

**A PERSISTENT AND EVOLVING THREAT:
AN EXAMINATION OF THE FINANCING
OF DOMESTIC TERRORISM AND EXTREMISM**

HEARING
BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
INTERNATIONAL DEVELOPMENT AND
MONETARY POLICY
OF THE
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U.S. HOUSE OF REPRESENTATIVES
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A PERSISTENT AND EVOLVING THREAT: AN EXAMINATION OF THE FINANCING OF DOMESTIC TERRORISM AND EXTREMISM

Wednesday, January 15, 2020

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY,
INTERNATIONAL DEVELOPMENT
AND MONETARY POLICY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:03 a.m., in room 2128, Rayburn House Office Building, Hon. Emanuel Cleaver [chairman of the subcommittee] presiding.

Members present: Representatives Cleaver, Perlmutter, Himes, Sherman, Vargas, Gottheimer, Wexton, Lynch; Hill, Lucas, Williams, Gonzalez of Ohio, Rose, Riggleman, and Timmons.

Ex officio present: Representatives Waters and McHenry.

Also present: Representative Barr.

Chairman CLEAVER. The Subcommittee on National Security, International Development and Monetary Policy will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Also, without objection, members of the full Financial Services Committee who are not members of this subcommittee are authorized to participate in today's hearing.

Today's hearing is entitled, "A Persistent and Evolving Threat: An Examination of the Financing of Domestic Terrorism and Extremism."

I now recognize myself for 3 minutes to give an opening statement.

Domestic terror poses a persistent and evolving threat of violence and economic harm to the United States. These are not my own words. That was said by senior leaders within the FBI on the state of our country when appearing before Congress in June. The rate, pace, and lethality of domestic terrorist attacks have only grown more devastating since this testimony was delivered.

In July, at California's Gilroy Garlic Festival, 4 people were killed and 17 were injured. In August, in El Paso, Texas, 22 people were killed and 24 were injured. In December, in Jersey City, New Jersey, as one of our witnesses is most painfully aware, six people were killed, including one police officer.

2019 saw the highest number of mass killings recorded to date: 211 killed in 41 incidents, according to data compiled by the Associ-

ated Press, USA Today, and Northeastern University. Acts of domestic terror were the driving force behind these numbers.

This hearing presents us the unique opportunity to look past the politics that surround this issue to explore how we can confront and overcome this crisis. How may we most effectively follow the money to disrupt the financing of these crimes? How can we enable law enforcement and the financial services institutions to counter domestic terror financing?

Congresswoman Wexton has a bill before us today, H.R. 5132, the Gun Violence Prevention Through Financial Intelligence Act, which requires the Financial Crimes Enforcement Network (FinCEN) to issue an advisory to financial institutions about how lone actors and other domestic terrorists procure firearms.

Congressman Gottheimer has a bill that would freeze the assets of suspected terrorists and those who show support for terrorism. The bill would also create a clearinghouse for incidents of terrorism to be used to assist law enforcement as they try to follow the money.

There is also a bill calling for the U.S. Government Accountability Office (GAO) to study funding of domestic terrorism.

The Wall Street Journal reported in 2018 that banks and credit card companies were discussing ways to identify purchases of guns in their payment systems as a means of directly confronting the issue of mass killings. We must have a robust conversation on all of the contours of this issue, including guns.

I would remind everyone of the sensitivity surrounding this issue. There is a man today serving a 10-year sentence in Leavenworth Federal Prison for having tried to firebomb my district office in Kansas City. Our Chair had two bombs mailed to her. Our House Minority Whip was shot and carries the wounds of that violence with him today. With these incidents in mind, I implore witnesses and members to participate thoughtfully as we explore this issue.

The Chair now recognizes the ranking member of the subcommittee, Mr. Hill, for 5 minutes.

Mr. HILL. I thank the Chair. Thank you for convening this hearing.

And I thank our witnesses for taking time today to be with us and present your views.

This is a topic that members of the committee care deeply about. Over the past 5 years that I have served in Congress, I have served on the Illicit Finance Subcommittee during that entire period. I know we have had many hearings about terror financing and related topics, but I don't remember us focusing on and analyzing the issue from a domestic perspective. I look forward to a constructive dialogue about this pending threat.

Violent extremism is considered a growing problem in this country. FBI Director Chris Wray testified before the Senate last year, stating that, "homegrown violent extremists are the greatest, most immediate terrorism threat to the homeland." That is a big statement.

Furthermore, a report released by the Department of Homeland Security in September 2019 outlines, "Domestic terrorism and

mass attacks are as great a threat to the United States as foreign terrorism.”

Since 9/11, there have been 85 incidents of violent extremism committed, according to the GAO.

This extremism has been impacting constituents in Arkansas all the way back to the 1980s. In 1985, current Arkansas Governor Asa Hutchinson, who was then a U.S. Attorney, helped dismantle the operations of The Covenant, the Sword, and the Arm of the Lord, a militia-style white supremacy group operating in north Arkansas.

More recently, in 2009, a domestic radicalized Islamic extremist opened fire at the military recruiting station in my district, in Little Rock, Arkansas, killing Private William Long of Conway, Arkansas, and wounding my friend, Private Quinton Ezeagwula from Jacksonville.

These attacks are not isolated incidents, and we need to ensure, as policymakers, where we can better assist law enforcement efforts to track their funding and monitor their internet usage to inhibit the growth.

Recent anti-Semitic attacks in the New York area are deeply concerning. The continued demonization of Israel through initiatives like the Boycott, Divestment, and Sanctions (BDS) movement in this country are contributing to that anti-Semitic sentiment across our nation. I am disappointed to report that last May, in my home State, protesters interrupted a Holocaust Remembrance Day in Russellville, Arkansas, bearing signs with anti-Semitic language.

I have long opposed the BDS movement, and I have cosponsored several bills to that effect, including our ranking member, Mr. McHenry’s, legislation in the 115th Congress. While I applaud the House for passing H. Res. 246 last July, which opposes efforts to delegitimize Israel, personally, I don’t think it went far enough. A watered-down, nonbinding resolution isn’t sufficient.

I believe we should pass H.R. 336, the Strengthening America’s Security in the Middle East Act, being led by my colleague, Mike McCaul of Texas. Title 4 of this legislation includes the Combating BDS Act, which would allow a State or local government to adopt measures to divest assets from entities using boycotts, divestments, or sanctions to influence Israel’s policies.

