Sherman,

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

Reps. Lamborn, Brooks*, Nugent*, Langevin*, Norcross*, Aguilar*, Cooper*, Veasey*, Ashford*, Stefanik*, Gabbard*

HEARING WITNESSES: Same as meeting notice attached? Yes ☑ No ☐
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

QFRs submitted by Reps. Poe, Keating, Langevin, Perry
Pictures submitted by Chief William Woody

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *4:13 p.m.*

Subcommittee Staff Director

MATERIAL SUBMITTED FOR THE RECORD BY MR. WILLIAM WOODY, CHIEF OF LAW ENFORCEMENT, U.S. FISH AND WILDLIFE SERVICE

House Committee on Foreign Affairs, Subcommittee on Terrorism, Nonproliferation, and Trade and Committee on Armed Services, Subcommittee on Emerging Threats and Capabilities

"Stopping the Money Flow:
The War on Terror Finance"

William Woody,
Chief of the Office of Law Enforcement,
U.S. Fish and Wildlife Service,
Department of the Interior

Thursday, June 9, 2016

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Questions for the Record for
Assistant Secretary Daniel Glaser
Joint hearing of Subcommittees of House Committees on Foreign Affairs on Armed Services
Hearing on Stopping the Money Flow: War on Terror Finance
Hearing held June 9, 2016

Rep. Poe:

Question 1:

Even though Treasury itself has repeatedly cited the IRGC's (Iranian Revolutionary Guard Corps) support for terrorism, it has only designated IRGC's Qods Force and not the broader IRGC as a terrorist entity. The broader IRGC is designated only for its role in proliferation and human rights abuses. Does the IRGC meet the requirements for designation as a terrorist entity? If so, why has the IRGC not been designated as such?

Answer:

Treasury is committed to targeting Iran's malign activities, including by sanctioning parties involved in Iran's support for terrorism, its human rights abuses, its destabilizing activities in the region, and its ballistic missile program.

We have sanctioned both the IRGC and the IRGC Qods Force (IRGC-QF) under multiple sanctions authorities. The IRGC was designated pursuant to Executive Order (E.O. 13382) on October 25, 2007 for having engaging in proliferation-related activities. In June 2011, Treasury designated the IRGC pursuant to E.O. 13553 for its role in human rights abuses in Iran following the disputed June 2009 presidential election. In April 2012, Treasury again designated the IRGC—this time pursuant to E.O. 13606—for activity in connection with human rights through the use of information and communications technology. The IRGC-QF was designated pursuant to E.O. 13224, which targets terrorist activity worldwide, and under E.O. 13572 for supporting human rights abuses in Syria. The JCPOA does not affect these designations.

The IRGC and the IRGC-QF continue to be subject to secondary sanctions. Any foreign financial institution that knowingly facilitates significant financial transactions for or on behalf of the IRGC, the IRGC-QF or their designated agents or affiliates, risks designation by Treasury and being cut off from the U.S. financial system, including by losing their ability to maintain correspondent or payable-through accounts with U.S. banks. Furthermore, activities undertaken by the IRGC and the IRGC-QF are part of the reasons why Treasury's Financial Crime Enforcement Network has found Iran to be a jurisdiction of primary money laundering concern, and issued regular advisories warning the public of financial risk associated with Iran.

Since the IRGC remains designated under E.O.s 13382, 13553, and 13606, its property and interests in property within the United States or that are or come within the possession or control of a United States person remain blocked, and it remains subject to secondary sanctions. A designation of the IRGC under a fourth executive order would not have any additional practical effect.

Questions for the Record for
Assistant Secretary Daniel Glaser
Joint hearing of Subcommittees of House Committees on Foreign Affairs on Armed Services
Hearing on Stopping the Money Flow: War on Terror Finance
Hearing held June 9, 2016

Question 2:

Why has Treasury not designated any domestic charities under E.O. 13224 since 2009? How does that square with Treasury's 2015 National Terrorist Financing Risk Assesment which highlighted that terrorists still exploit the U.S. charitable sector?

Answer:

Under Executive Order 13224, Treasury has designated 56 charitable organizations globally, along with some additional branches and associated individuals. The most recent designations of foreign charitable organizations were the following March 31, 2016 actions: (i) the Al-Rahmah Welfare Organziation for providing support to Al-Qaida, the Taliban, and Lashkar-e-Tayyiba (LT); and (ii) Jamia Asariya Madrassa for providing support to LT.