We need to create bipartisan solutions to ensure that violence and hatred does not continue to grow. I applaud the joint efforts of the Department of Homeland Security, the Department of Justice, the FBI, and the National Counterterrorism Center and what they have done to implement efforts to counter this violent domestic extremism. I encourage my colleagues today to think about ways the House Financial Services Committee can help underscore and contribute to the great work being done.

Thank you, Mr. Chairman, and I yield back the balance of my time.

Chairman CLEAVER. Thank you.

The Chair now recognizes the Chair of the full Financial Services Committee, Chairwoman Maxine Waters, for such time as she may consume.

Chairwoman WATERS. Thank you very much, Mr. Chairman. I thank you for convening this hearing on combating the financing

of domestic terrorists like the white supremacy and sovereign citizen groups.

While the U.S. has long focused on international terrorism, the FBI and DHS have confirmed that domestic extremists are now as big a threat here at home. We easily recognize their stain on cities across the U.S., in Charlottesville, Boston, Gilroy, Pittsburgh, El Paso, Portland, and on and on and on.

Barely a day goes by before we hear of another violent attack on African Americans, Jews, Muslims, Latinos, LGBTQ persons, immigrants, women, and others targeted by, most frequently, far-right hate groups. My staff and I were the targets of a recent domestic terror attack, receiving two pipe bombs from a right-wing Trump fanatic, who also sent more than a dozen of these weapons to Democratic Party figures.

President Trump's language that there are, "fine people on both sides," and his willfully blind statements asserting that there is no global rise in white nationalism should concern all of us. Trump has not only failed to forcefully condemn the extremists, but he often encourages their abhorrent behavior.

America cannot tackle the threat if we refuse to recognize it, and I am eager to hear from the panel about what Congress should do to act forcefully where Trump has refused to do so. Our panel of experts today will help us to identify the bad actors and cut off funding for their radicalization and bad acts.

And let me just say, Mr. Chairman, that fresh on our minds is the march that took place in Charlottesville, where we had white supremacists who were marching and chanting, "You will not replace us. Jews will not replace us." And in light of all that, the President of the United States thought there were good people on both sides.

This is a serious hearing, and I am very pleased that you are spending time to identify what is going on right here in our own country. And I look forward to working with everyone to ensure that we cut off all funding—not cut off funding, but deny funding, find funding, identify where the money is coming from, and do everything that we can to stop it.

I yield back the balance of my time.

Chairman CLEAVER. Thank you, Madam Chairwoman.

Our first witness will be introduced by Congressman Gottheimer.

Mr. GOTTHEIMER. Thank you, Chairman Cleaver, for affording me the opportunity to introduce our first witness, Jared Maples, the director of the New Jersey Office of Homeland Security and Preparedness.

And thank you, Chairwoman Waters, for your leadership to help combat domestic terror.

Prior to joining Homeland Security, Director Maples spent more than a decade at the Central Intelligence Agency in several leadership roles, and previously worked at the Pentagon in the Office of the Secretary of Defense. He leads an office on the front lines of the effort to protect New Jersey residents from a range of threats and especially threats against our State's diverse religious communities.

According to the New Jersey Office of Homeland Security annual reporting, homegrown violent extremists inspired by ISIS and al-

Qaida and other terrorists remain the number-one threat to New Jersey. And in recent years, his office has ranked white supremacists as one of the highest threats as well.

In recognition of his extraordinary leadership against domestic terrorists, white supremacists, anti-Semites, and other homegrown terrorists, the Anti-Defamation League of New York and New Jersey awarded Director Maples with its 2018 ADL Making a Difference Award, noting that, "Director Maples has made great strides in connecting communities of faith with each other and with law enforcement, bridging gaps in communication before emergency situations happen so that the New Jersey community can work together instead of individually before calamity strikes."

On many occasions, unfortunately far too many, including just after the attack in Jersey City, and in all of the counties that I represent in my district, we have stood together and worked closely together to make sure that our first responders and our religious institutions—our synagogues, our churches, our mosques—and all of our communities have what they need to protect the State and all of our residents against the next terrorist attack.

We are very, very lucky to benefit from his expertise and leadership, and I look forward to hearing from him today on this issue that affects all Americans, Democrats and Republicans.

And I am very, very grateful that you are here today.

Thank you.

Chairman CLEAVER. Thank you, Mr. Gottheimer.

Our second witness is Lecia Brooks, who works in senior leadership as the chief workplace transformation officer at the Southern Poverty Law Center. Ms. Brooks previously served as the Center's outreach director, traveling around the U.S. and abroad to counter hate and extremism and to promote the celebration of differences.

Our third witness is Rena Miller. Ms. Miller is a specialist in financial economics at the Congressional Research Service, focusing on anti-money-laundering and countering terrorism financing. Previously, Ms. Miller has worked as a financial services attorney and at the Department of the Treasury.

Our fourth witness is George Selim, who is currently the senior vice president for programs at the Anti-Defamation League. He has previously served in both the Bush and Obama Administrations, as the inaugural Director of the Department of Homeland Security's Office for Community Partnerships, as well as in various other leadership positions.

And our final witness is Mary McCord. Ms. McCord serves as legal director at the Institute for Constitutional Advocacy and Protection, and as a visiting professor of law at Georgetown University Law Center. She has previously served as Assistant Attorney General for National Security at the DOJ, and as an assistant U.S. Attorney in the D.C. appellate and criminal court.

I want to thank you all for being here today. Witnesses are reminded that your oral testimony will be limited to 5 minutes. And without objection, your written statements will be made a part of the record.

Mr. Maples, you are recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF THE HONORABLE JARED M. MAPLES, DIRECTOR, NEW JERSEY OFFICE OF HOMELAND SECURITY AND PREPAREDNESS

Mr. MAPLES. Chairman Cleaver and Ranking Member Hill, thank you for the opportunity to testify before you today. It is an honor to speak with you and to share information gathered by my office regarding sources of domestic terrorism funding as it impacts New Jersey and the country as a whole.

The New Jersey Office of Homeland Security and Preparedness (NJOHSP) is tasked with coordinating counterterrorism, resiliency, and cybersecurity efforts across all levels of government, law enforcement, nonprofit organizations, and the private sector. Furthermore, we are charged with bolstering New Jersey's resources for critical infrastructure protection, preparedness, training, and Federal grants management.