As described in the National Terrorist Financing Risk Assessment, the U.S. government employs a comprehensive approach to combat terrorist abuse of U.S. charities that includes combination of (i) targeted enforcement action in response to specific threats; (ii) oversight mechanisms; (iii) extensive outreach to the charitable sector; and (iv) international engagement to address global terrorist threats in the charitable sector. Even though we continue to designate charities when appropriate, there are fewer designations of U.S.-based charitable organizations and affiliated individuals for a variety of reasons, as was also highlighted in the National Terrorist Financing Risk Assessment. Working with the charitable sector over many years, the U.S. government has reduced the opportunity for U.S.-based charitable organizations to be abused to facilitate financial support for terrorist groups. In addition, law enforcement employs a variety of tools to deter and detect illicit activity within the United States. Moreover, the traditional terrorist group fundraising model of relying on charitable organizations – as in the case of Al Qaida – is not as prevalent as it used to be in the United States. As stated in the National Terrorist Financing Risk Assessment, a notable trend identified in the charitable sector involves individuals supporting various terrorist groups seeking to raise funds in the United States under the auspices of charitable giving, but outside of any charitable organization recognized by the U.S. Government.

Question 3:

Why is there no whole of government, comprehensive strategy to target terror finance?

Answer:

The U.S. Government employs a comprehensive, whole-of-government approach to combat terrorist financing by cutting off terrorists and terrorist organizations from their sources of revenue and denying them access to the international financial system so they cannot move or use their money. These efforts are broadly described in the 2011 *National Strategy for Counterterrorism*, which notes that depriving terrorists of their enabling means, including financial means, is one of the U.S. government's eight overarching counterterrorism goals, and that to pursue this goal the United States aims to block "the flow of financial resources to and among terrorist groups and to disrupt terrorist facilitation and support activities, imposing sanctions or pursuing prosecutions to enforce violations and dissuade others."

The Department of the Treasury leads these efforts, in coordination with our interagency partners and foreign governments. Treasury's Office of Terrorism and Financial Intelligence (TFI) fulfils its mission to protect the U.S. and international financial systems from abuse by illicit actors, including terrorists and terrorist organizations, by leveraging policy, sanctions, enforcement, regulatory, and intelligence resources to identify their financial networks and vulnerabilities and effectively disrupt their activities.

We accomplish these objectives first by working to systemically improve transparency in the international financial system so that terrorists and other criminal actors cannot anonymously raise, move, and use funds in support of their illicit activities without detection by law enforcement. Second, by enforcing systemic financial controls and improving the effectiveness of supervisory regimes, we provide authorities with actionable and timely information that can be used to employ targeted measures—including financial sanctions and law enforcement action—to identify, disrupt and dismantle the financial networks supporting terrorist organizations.

This requires close coordination with the U.S. intelligence community, which works to identify and analyze these financial networks and their vulnerabilities. As targeted action by U.S. authorities alone cannot effectively disrupt terrorist financing activity, U.S. officials regularly engage foreign governments and share information about particular terrorist financing threats to encourage them to take complementary action against terrorist financing threats in their own countries. We also work with the private sector to assist it in identifying suspicious activity and implementing targeted financial sanctions and other financial measures.

The combined effect of these efforts is to create an international financial system that is a hostile environment for terrorist financing.

Various terrorist groups use different funding models and financial networks to support their activities, therefore the measures described above must be tailored to disrupt the specific terrorist financing activities of that group and integrated into more comprehensive counter-terrorism strategies to disrupt and defeat particular terrorist threats. These strategies are coordinated by the National Security Council and include input from departments and agencies, including the Department of the Treasury, to enable a coordinated, whole-of-government approach using all available tools and resources against these terrorist organizations.

Question 4:

Do you believe that the Financial Action Task Force (FATF) should broaden its work on counteracting terrorist financing to include the misuse of global trade to launder money? If so, will Treasury, as head of the U.S. delegation, introduce a resolution to FATF that would do that?

Answer:

We believe that the FATF standards currently in place are well-designed to address the misuse of global trade including trade based money laundering (TBML) concerns. As head of the U.S. delegation to the FATF, Treasury has led the efforts of the FATF and related regional style bodies to publish several studies identifying methods and techniques associated with TBML, and to establish a robust anti-money laundering/countering financing of terrorism (AML/CFT) framework for detecting and mitigating risk posed by the misuse of global trade. Treasury will continue to work to ensure that the FATF standards adequately address all forms of value transfer, including trade.

Questions for the Record for
Assistant Secretary Daniel Glaser
Joint hearing of Subcommittees of House Committees on Foreign Affairs on Armed Services
Hearing on Stopping the Money Flow: War on Terror Finance
Hearing held June 9, 2016

Rep. Keating:

Question 1:

Have there been any instances in which financing from cigarette smuggling and/or counterfeiting is believed to have played a role in a terrorist attack?

Answer:

Treasury is aware of instances in which the proceeds from illicit cigarette smuggling and/or counterfeiting may have been used to provide material support to a terrorist organization. In March 2001, for example, 25 individuals were indicted by a Federal grand jury in Charlotte, North Carolina for money laundering, cigarette trafficking, conspiracy, and immigration violations. The defendants were later convicted for violations of the Contraband Cigarette Trafficking Act, conspiracy, money laundering, and immigration violations. In addition, at least three of the defendants were found guilty of providing material support to a terrorist organization (Hizballah). The investigation resulted in seizures of close to $2 million dollars in cigarettes, real property and currency.