Many domestic extremist attacks are committed by individuals unaffiliated or unassociated with a larger group or network. Most of the cases I will discuss today highlight lone offenders who do not need large amounts of funding to conduct their operations, making it difficult to detect and prevent attacks. Common tactics in domestic extremist attacks include easily obtainable weapons such as knives, small arms, and vehicles.

The cases I will mention have a direct nexus to New Jersey but serve as examples of the kind of activity prevalent throughout the United States.

My office assessed that many of these organized domestic extremist activities are funded through criminal enterprises, such as the illicit sale of counterfeit goods, drug and weapon trafficking, cigarette smuggling, and various fundraising methods.

Lone-wolf offenders will likely be self-funded in order to carry out their goals. Additionally, we cannot discount the future role of cryptocurrencies in funding acts of domestic extremism, both within New Jersey and across the United States.

NJOHSP has worked with many Federal, State, and local government agencies during the course of investigations. While we provide details on our ongoing efforts, be mindful that we always seek to improve our approach towards preventing these incidents from occurring in the first place.

The New Jersey Suspicious Activity Reporting System (NJSARS) is part of an ongoing effort in New Jersey to increase our threat reporting, which is directly linked to the FBI's national SARs system, known as eGuardian.

Today, I will only highlight a few relevant case examples, starting with a recent tragedy.

On December 10, 2019, two perpetrators killed three people and injured three others when they targeted a kosher grocery store in Jersey City shortly after killing Jersey City police detective Joseph Seals at a nearby cemetery. The shooters espoused anti-Semitic and anti-law-enforcement views prior to the attack. This is an ongoing investigation, and we expect to learn more about possible funding sources once it has concluded.

We do know that at least two Black separatist extremist groups are active in New Jersey: the New Black Panther Party (NBPP), and the Israelite Church of God in Jesus Christ (ICGJC). Both

groups promote violence and hate-based rhetoric against law enforcement, government officials, the Jewish community, and other ethnicities.

In November 2016, the FBI served a search warrant related to financial irregularities at the ICGJC's organization headquarters in New York. The leader is a New Jersey resident who oversees churches in at least 10 States. The group is financially sustained through donations from members, and there have been allegations that the members are involved in financial scams that prey upon other members and sects.

On April 13, 2018, the leader of Aryan Strike Force, Joshua Steever, in Phillipsburg in Warren County, was arrested along with five other members of the group for conspiring to sell methamphetamine, firearms, and machine gun parts to fund the organization's activities. They stored firearms and ammunition at locations in New Jersey and Pennsylvania and transported methamphetamine across State lines. They laundered the illicit proceeds from the drug sales by purchasing Target gift cards, which they traded for illegal weapons.

Sovereign citizens continue to engage in harassing tactics, such as bogus liens and a variety of scams and fraud. Threats and ultimatums, attempted citizens arrests, takeovers of government or other buildings, and acts of violence, especially during traffic stops and resident visits, are common among the sovereign citizen movement.

In May 2017, detectives from my office arrested a professed sovereign citizen for filing fraudulent liens, a first in New Jersey. Several of the largest scams involving sovereign citizens have brought in more than \$100 million. Among the most common types of scams used are pyramid and other investment schemes, trust scams, real estate fraud, and various types of tax fraud, amongst immigration fraud and malpractice insurance fraud, as they get more creative.

In conclusion, we assess that organized domestic extremists will continue to fund activities through criminal enterprises, and lone offenders will likely be self-directed and self-funded in order to carry out their goals.

Additionally, we cannot discount the future use of cryptocurrencies as a means to fund acts of domestic extremism within New Jersey and across the United States. Foreign terrorist organizations have used such platforms as Facebook and Telegram to solicit funding through Bitcoin. In 2017, Andrew Anglin, publisher of neo-Nazi blog The Daily Stormer, received a donation after the Charlottesville attack in the amount of 14.88 Bitcoins, or approximately \$60,000.

We remain dedicated to continuing efforts to combat domestic terrorism and its sources of funding, to further collaborating with our law enforcement and private-sector partners, and to working toward addressing threats with a focus on prevention.

Chairman Cleaver, Ranking Member Hill, and distinguished members of the subcommittee, I thank you again for the opportunity to testify today. I look forward to your questions and I yield back to the chairman.

[The prepared statement of Mr. Maples can be found on page 55 of the appendix.]

Chairman CLEAVER. Thank you very much.

Ms. Brooks, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF LECIA J. BROOKS, CHIEF WORKFORCE TRANSFORMATION OFFICER AND MEMBER OF THE SENIOR LEADERSHIP TEAM, SOUTHERN POVERTY LAW CENTER (SPLC)

Ms. BROOKS. Thank you, Chairman Cleaver, Ranking Member Hill, and Chairwoman Maxine Waters.

For more than 3 decades, the Southern Poverty Law Center has been monitoring, issuing reports about, and training law enforcement officials on far-right extremist activity in the United States. Each year since 1990, we have conducted a census of hate groups operating across the United States.

I would like to make three main points today.

First, we are witnessing a surging white nationalist movement in the United States that is part of a larger global movement linked by the idea that white people are being displaced in part by migrants in countries they believe should belong to them.

Second, this movement is rooted in a toxic, antidemocratic, white supremacist ideology that is metastasizing on social media networks and other websites that traffic in hate. These networks are not only radicalizing people but are, in effect, incubating new terrorists.

Third, we would like to recommend ways in which technology companies, including social media sites and online pay portals, can disrupt the funding, organizing, and recruiting efforts of hate groups and bad actors who seek to normalize hate.

On August 3, 2019, the United States witnessed yet another mass shooting, this time in El Paso, Texas, where 22 people were killed and more than 20 were injured. Shortly before the shooting took place, a four-page manifesto appeared online, reportedly written by the shooter. The manifesto contained white nationalist talking points on demographic displacement, white genocide, and illegal immigration.

Technology companies, especially social media platforms, play an enormous role in the spread of hateful rhetoric and ideas, which can lead to the radicalization of people online.

Though the United States has since 9/11 devoted enormous resources to fighting international terrorism spawned by radical forms of Islam, it has done relatively little to combat another increasingly virulent source of terror, one that has claimed more lives in recent years: the white nationalist movement.

According to SPLC's analysis, more than 100 people in the United States and Canada have been killed in attacks committed by extremists linked to the white supremacist movement since 2014. All of the perpetrators interacted with extremist content online.