A recent review of law enforcement investigations and cases found no recent cases of Hizballah, or any other terrorist organization, employing interstate cigarette smuggling in the United States.

Questions for the Record for
Assistant Secretary Daniel Glaser
Joint hearing of Subcommittees of House Committees on Foreign Affairs on Armed Services
Hearing on Stopping the Money Flow: War on Terror Finance
Hearing held June 9, 2016

Rep. Perry:

Question 1:

What currency was used to transfer $1.7 billion to Iran in order to settle a case related to the sale of military equipment prior to the Iranian revolution?

Answer:

The $1.7 billion that the United States paid to Iran represented the settlement of a long pending claim at the Iran-U.S. Claims Tribunal in the Hague. The funds were paid to Iran in non-U.S. dollar currencies in a manner consistent with OFAC's regulations. The payment was made by the U.S. Department of Defense from the Foreign Military Sales account and the Department of the Treasury from the Judgement Fund. Iran was not given access to the U.S. financial system to complete this transaction.

Question 2:

What currency was used to transfer $8.6 million to Iran in return for Iranian heavy water?

Answer:

Payment by the Department of Energy's Isotope Program was made in euros in a manner consistent with OFAC's Iran regulations.

Questions for the Record Submitted to
Deputy Assistant Secretary of State Andrew Keller by
Representative Ted Poe
House Foreign Affairs Committee
June 9, 2016

Question:

Several stakeholders have identified poaching as a funding source for terrorist groups. Can you provide concrete examples of terrorist groups that have received funds from poaching? What is the estimated percentage of funds various terrorist groups receive from wildlife trafficking-related activities? If allegations connecting poaching with terrorism are anecdotal, what needs to be done to determine if the connection is valid?

Answer:

There is evidence that some militant groups, such as the Lord's Resistance Army and Janjaweed, derive revenue from poaching and the illegal trade in ivory, but there are not solid estimates on the specific amount of revenue. We would be pleased to discuss additional details in a classified setting.

The whole-of-government approach encompassed in the Presidential Task Force on Wildlife Trafficking and the National Strategy for Combatting Wildlife Trafficking has raised the profile of wildlife trafficking and illegal financial flows within the intelligence community. It also has enabled us to better identify the gaps in our knowledge and decide where to focus additional efforts.

In addition, we are promoting greater information sharing and coordination within and among governments, law enforcement and intelligence agencies,

conservation NGOs, and other stakeholders. This coordination will continue to support both our conservation and security goals.

Question:

Even though Treasury itself has repeatedly cited the IRGC's (Iranian Revolutionary Guard Corps) support for terrorism, it has only designated IRGC's Qods Force and not the broader IRGC as a terrorist entity. The broader IRGC is designated only for its role in proliferation and human rights abuses. Does the IRGC meet the requirements for designation as a terrorist entity? If so, why has the IRGC not been designated as such?

Answer:

We share your concern about the Iranian Revolutionary Guard Corps (IRGC). As an entity of the Iranian government, the IRGC is subject to the range of restrictions and sanctions that derive from Iran's designation as a State Sponsor of Terrorism (SST). In addition, as you have noted, the U.S. government has imposed a substantial set of sanctions beyond the SST designation that impact the IRGC and associated entities, such as designations under Executive Order (E.O.) 13382, E.O. 13553, E.O. 13606, and E.O. 13224. These designations block the assets of the IRGC and the IRGC-Qods Force, and that any U.S. persons that provide support for these entities may themselves be sanctioned.

In addition, secondary sanctions attach to significant transactions with Iranian persons on the List of Specially Designated Nationals and Blocked Persons

(SDN List), the IRGC and its designated agents or affiliates, or any other persons on the SDN List designated under E.O. 13224 in connection with Iran's support for international terrorism or E.O. 13382 in connection with Iran's proliferation of weapons of mass destruction or their means of delivery.

We believe the sanctions we have in place remain effective tools for targeting the IRGC, and we are making full use of such authorities with respect to the IRGC.

Question:

Why is there no whole of government, comprehensive strategy to target terror finance?

Answer:

The U.S. government coordinates very closely to ensure we sustain pressure against terrorist financial networks around the world. There is a consistent, whole-of-government approach and a set of agreed upon tools used to target terrorist groups' particular sources of revenue and methods of transferring funds.

In the fight against Da'esh, resources such as military airstrikes against energy and cash storage sites have proven one of the most effective tools, though airstrikes are not a traditional counter terrorist finance tool. Against other groups like Hizballah, the United States has mobilized international action by partners from the Gulf and Europe to help disrupt Hizballah's financial and facilitation

networks. And to combat the broader threat of terrorism finance, the United States continues to push for steps to strengthen transparency and protect the international financial system from abuse by illicit actors.