Nothing has helped facilitate the process of far-right radicalization like the internet. The online radicalization narrative is now a terrifyingly common one. Before the days of the internet, far-right extremists typically had to publish and disseminate propaganda in printed form. Most Americans were simply never ex-

posed to this material. Now, white nationalists commonly develop their views by coming into contact with extremist content online.

Most people who associate with the white nationalist movement do not belong to a formal hate group but act as a part of a loosely organized community of extremists who congregate around online propaganda hubs. There are entire online spaces, including the forum Fascist Forge, threads on the social media sites the Gab and Telegram, and many others, that exist solely to provide training and advice on how to carry out acts of violence, to disseminate texts that promote racial terrorism, and to encourage followers to commit their own violent attacks. These online spaces are incubating future terrorists.

For decades, the SPLC has been fighting hate and exposing how hate groups use the internet. We have lobbied internet companies one by one to comply with their own rules to prohibit services from being used to foster hate or discrimination. A key part of this strategy has been to target these organizations' funding.

Hate group sites are primarily funded by peer-to-peer interactions, not by large donors. Even a small amount of money can go a long way in spreading hate online. These groups and individuals are able to spread their toxic ideologies far and wide through ads and events that cost relatively little. Public exposure is half the battle. Our campaign must continue in earnest.

In October of 2018, the Change the Terms coalition set recommended policies for technology companies that would take away the online microphone that hate groups use to recruit members, to raise funds, and to organize violence. We encourage this committee to do further research and encourage online platforms to remove their funding sources and prevent these ideas from reaching a wider audience, and disrupting their networks.

Thank you.

[The prepared statement of Ms. Brooks can be found on page 44 of the appendix.]

Chairman CLEAVER. Thank you very much.

Mr. Selim, you are now recognized for 5 minutes to give an oral presentation of your testimony.

**STATEMENT OF GEORGE SELIM, SENIOR VICE PRESIDENT
FOR NATIONAL PROGRAMS, ANTI-DEFAMATION LEAGUE (ADL)**

Mr. SELIM. Chairman Cleaver, Ranking Member Hill, Chairwoman Waters, thank you for this opportunity to present before the subcommittee this morning. As stated, my name is George Selim, and I currently serve as the senior vice president for national programs at the ADL.

For decades, ADL has fought against anti-Semitism and bigotry in all forms by exposing extremist groups and individuals who spread hate and incite violence. Today, ADL is the foremost non-governmental authority on domestic terrorism, extremism, hate groups, and hate crimes. ADL sits at the nexus of helping secure our communities from hate and extremism, protecting civil liberties, and advocating for change.

I have served in multiple roles in our government's national security apparatus at the Departments of Justice and Homeland Security, and at the White House on the National Security Council

staff. Today, I oversee the efforts at ADL to investigate and expose extremism across the ideological spectrum.

The threat of domestic extremism in the United States today is severe and urgent. In 2018, domestic extremists killed at least 50 people, a sharp increase from the 37 murders documented in calendar year 2017. Recent tragedies have struck in the form of attacks against Jewish worshippers inside a synagogue in Pittsburgh, and against the Latinx community at a Walmart in El Paso, Texas.

We all must come together to comprehensively develop new approaches to keep our communities safe. While the financing of domestic terror organizations is much smaller than international terrorism, with organizations using inexpensive methods, cutting off their resources should nevertheless be a top priority.

Domestic extremists, such as white supremacists, may use funding for organizational operations, attacks, or for more indirect threats, such as propaganda that can motivate others to commit acts of violence.

Domestic extremists typically fund their operations through a range of measures, including self-funding and using their own finances, a variety of criminal activities, bartering and other in-kind relationships, and other methods that they apply, such as direct contributions from other individuals, crowdfunding, advertisements, and the proceeds of merchandise sales, and, lastly, anonymized transfers and transactions such as cryptocurrency.

We urge companies to independently act to prevent extremists from using their services to bring harm to our communities. Research supported by Congress can help companies determine the best way to address today's challenge.

Some of the promising practices for the financial industry include crafting more effective terms of service; improving reporting mechanisms; maximizing transparency; ensuring appropriate training for trust and safety teams; collaborating across industry, including with civil society; and putting appropriate limitations on actions to protect civil liberties and prevent discrimination.

We look to you in this committee to use your authority to support cutting off financial flows to mitigate extremist threats. We ask you to support research on the threat of domestic terrorist financing and what works to counter it. The FBI and the Department of Justice should prioritize their efforts and transparently share their view of what the domestic threat picture is, including financing and terrorism generally.

There are a range of steps Congress can take to help counter domestic terrorism threats, some of which are ready for your immediate action.

First and foremost, we implore you to use every opportunity to speak out loudly against all forms of hate.

Second, we need the Executive Branch to be held to a higher standard of transparency on domestic terrorism issues, and to further examine options under current law, such as whether overseas white supremacist groups meet the criteria to be designated as foreign terrorist organizations, or FTOs.

Third, we urge Congress to immediately pass the Domestic Terrorism Prevention Act, pass the Jabara-Heyer NO HATE Act, and

increase funding for the Nonprofit Security Grant Program and the DHS Office of Targeted Violence and Terrorism Prevention.

And, finally, in light of the lack of a prosecutable domestic terrorism charge, Congress should examine whether a rights-protecting domestic criminal charge is, in fact, necessary.

Government cannot address today's threats alone, and we need whole-of-society approaches to today's challenges. And financial services firms, technology companies, and other members of the private sector should be urged to improve how they can address harmful content on their platforms.

Thank you for this opportunity to present before you today.

[The prepared statement of Mr. Selim can be found on page 80 of the appendix.]

Chairman CLEAVER. Thank you.

Ms. Miller, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF RENA S. MILLER, SPECIALIST IN FINANCIAL ECONOMICS, CONGRESSIONAL RESEARCH SERVICE (CRS)

Ms. MILLER. Thank you.

Chairman Cleaver, Ranking Member Hill, Chairwoman Waters, and members of the subcommittee, thank you for the opportunity to testify today. My name is Rena Miller, and I am a specialist in financial economics at the Congressional Research Service.

Today, I will discuss the regulatory tools on which our counterterrorism financing system relies, as well as ways in which these existing tools are challenged to address domestic terrorism. I will also touch upon changing technologies and new proposals.

I would note that CRS is nonpartisan and does not advocate for any particular policies or proposals.

The existing U.S. regulatory regime to combat terrorism financing was not set up with the challenges of today's domestic terrorism in mind. The existing regime draws heavily upon the Bank Secrecy Act of 1970 (BSA), and the USA PATRIOT Act, passed in the wake of 9/11.

Their key requirements include record-keeping and reporting for financial institutions, which I will call "banks," and due diligence on customers opening accounts, as well as on terrorism designations. These requirements can be powerful tools to track foreign terrorists, but they may be less relevant for flagging a potential domestic terror attack in advance, particularly for small-scale attacks that may not require large sums of money, such as those involving retail, firearms, or a rented car.

Another pillar of our counterterrorism financing regime, or CFT regime, has been the designations of foreign terrorist organizations and the freezing of their assets. But such designations apply only to the financing of terrorists abroad, not to domestic groups. This may reflect First Amendment concerns.

Although there is very little public information, domestic terrorists appear to require relatively limited funds to finance their operations, may rely on crowdfunding, and may be harder for banks to screen—assuming they use banks—absent designations or other public information.

In sum, although the U.S. may have potent regulatory tools against international terrorism, these may be harder to leverage against domestic terrorism.

Current threats from domestic terrorism underscore these challenges. In recent testimony, FBI Director Wray noted that lone offenders represent the dominant trend for lethal domestic terrorists and that, frequently, they act without a clear group affiliation or guidance, making them challenging to identify, investigate, and disrupt.

Bank Secrecy Act reports can provide valuable information to law enforcement, particularly following such attacks, even if their usefulness in flagging potential attacks is still debated.

There is little in the way of public, systematic studies of domestic terrorism financing. The Anti-Defamation League's study provides one of the few relevant public sources. Their study found that such groups tend to be poorly funded, decentralized, to be early adopters of new technology, and to often rely on crowdfunding and cryptocurrencies.

Evolving technology and use of new data sets may potentially be employed to address these challenges as such cross-cutting issues that span different areas of congressional oversight may become more important. For example, access to data provided on social media sites and payment platforms may become relevant.

Some argue that expanding the data sources examined, such as through automated text analysis of social media or increasing the interoperability of systems that examine the data, such as between government agencies, can help in identifying domestic terrorists. Others, however, oppose an expansion of monitoring or surveillance for domestic groups, citing constitutional issues.

An approach Congress may choose to pursue is an interdisciplinary, interagency study to examine the use of new technologies in both the spread and financing of domestic terrorism. Such a study may also be used to survey what data sets exist, who has access to that data, and the potential uses of such data.

Thank you very much.

[The prepared statement of Ms. Miller can be found on page 73 of the appendix.]

Chairman CLEAVER. Thank you.

And Ms. McCord, you are recognized now for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF MARY B. MCCORD, LEGAL DIRECTOR, INSTITUTE FOR CONSTITUTIONAL ADVOCACY AND PROTECTION, GEORGETOWN UNIVERSITY LAW CENTER

Ms. MCCORD. Chairman Cleaver, Ranking Member Hill, and distinguished members of the subcommittee, thank you for inviting me to testify about some of the challenges of investigating the financing of domestic terrorism and extremism.

There are marked differences between the tools available to investigate the financing of domestic terrorism and those available to investigate international terrorism. This is because the First Amendment protects the freedom of speech and peaceful assembly of U.S. persons and organizations while providing no such protections for foreign persons and organizations.

Thus, U.S. law provides for the designation of foreign terrorist organizations, like ISIS and al-Qaida, even if those same organizations might engage in some nonterrorist activity that would be protected by the First Amendment if they were based here in the United States. A foreign terrorist, or FTO, designation allows the United States to enforce criminal statutes that prohibit providing material support or resources to designated FTOs.

The material support statute provides a basis for law enforcement and the intelligence community to open investigations on suspicion that a person or entity may be financing a foreign terrorist organization, regardless of the purpose of the financing. In other words, even if a person wants to fund only the “humanitarian operations” of an FTO, it is prohibited.

The material support statute, therefore, drives U.S. financial services providers to implement sophisticated risk management protocols for detecting potential misuse of their services for foreign terrorist financing.

By contrast, because of the rights protected by the First Amendment, there is no comparable designation scheme for domestic extremist organizations. Hateful speech, even if abhorrent to the majority of the population, is protected by the First Amendment, as is assembling with others who share the same hateful views.

Unless an organization engages solely in unprotected activity, such as committing crimes of violence, any designation of a U.S. organization as a terrorist organization would likely run afoul of the First Amendment. Thus, law enforcement cannot open an investigation merely based on suspicion that someone is providing financing to a U.S.-based extremist group.

Moreover, the FBI is prohibited by its own internal rules from opening investigations based purely on First Amendment activity. To use investigative tools like undercover and sting operations, sometimes criticized as overly aggressive but important in any crime prevention program, the FBI must have reason to believe that a crime is being or may be committed.

For the reasons just discussed, providing material support for a designated terrorist organization is not an available option for opening an investigation into the financing of domestic extremist organizations, but there is another gap in our criminal laws that impacts terrorism investigations. Currently, there is no Federal law prohibiting what is commonly thought of as domestic terrorism when committed with a firearm, a knife, or a vehicle, all of which have been used in recent domestic terrorist attacks in the U.S., when that crime is not connected to a foreign terrorist organization or committed against a U.S. official or U.S. Government property.

Likewise, there is no Federal criminal terrorism prohibition on stockpiling firearms with the intent to commit a mass attack to further what we think of as domestic ideologies like white supremacy, as long as it is unconnected to a foreign terrorist organization. This gap has several important implications.

First, it fails to accord moral equivalency to terrorist acts regardless of the ideology motivating them. This leads to a double standard that perpetuates the misconception that all terrorism is Islamist extremist terrorism, even when the lethality of domestic terrorism in the homeland exceeds that of international terrorism.

Second, it results in inaccurate and inadequate data about incidents of domestic terrorism that could be used to develop measures to counter the threat.

Third, and most salient for today's hearing, it fails to integrate domestic terrorism investigations into the U.S. counterterrorism program, which is based on prevention of terrorist acts rather than prosecutions after the fact.