The U.S. government coordinates the use of these various tools to ensure they are used in a dynamic fashion according to the particular revenue streams and money transfer methods of different terrorist groups. Since 2001, the U.S. government's understanding of and ability to disrupt terrorist financial networks has increased dramatically, and we have made it much harder for terrorist groups to raise, transfer, store, and use funds. We will continue our efforts and will adapt as our adversaries look for new methods of sustaining their operations around the world.

Question:

Have Treasury and State ever jointly evaluated the global volume of trade-based money laundering (TBML) transactions as well as the technical and diplomatic tools at the government's disposal to combat TBML?

Answer:

The Department of State and the Department of the Treasury regularly work with one another to combat trade-based money laundering (TBML) and have made progress against TBML by increasing trade transparency around the world. There is no single and definitive U.S. government estimate for global TBML

transactions, but the World Customs Organization has estimated that between seven-15 percent of global gross domestic product is involved in TBML. One of the main challenges in quantifying the global volume of TBML is that global trade systems are extremely complex and most customs agencies only have insight into one side of any cross border transaction.

In the face of this challenge, the Departments of State and Treasury have been committed to countering TBML through cooperation with U.S. law enforcement agencies and international partners. The Department of State has worked with the Department of Homeland Security (DHS) to provide capacity building to partner countries to establish trade transparency units (TTUs), and the Department of the Treasury has provided funding to significant TBML investigations led by DHS Homeland Security Investigations. The Departments of State and Treasury have also provided significant bilateral and multilateral capacity building to help partner countries improve their anti-money laundering and countering the financing of terrorism (AML/CFT) frameworks so that they meet Financial Action Task Force (FATF) standards. Moreover, FATF has published several studies identifying the method and techniques associated with TBML to help countries identify potentially suspicious transactions.

Question:

Last week the State Department's Country Reports on Terrorism revealed that individuals and entities in Qatar continue to fund al-Qaeda's regional affiliates, including the Nusra Front. At the same time, the report also praised Qatar for "efforts to prosecute" terror financiers, a phrasing that has also been attributed to Treasury Secretary Lew in a recent Qatari news release. Yet this diplomatic language is awkward and confusing.

Are "efforts to prosecute" the same thing as actual prosecutions? Has Qatar prosecuted, locked up, and convicted even a single one of the ten Specially Designated Global Terrorists who have links to Qatar, and, if so, which ones and how many? If not, what is the U.S. government doing to pressure Doha to act?

Answer:

Qatar has recently taken some positive steps to prosecute terrorist financiers. As noted in the Department's Country Reports on Terrorism, Qatar has implemented several measures since 2014 to more effectively target and curb terrorist finance activities in the country, including restructuring the National Anti-Terrorism Committee; imposing travel bans on UN-designated individuals; and issuing new charities and cybercrime prevention laws. Despite such efforts, entities and individuals within Qatar continue to serve as a source of financial support for terrorist and violent extremist groups, particularly regional al-Qa'ida affiliates such as the Nusrah Front. We continue to urge the Government of Qatar to identify and effectively prosecute individuals funding terrorist organizations.

The Department can provide a classified briefing if you would like additional information.

Question:

With regard to State Department's December 2015 report entitled "The Global Illicit Trade in Tobacco: A Threat to National Security":

a. What steps are being taken by the U.S. Government to address the national security threats identified in this report?
b. What do you estimate to be the revenue generated by terrorist groups and their supporters each year from illicit trade in tobacco?
c. Which terrorist groups are the primary beneficiaries of revenue generated from illicit trade in tobacco?
d. Is this primarily an international problem, or do domestic terrorist groups, and domestic supporters of international terrorism, also raise funds from illicit trade in tobacco?
e. Can you cite examples where law enforcement agencies have successfully disrupted terrorist financing networks engaged in illicit trade in tobacco?

Answer:

A) The United States government is combating illicit tobacco and its associated national security threats at the local, state and federal levels. The Department of State has been raising awareness of the illicit trade in tobacco and its associated threats as well as galvanizing the international community and U.S. government partners. For example, the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) chairs and funds the Organization for Economic Co-operation and Development (OECD) Task Force on Countering Illicit Trade,

which brings together public and private partners to combat this form of illicit trade and others. The OECD published a report on illicit tobacco to assist policymakers with their understanding of the scope and scale of the issue as well as the market vulnerabilities exploited by illicit actors. In January 2015, INL created the U.S. government Interagency Working Group (IWG) to Combat Illicit Tobacco. Chaired by INL, the IWG includes representatives from State; the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); the Federal Bureau of Investigation (FBI); Homeland Security Investigations (HSI); Customs and Border Protection (CBP); the Food and Drug Administration (FDA); the Centers for Disease Control and Prevention (CDC); the Internal Revenue Service (IRS); the Alcohol and Tobacco Tax and Trade Bureau; the Export-Import Bank of the United States; the Department of Defense; and members of the intelligence community. The IWG meets quarterly and has additional meetings with domestic and international law enforcement partners to share information and foster international cooperation. Each of the IWG member agencies addresses the threats associated with the illicit trade in tobacco using their various authorities.

B) There is no comprehensive estimate for the revenue generated by terrorist groups each year from illicit tobacco sales at this time. However, the World Health Organization (WHO) estimates that, as of 2006, the world-wide tax loss to the black market for illegal tobacco was $40-50 billion annually. The illicit

tobacco market has undoubtedly increased since the 2006 estimate. In 2013, open source reporting estimated that value of cigarette smuggling in North Africa alone exceeded $1 billion, with Al Qaida in the Islamic Maghreb (AQIM) and Mokhtar Belmokhtar the primary beneficiaries of such illicit profits.

C) According to open source reporting, Hizballah, AQIM, the Irish Republican Army (IRA), the Kurdistan Workers' Party (PKK), and Da'esh are consistently linked to the illicit trade in tobacco products. Other groups may engage in illicit tobacco trade as well.

D) The illicit trade in tobacco products is a domestic and international problem. Within the United States, the illicit trade in tobacco products tends to involve interstate smuggling to exploit different taxation rates. A recent study by the National Academies of Sciences estimated the annual tax loss related to the contraband market in the United States to be between $2.95-6.92 billion, which represents 8.5-21 percent of the market or 1.24-2.91 billion packs of illicit cigarettes. There are numerous cases of individuals in the United States engaging in interstate cigarette smuggling and sending the proceeds overseas. Outside the United States, terrorist organizations engage in the illicit trade in tobacco products to generate revenues, including "taxing" shipments that pass through their territory.

E) Operation Smokescreen is one of the most heavily cited cases involving terror financing and illicit tobacco. This joint operation involved several state, local, and Federal law enforcement agencies (FBI, ATF, INS, IRS, and Diplomatic Security), and Canadian Security Intelligence Services. A North Carolina-based Hizballah cell led by Mohamad Youssef Hammoud engaged in interstate cigarette smuggling, immigration and visa fraud, identity theft, and bank, mail, and wire fraud. The "Charlotte Cell" smuggled approximately $7.9 million in cigarettes from North Carolina to Michigan. Authorities were able to document that the cell sent some of the proceeds to Hizballah leaders in Lebanon. The cell also paid for dual-use equipment purchased in Canada and then shipped to Lebanon. The cell's members were convicted of numerous charges, including the transportation of contraband cigarettes and providing material support to a designated foreign terrorist organization.

Questions for the Record Submitted to
Deputy Assistant Secretary of State Andrew Keller by
Representative Bill Keating (#1)
House Foreign Affairs Committee
June 9, 2016

Question:

Have there been any instances in which financing from cigarette smuggling and/or counterfeiting is believed to have played a role in a terrorist attack?

Answer:

Terrorist groups and transnational criminal organizations engage in a range of illicit trade, including the illicit trade in tobacco product, to generate revenue. Given the nature of threat financing, however, it is difficult to link the revenue generated by cigarette smuggling to a specific terror attack. Media reports, however, have suggested that the Charlie Hebdo/Paris attacks were funded by illegal cigarettes and counterfeits goods (apparel), although we cannot judge the reports' veracity. In the 1993 World Trade Center bombing a large quantity of counterfeit cigarette tax stamps was found among the belongings of one of the bombers, suggesting that the conspirators engaged in cigarette smuggling schemes.

Questions for the Record Submitted to
Deputy Assistant Secretary Andrew Keller by
Representative Paul Cook
House Foreign Affairs Committee
June 9, 2016

Question:

Can you please comment on the relationship between the Kurds and Erdogan, in light of the fact that the Kurds are fighting ISIS? Also, what is the relationship between Erdogan & the Muslim Brotherhood?

Answer:

- Kurdish populations residing in Turkey, Syria, Iraq, and Iran, are not politically or ideologically homogenous.

- Turkish Kurds make up about 15 to 30 percent of the Turkish population, with a concentration in the southeast. Many Turkish Kurds seek full participation in Turkish society, including by voting for mainstream parties such President Erdogan's Justice and Development Party (AKP), which received 50 percent of the Kurdish vote in the November parliamentary elections. The ruling AKP features several prominent Kurdish officials, including Deputy Prime Minister for Economic Affairs Mehmet Simsek.

- The Kurdistan Worker's Party (PKK) – designated by the United States, Turkey, the EU, and others as a terrorist organization –seeks full independence from Turkey. We have called on the PKK to stop its attacks in Turkey, renounce violence, and return to the "solution process" with the Turkish government to bring about a just and sustainable peace for all Turkish citizens.