Filling the gap in our terrorism statutes, as explained more fully in the paper I provided as part of my written testimony, when coupled with appropriate oversight to ensure that resources are being used to combat the most significant threats and not to infringe on First Amendment rights, would provide more flexibility for law enforcement to open investigations into those who may be acquiring or providing resources, financial or otherwise, for potential terrorist attacks.

Thank you again for the opportunity to address the subcommittee.

[The prepared statement of Ms. McCord can be found on page 62 of the appendix.]

Chairman CLEAVER. Thank you, Ms. McCord.

And I thank all of you for your testimony.

I now recognize myself for 5 minutes, and what I would like to do is just follow up with you, Ms. McCord, because you raised an issue that we have tried to address.

In August, right after the El Paso murders, I sent a letter to Treasury Secretary Mnuchin, Secretary of State Pompeo, and Attorney General Barr, asking that the Department of the Treasury and the Department of State designate the El Paso shooter as a specially designated global terrorist, consistent with Executive Order 13224, and to develop a list of other potential white nationalist individuals or organizations in an attempt to prevent future attacks.

And what we have now, most of the things that we concentrate on domestically are not domestic. We are still responding to 9/11. Are we moving in the right direction? The FBI still recognizes—and you mentioned it—the paramount threats based on outside, international bad actors. What can we do? You raised the issue, but do you have any specific recommendations for us?

Ms. MCCORD. Thank you, Mr. Chairman.

I have recommended in writing, in public speaking that I have done, and in consultations with Republicans and Democrats in both the Senate and the House of Representatives—I have suggested consideration of a domestic terrorism statute.

Now, I say, “domestic terrorism,” but really, I think the distinctions between domestic and international terrorism have pretty much fallen by the wayside for the reasons you just indicated. We have seen domestic terrorist attacks here where the attacker is referencing the Christchurch, New Zealand, shooter, for example; people in the Netherlands and Western Europe, Southeast Asia, et cetera, they all are referring to each other. And we know that there are white nationalist and white supremacist extremist groups operating and advocating violence in other countries.

So, in addition to potentially creating a domestic terrorism statute—and by that, I don't mean designation of domestic organiza-

tions as terrorist organizations, because I do think that presents very fraught First Amendment problems, as I indicated in my oral statement—but criminalizing the actual commission of violent acts when done with the intent to intimidate or coerce a civilian population or influence the policy of government through intimidation or coercion, which is the current definition of terrorism in the U.S. Criminal Code.

That would drive more resources toward prevention and investigations, using proactive techniques like undercover operations, sting operations, et cetera. It would need to be accompanied by oversight, reporting to Congress and to the public, to ensure that those resources are not misused.

I think also worth considering, and particularly pertinent to your question, is whether there are foreign organizations that are white supremacist, white nationalist organizations engaging in terrorism that would meet the criteria for designation as a foreign terrorist organization. They just have to be foreign, they have to engage in terrorist acts or have the capability and intent to engage in terrorist acts, and present a threat to U.S. nationals or the homeland. With a designation of a foreign terrorist organization for a white nationalist group, that group would become poison, just like al-Qaida and ISIS.

Chairman CLEAVER. Thank you very, very much.

Ms. Brooks, Mr. Selim, I don't have a lot of time left, but the whole social media issue is chilling. On April 9th, we had a hearing on hate crimes, and we had testimony from representatives from Google, which owns YouTube. And it was reported that YouTube was forced to turn off comments sections of its live stream less than an hour into our hearing because it was flooded with hate speech and racist comments.

The First Amendment issue is something we all in this country respect, but when human life hangs in the balance, what is the right balance to respect civil liberties but at the same time preserve life?

Mr. SELIM. Mr. Chairman, thank you for that question.

ADL believes very firmly in protecting the right of free speech of any person or any group in the U.S., irrespective of how abhorrent those beliefs can be. But there is indeed a line, which we have seen crossed in recent years, where hate speech leads to hate violence and violent extremism in the U.S., as the other panelists here have documented extensively in their testimonies.

Some of the measures that YouTube, in particular, and other social media companies are starting to employ are a step in the right direction, but it is our belief that more needs to be done.

Chairman CLEAVER. I am going to return to this if we have a second round of questions.

Right now, I would like to recognize the gentleman from Arkansas, the ranking member of the subcommittee, Mr. Hill.

Mr. HILL. Thank you, Mr. Chairman. And thanks again for this hearing.

Ms. McCord, just following up on that theme, we obviously have a statute against hate crimes in the United States, and it includes planning one, in addition to committing one.

Is that a place where you would go to work on this definition of domestic terror, effectively? Tell me the distinctions there between committing a hate crime, which is against Federal law, and the more complex conspiracy aspect of domestic terrorism?

Ms. McCORD. Certainly.

I look at this as a Venn diagram. There are certainly many cases in which a crime that would qualify under the definition in the Federal Criminal Code as domestic terrorism might also be a hate crime.

For example, the Pittsburgh synagogue shooter at the Tree of Life is now charged with multiple Federal hate crimes. I would say that his crime also very well qualifies as domestic terrorism under the U.S. Criminal Code, and that is, again, a crime of violence that violates State or criminal law and that is done to intimidate or coerce a civilian population or influence a policy of government through intimidation or coercion.

I know many people have said more rigorous enforcement of our hate crime statutes and investigations predicated on those statutes might be a gap-filler, and I do think it would be helpful, and more resources should be put toward that.

But there are things that would not fall into the center of that Venn diagram. Anarchist violence, sovereign citizen violence, violence that is not based on race, religion, or one of the other protected categories of hate crimes would fall outside of that. And so, it is not a perfect fit.

It is also not a perfect fit just as a practical matter, because the investigators, at least at the FBI, which is the ones I am the most experienced with given my career at the Department of Justice, those who are in the counterterrorism branch are specialists in terrorism, and they are specialists in the types of investigative techniques used to ferret out and prevent terrorist acts. The investigators, wonderful investigators, in the Hate Crimes Branch are, within the Criminal Division, focused—and their own Assistant Director, I believe, has testified to this effect—on justice after the fact.

I understand that those two branches now have a joint task force and are working more together, and I applaud that and I think it is a great idea, but there are still some gaps that remain.

Mr. HILL. Thank you.

And, Mr. Selim, you wanted to add to that, please?

Mr. SELIM. I would only add to the last point that Ms. McCord made, that this new joint fusion cell at the FBI—ADL has worked closely with both sides, both the Counterterrorism Division and the criminal side, which investigates hate crimes.