- Syrian Kurds, along with Syrian Arabs, Christians, and other groups, are an important component of the Syrian Democratic Forces (SDF). The SDF, with the help of Coalition air support, has seen significant success in recent months in retaking land from ISIL.

- President Erdogan has called for the reinstatement of former Egyptian President and prominent Muslim Brotherhood figure Mohamed Morsi and has condemned Egyptian court verdicts against Morsi.

Questions for the Record Submitted to
Deputy Assistant Secretary Andrew Keller by
Representative Scott Perry
House Foreign Affairs Committee
June 9, 2016

Question:

What metrics are used to quantify the results from U.S. government assistance to other countries to help build their capacity to combat terrorist finance?

Answer:

The Department of State takes very seriously its obligation to be responsible stewards of Congressionally-appropriated funds, and is committed to maximizing the impact of our programs. To that end and with respect to countering terrorist financing (CTF) capacity building, the Department requires that every project have a Statement of Work, with a clearly stated Strategic Goal, associated Project Objectives, and Performance Measures or "Indicators" that help Department project managers and the project implementers better understand the progress being made and to provide insights into how to adjust the delivery to improve results. In quantitative terms, these indicators measure outputs (such as the number of people who received a given training), as well as qualitative terms, such as low outcomes (i.e.: how well they learned the information provided), high outcomes (i.e.: how well they used the new knowledge in their respective counterterrorism efforts) and impact (i.e.: what change occurred because of the use of this new knowledge). For projects focused on improving how a partner nation's

(PN's) financial investigation unit (FIU) performs, we measure the change in their ability to track and investigate suspicious financial activity, and the number of times those suspicions result in arrests and investigations, and where appropriate, successful prosecutions in coordination with a PN's FIU. For projects where we are helping improve a PN's legislation regarding financial crimes, we might track the progress of legislation from draft form all the way through passage and implementation. All of these metrics are crafted to build and support PN capacity for complying with the framework of recommendations established by the Financial Action Task Force (FATF), an international body which set standards and promotes effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF recommendations are recognized as the international standard for combating of money laundering, the financing of terrorism and proliferation of weapons of mass destruction. The Department would be happy to provide a briefing or further information on its monitoring and evaluation requirements.

Hearing Date: June 09, 2016
Committee: HFAC TNT and HASC ETC
Member: Congressman Langevin
Witness: PD ASD Whelan

Whole-of-Government Counter Threat Finance Efforts

Question: We've touched on how each agency - specifically DoD - is institutionalizing counter-threat financing. I'm also interested in understanding how CTF is being institutionalized across the whole of government through defined roles, responsibilities, and organizational constructs, allowing for more synchronized efforts at a more strategic level. Afghanistan CTF was successful - were there more lessons learned here?

Answer:

As a supporting agency for counter-threat finance (CTF), DoD defers to the National Security Council staff and to the Department of the Treasury to coordinate efforts to institutionalize CTF across the whole of government. DoD agrees that CTF requires synchronization at the strategic level to be fully effective.

DoD contributes to interagency CTF synchronization in several ways. For example, CTF teams at DoD's Combatant Commands routinely include interagency detailees from partner agencies such as Treasury. These detailees help enable rapid information sharing, analysis, and coordination between Combatant Commands and CTF counterparts in other agencies. DoD also hosts recurring working groups and video conferences that include interagency participants. These activities provide opportunities for interagency discussion of strategic and operational CTF issues.

Important lessons DoD learned from its role in supporting CTF related to Afghanistan, including the Afghanistan Threat Finance Cell, include the need to:

- Develop and maintain a comprehensive threat finance picture that leverages all types of intelligence and open source information.
- Institute a policy for disseminating finished intelligence products to interagency partners.
- Coordinate tactical operations across all interagency partners to determine the type of action that will best achieve U.S. objectives.
- Ensure that law enforcement capabilities are integrated into all threat finance cell (TFC) activities, and that TFC participants are aware of law enforcement authorities and abilities.
- Ensure that all TFC participants understand the legal and operational requirements of each TFC partner.

Hearing Date: June 09, 2016
Committee: HFAC TNT and HASC ETC
Member: Congressman Langevin
Witness: PD ASD Whelan

Intelligence Sharing

Question: Secretary Whelan, how is intel shared in a timely manner so that all agencies are working with an updated intel picture?

Answer:

Interagency intelligence sharing has improved greatly, but can always be more efficient. There is always a delicate balance between protecting sources and methods, and getting timely, actionable information into the hands of those who can use it most effectively. Also, in the context of combatting drug trafficking and other forms of transnational organized crime that supports international terrorist activities, certain safeguards are necessary to ensure that information provided to law enforcement supports a prosecution in a court of law.

Integrating disparate DoD, Intelligence Community, and law enforcement cultures in order to produce successful outcomes is always a work in progress. Nevertheless, there are many examples of successful collaboration from the counterterrorism and counternarcotics fights, including efforts against al-Qaeda and ISIL. Increased physical co-location of representatives from multiple agencies has been extremely effective. Joint Interagency Task Force-South is exemplary in its ability to share information in a timely manner to achieve desired results. When physical co-location is cost prohibitive or otherwise difficult, technological advancements to bridge the gap between organizations have been successful and continue to improve communication.

Hearing Date: June 09, 2016
Committee: HFAC TNT and HASC ETC
Member: Congressman Lamborn
Witness: PD ASD Whelan

Current Structures for Handling Cybercrimes

Question: Cybercrimes and identity theft targeting U.S. businesses and individuals is an emerging threat and increasing source for terrorist financing. How well would you assess our current structures are equipped to handle this threat - both from State and non-State actors? What changes are needed?

Answer:

The Department of Defense Cyber Strategy outlines the circumstances under which DoD can support the lead agencies to defend the U.S. homeland and U.S. vital interests. The Department of Homeland Security and the FBI have the principal lead for domestic cyber activities, and DoD may assist where directed by the President or the Secretary of Defense.

With regard to terrorist and threat financing, DoD has several programs at the Combatant Commands and defense agencies that specialize in supporting interagency partners. DoD will continue to examine the cyber aspects of counter-threat finance (CTF), and the role DoD can play to support U.S. law enforcement efforts to combat cybercrime when appropriate.

DoD does not believe any changes are necessary at this time. Sections 1004 and 1022 of the National Defense Authorization Act authorize DoD to provide CTF-related support to U.S. law enforcement. Substantive changes to those authorities could inadvertently hamper DoD's ability to provide analytic support to defeat or deter cyber-based terrorist financing.

Hearing Date: June 09, 2016
Committee: HFAC TNT and HASC ETC
Member: Congressman Lamborn
Witness: PD ASD Whelan

Counter Threat Finance and Current Afghanistan Footprint

Question: The Department of Defense aligned considerable resources to CTF in Afghanistan during the large-scale counterinsurgency and counternarcotic operations. Has the current U.S. reduced footprint adversely impacted our ability to illuminate illicit trafficking and financing along the Afghan/Pakistan border? How has this reduction affected groups such as the Taliban, the Haqqani Network, and al-Qaeda?

Answer:

As U.S. drug interdiction activities in Afghanistan are primarily a law enforcement function, the Department of Defense's role in broader U.S. government counternarcotics efforts has focused on enabling and supporting law enforcement agencies, as appropriate, to target threats to U.S. national security at the nexus of the drug trade and terrorism.

The Afghanistan Threat Finance Cell (ATFC) improved the targeting of terrorists' and insurgents' financial structures. In partnership with specially-vetted Afghan police units and the Afghan military, the ATFC collected tens of thousands of financial documents. The cell was originally established to help build the capacity of the Afghan government to create a sustainable security capability, so that the Afghans ultimately could defend their borders, as well as disrupt terrorist and insurgent organizations. The ATFC concluded operations in 2014. The reduced U.S. footprint in Afghanistan has limited our on-the-ground reporting that provided tactical illumination of trafficking and financing activities along the border.

In order to help mitigate the reduced U.S. military and interagency presence inside Afghanistan, DoD has created the Regional Narcotics Interagency Fusion Cell (RNIFC) in Bahrain to analyze, fuse, develop, and disseminate all-source military intelligence and law enforcement information to target narcotics trafficking, transnational organized crime networks, and other transnational threat activities in support of DoD and law enforcement goals and objectives.The RNIFC includes a capability to support CTF analysis related to illicit trafficking in Afghanistan and the broader CENTCOM area of responsibility. RNIFC works closely with U.S. Naval Forces Central Command, Combined Maritime Forces, and law enforcement partners to support maritime and land interdiction operations. RNIFC partners with other regional task forces and fusion cells to coordinate and collaborate on a common intelligence picture to enable law enforcement and security forces to take advantage of operational opportunities.

Hearing Date: June 09, 2016
Committee: HFAC TNT and HASC ETC
Member: Congressman Lamborn
Witness: PD ASD Whelan

Hezbollah Money Laundering

Question: February's announcement by the DEA uncovered an extensive trade based money laundering scheme linked to Hezbollah and its connections with drug cartels to traffic millions of dollars' worth of cocaine into the United States. Hezbollah then laundered the drug money by buying and selling used cars before it eventually used the proceeds to purchase weapons for its activities in Syria. Have you seen an increase in Hezbollah's capacity in the last year? What sanctions of Iran remain in place to counter money laundering by the regime and how has the JCPOA impacted your ability to reign in Iran's illicit finance, if at all?

Answer:

Lebanese Hebollah funds activities through a number of illicit means. Given that the Department of the Treasury has lead responsibility for these issues, I defer to Treasury to provide an assessment of Hezbollah's capacity to raise and use funds, an overview of current sanctions to counter Iranian money laundering, and an assessment of the impact of the JCPOA on Iran's illicit financial activities.