We have been a firm supporter of increased resources for Federal Government enforcement of hate crimes laws, as well as resources that would be devoted to the FBI and the Department of Justice's ability to collect information and data related to hate crimes and bias-based crimes.

There is a lot more that we believe, as part of the gaps that Ms. McCord alluded to, that DOJ and FBI can be doing to incentivize State and local municipalities for increased reporting on hate crimes. The joint fusion cell that they have established is a step in the right direction, but more resources and data needs to be collected to help fill those gaps.

Mr. HILL. Thank you.

Ms. Brooks, are there any States that have a domestic terrorism statute in the United States?

Ms. BROOKS. No, sir.

Mr. HILL. We do have State hate crime laws, I guess.

Ms. BROOKS. That is correct.

And I agree with Ms. McCord and Mr. Selim. There is that nexus, but it doesn't always, kind of, fit together. If we were to provide consistent protections around hate crimes and the investigation of hate crimes, then we could make headway.

I do note that the Department of Homeland Security did disband a group of intelligence analysts who focused on domestic terrorism. So, when we take steps back in that way, I think we lose ground.

Mr. HILL. Okay. Thank you for that.

Mr. Chairman, frequently in Congress, we put things into buckets, and sometimes people attempt to introduce bills in their committee they serve on, the committee of jurisdiction, when the problem really should be solved elsewhere, in another committee, occasionally.

What is good about this, I think, is the illicit finance aspect of it and calling attention to it, so I commend the hearing, but I am concerned that we have to go to first principles. Before we go around and try to get FinCEN involved in something that they are probably not the right place for, we ought to make sure that we look at this legal basis to deal with the First Amendment, deal with the constitutionality, deal with the definitional issues. Because it is really a domestic issue. We need domestic laws that deal with it.

So I would hope Homeland Security and the FBI would make recommendations on this so that we can get first principles right before we deal with some of these derivative potential issues. But this has been very helpful, and I look forward to the continued discussion.

I yield back.

Chairman CLEAVER. Thank you. I am on the House Committee on Homeland Security, and I do think we probably ought to try to do something jointly.

Mr. HILL. Yes.

Chairman CLEAVER. I would like to recognize now the Chair of the Full Committee, Chairwoman Waters, for 5 minutes.

Chairwoman WATERS. Thank you so very much, Chairman Cleaver.

This is a very important hearing, and President Trump has consistently downplayed the threat of domestic terrorism, especially the violence from the right-wing extremists among his supporters. The Trump Administration has undermined the FBI and other law enforcement agencies by cutting budgets, eliminating staffers, and terminating programs to counter radicalization. His Administration, I believe, is harming the government's ability to respond to the growing threats from domestic terrorism.

I would like to know what the panel thinks about this President's denial that there is a threat from right-wing extremists and how his thinking and his actions affected the Federal Government's efforts to fight domestic terrorism.

Let me just start with asking for a response to this from Ms. Brooks, who is the chief workforce transformation officer for the Southern Poverty Law Center.

Ms. BROOKS. Yes, ma'am. Thank you so much.

Certainly, President Trump's acceptance and encouragement of this rhetoric around hate and the whole notion of a white genocide, these ideas are—he picks them up and carries them into the public square.

The Southern Poverty Law Center would say that one of the biggest drivers in the increase in hate and hate activity is this whole notion of shifting demographics. It plays into the false notion and the false narrative that there is a white genocide afoot. Unfortunately, President Trump, because that is a large amount of his base, he doesn't counter that narrative.

The truth of the matter is that when he says that there are fine people, when he says that there is no threat, there is no real threat, they are troubled people or troubled individuals, he is rejecting the facts, the research that shows that there has been an increase in these hate attacks, not only domestically but internationally as well.

We also know it is not helpful to have senior advisors within your Administration who are seen as advancing a white nationalist agenda.

Chairwoman WATERS. Are you referring to Mr. Miller?

Ms. BROOKS. I am referring—yes. As you know, the Southern Poverty Law Center released a number of emails between Mr. Miller and Breitbart News, which was known as the platform for the alt-right.

I would remind us that, within this Administration, he started out with Steve Bannon, who is also an avowed white nationalist.

These kinds of relationships make it hard, I think, for the President to take one stand or the other. You cannot hold people close to you and then take a stand against their very actions.

So, I would agree with you, it is problematic, it is troublesome. We look to the Congress and the rest of our leaders to hold the Administration to account.

Chairwoman WATERS. Thank you.

Mr. Selim, do you agree with that?

Mr. SELIM. Chairwoman Waters, thank you for that question, and thank you for raising these issues. I would like to offer a few concrete facts and statistics that I think can help address this issue.

Over the course of the past decade, between calendar year 2009 and 2018, domestic extremists of all kinds killed nearly 430 people across the United States. Of those deaths, 73 percent were at the hands of right-wing extremists, such as white supremacists, sovereign citizens, and militia adherents, as a number of the members of this committee alluded to.

In 2018, there were nearly 50 deaths, which was the fourth-deadliest year on record for domestic extremist-related killings since 1970.

Ma'am, the conclusion of these statistics is that, when it comes to white supremacist and white nationalist violence that results in the loss of life in the United States, it is impossible to blame one

specific person; there are a range of different factors that can be attributed to the loss of American lives. But I would say that it is the responsibility and it is incumbent on leaders at all levels—Federal, State, and local—to stand up and forcefully speak out against bigotry and intolerance of all forms.

Chairwoman WATERS. Do you attribute to the President a lack of leadership in this area?

Mr. SELIM. I would say that any time an elected or appointed official has the opportunity to condemn bigotry and intolerance, they should do so.

Chairwoman WATERS. I yield back the balance of my time.

Chairman CLEAVER. Thank you, Chairwoman Waters.

I appreciated very much the Houston Texans being beaten soundly by the Chiefs on this past Sunday. And now, I recognize the gentleman from Texas, Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman, and thank you, Mr. Ranking Member, for this hearing.

I must say, I am disappointed that we are taking political shots at our President when the threat of domestic terrorism is real. And what we are doing is reducing the true impact, I believe, of this hearing today. So, I am sorry that we are going down that road.

With that being said, I am sure you all remember, just a few years ago, the congressional baseball team, of which I was a member, and I was one of six who were wounded, targeted by a left-wing, deranged shooter who was specifically targeting the Republican team because of his political beliefs. Also, Fort Hood is in my district, and you are familiar with some of the instances we have had at Fort Hood. So, this whole thing is really personal with me. I may see it differently than others.