House Committee on Foreign Affairs' Subcommittee on Terrorism, Nonproliferation, and Trade and the Committee on Armed Services' Subcommittee on Emerging Threats and Capabilities
Thursday, June 9, 2016
2:00 pm

Oversight Hearing on

"Stopping the Money Flow: The War on Terror Finance"

Question from Chairman Ted Poe, Terrorism Nonproliferation and Trade Subcommittee to Chief Woody

Question: Several stakeholders have identified poaching as a funding source for terrorist groups. Can you provide concrete examples of terrorist groups that have received funds from poaching? What is the estimated percentage of funds various terrorist groups receive from wildlife trafficking-related activities? If allegations connecting poaching with terrorism are anecdotal, what needs to be done to determine if the connection is valid?

Response: We know that poaching operations have expanded beyond what were once small-scale, opportunistic actions to coordinated killing commissioned by armed and organized criminal syndicates, and there are ties to insurgent groups. Wildlife trafficking robs local communities of the benefits provided by wildlife and generates millions of dollars in illicit revenues each year, which contributes to the illegal economy, fuels instability, and undermines security. For these reasons, it is in the national interest of the United States to combat wildlife trafficking.

Wildlife trafficking persists at unsustainable levels and the role of sophisticated, highly organized criminal networks may present an opportunity to support and fund insurgent or terrorist activities and makes this even more of an urgent threat to wildlife, communities, and global security. In the publicly released version of a 2013 report issued by the Office of the Director of National Intelligence (ODNI), the U.S. government confirmed that, "demand for rhino horn and ivory so outpaces supply, and is so lucrative, that criminal elements of all kinds, including some terrorist entities and rogue military officers, are becoming involved in countries across east, central, and southern Africa." The public version of the report is available here: https://www.dni.gov/files/documents/Wildlife_Poaching_White_Paper_2013.pdf; there is also a classified version of the report.

The U.S. Government continues to monitor and track the involvement of criminal organizations and others groups in wildlife trafficking. Should there be further evidence of the involvement of terrorist organizations in wildlife trafficking, the U.S. Government will document that evidence and take appropriate action.

Question from Ranking Member Jim Langevin, Emerging Threats and Capabilities Subcommittee to Chief Woody

Question: How is Counter Threat Finance (CTF) being institutionalized across the whole of government through defined roles, responsibilities, and organizational constructs, allowing for more synchronized efforts at a more strategic level?

Response: The 2013 Executive Order on Combating Wildlife Trafficking established the Presidential Task Force on Wildlife Trafficking, which is co-chaired by the Department of the Interior, Department of Justice, and Department of State, and includes a dozen other departments and agencies. The numerous agencies that participate in the Task Force are coordinated and guided by the National Strategy for Combating Wildlife Trafficking and associated Implementation Plan.

Wildlife trafficking flourishes in an environment of official corruption where criminals can take advantage of illicit financial networks. As a result, the National Strategy and Implementation Plan take aim at corruption and the illicit proceeds of wildlife trafficking. U.S. agencies routinely work with our foreign partners to provide training modules for fighting official corruption, money laundering, and tracing and seizing proceeds and other illicit assets associated with wildlife trafficking. Also, during 2015, Task Force agencies continued to cooperate through members of the International Consortium on Combating Wildlife Crime (ICCWC), such as the International Criminal Police Organization (INTERPOL) and the United Nations Office on Drugs and Crime (UNODC), to elevate issues of corruption and money laundering in the context of countering wildlife trafficking.

The U.S. Fish and Wildlife Service (Service) routinely reviews financial information as it relates to wildlife trafficking, often working in tandem with other agencies including the Departments of Justice and Treasury. When conducting wildlife trafficking investigations, Service special agents will often look beyond the wildlife violations in order to determine if the illegal activity also involves any type of money laundering activity.

The agents seek to determine if the business or syndicate being investigated is attempting to hide proceeds or assets. To do this, the agents will initiate a financial analysis to provide preliminary information. By seeking records such as Suspicious Activity Reports (SARs), Currency Transaction Reports (CTRs), IRS Form 8300s, and others, our investigators are often able to obtain additional information and potential subjects involved in money laundering schemes. The use of subpoenas to obtain bank and business records also provides important details that help to identify structuring and other methods of hiding proceeds or assets. By use of the Federal Reserve Wire Network (FedWire), the Financial Crimes Enforcement Network (FinCEN) and the Egmont Group, the agents are provided with records relating to incoming and outgoing wire transfers, including those from foreign entities. If necessary, agents seek records from State wage agencies to determine employee information, including reported income. Credit reports also provide important information utilized in these investigations.

Through these methods, Service agents follow the money to determine if the business or person being identified in the investigation is also laundering proceeds from wildlife trafficking and where the proceeds are being hidden. The goal of the investigating agent is to find a way to seize and forfeit these illegal proceeds.

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