And with that being said, we, as Americans, must always be able to speak about our differences and carry unwavering beliefs without resorting to violence. So, I want to thank our witnesses for coming here before us today to share your expertise so that we can all ensure that the horrible instances we are talking today about will never happen again.

Many of you have referenced in your testimonies that these attacks often do not require many resources to carry out. As we debate various proposals to try to stop these attacks before they occur, we need to take into account the constitutional and privacy concerns that would come if there was increased data collection by our government or financial institutions. We, as lawmakers, must debate these issues in full transparency, in front of the American people, as we try to strike the correct balance.

Make no mistake: Domestic terrorism is horrible in all of its forms, and I am not calling for inaction. But we must make sure that we understand all the repercussions before passing new laws.

So, Ms. McCord, I would like to get your thoughts on what you believe is the appropriate balance between free speech, privacy, and security.

Ms. MCCORD. Thank you, Congressman. The Supreme Court has been very clear that violence and incitement to imminent violence is not protected by the First Amendment, and so I think that is a good place to start when we talk about drawing the lines. And I mentioned earlier in today's testimony that I have advocated for

Congress to study whether a terrorism offense should be created that applies to all terrorism that occurs here in the United States, regardless of its ideology. And it would apply to crimes of violence that are criminal under Federal or State law, so we are talking about murder, kidnapping, assault, aggravated assault, assault with a dangerous weapon, those types of serious crimes, when done with the intention to intimidate or coerce a civilian population or influence a policy of government through intimidation or coercion. These are the acts that are being then investigated. It is not First Amendment-protected activity that would be being investigated, and so I think that draws that line.

Now, to get to the latter part of your question about, how do we ensure privacy, as I have alluded to—and also just civil rights and civil liberties, as I have alluded to before, I think it is important, particularly when we are talking about investigations here in the homeland of U.S. persons and U.S. entities, that there be rigorous oversight to ensure that if there were a new terrorism statute applicable to terrorism here at home, again, it would be—regardless of ideology, it could be Islamic extremist terrorism, white nationalist extremism, animal rights extremism—that there is reporting of the investigations opened by category on a sort of a yearly basis so that Congress and the American people can ensure that these tools are not being misused by law enforcement to go after individuals whose views they disagree with.

Mr. WILLIAMS. Okay. Ms. Miller, on page 4 of your testimony, you state that white supremacist groups tend to be early adapters of new technologies to finance their activities. Do you think the government procurement process operates at a pace that hampers our agencies for monitoring and combating these new funding streams as they come to market?

Ms. MILLER. Congressman, thank you for that question. I am an expert in financial regulation but not in government procurement, but we do have experts at CRS who follow government procurement issues. So if you would like me to follow up on that, we could get a written answer back to you.

Mr. WILLIAMS. If you could, I would appreciate that.

Director Maples, in your testimony, you say the New Jersey Suspicious Activity Reporting System collects and analyzes over a thousand SARs per year. While this number seems manageable for your team, FinCEN collectively receives well over 1 million SARs every year. With such a high volume of suspicious activity being reported, it seems like finding the credible threats would be obscured amongst all the other data. Really quickly, how can we better tailor our SARs regime to expose legitimate threats?

Mr. MAPLES. First of all, New Jersey is unique in that my agency coordinates it, and that goes to the Federal eGuardian system, as I mentioned in my comment, but it goes down to the local level. So that, I believe, can be replicated nationally and supported. We have a smaller number, because we are not dealing with the entire nation, we are dealing with New Jersey, but the model we have as far as integrated in one central location versus multiple fusion centers, multiple areas, just the Federal side, we think our model is effective. And if that can be replicated, we would be happy to partner and push that narrative out there.

Mr. WILLIAMS. Thank you. I yield back.

Chairman CLEAVER. Thank you.

The gentleman from New Jersey, Mr. Gottheimer, is now recognized for 5 minutes.

Mr. GOTTHEIMER. Thank you, Mr. Chairman.

Director Maples, I proposed bipartisan legislation called the FASTER Act to help law enforcement freeze the assets of ISIS-inspired lone wolf terrorists and other extremists on our soil, to prevent these funds from being used to carry out another attack by friends, family, or unknown accomplices operating in a small cell. It also calls for a national homegrown terrorism incident clearinghouse for law enforcement to collect and share information on incidents to help investigate and thwart future attacks.

Director, given your experience in New Jersey, do you believe that establishing a national clearinghouse for incidents of homegrown and domestic terrorism would help Federal, State, and local governments, and the private sector collect, share, and mine data to help identify patterns?

Mr. MAPLES. Thank you, Congressman. And I also want to thank you for your comments at the beginning and your partnership and leadership in this area. It has been vital to our efforts in New Jersey.

Mr. GOTTHEIMER. Thank you, sir.

Mr. MAPLES. I do think so. I think—and as I just mentioned to the gentleman from Texas, we do think we have a great model. And the more we can do a clearinghouse and remove stovepipes and eliminate those threads that may not be being connected amongst Federal, State, and local entities, the better and safer we will be, obviously, mindful within the rights of the citizenry and our visitors here, but we want to make sure that we connect those dots, and doing something like a clearinghouse is definitely an effective way to do that.

Mr. GOTTHEIMER. Thank you. In recent years, your office has determined that homegrown violent extremists inspired by foreign terrorist organizations such as ISIS and al-Qaida, are among the highest threat to New Jersey. In 2017, our State's one-of-a-kind suspicious activity reporting, as we were just talking about, the SARs program, helped lead to the arrest of a New Jersey man planning to help build and detonate a pressure cooker bomb in New York on behalf of ISIS. How does financial information, do you think, such as suspicious wire transfers or large cash transactions, play a part in NJSARs program and other gaps when it comes to gathering this information that could help lead to an arrest or prevent a potential terrorist attack?

Mr. MAPLES. One, it is effective. It is a fantastic case example, I think, of this happening and working in real time. As far as the financial pieces go, we do get reports on those, and as the gentleman from Texas also mentioned, there is a large variety of financial suspicious activity reports throughout the country and the world. I think we can better tie into those and make clear articulations as why those are suspicious activities, and that can help our State system in making sure that we are getting that out there to local financial institutions but then also our communities. That is that connection point that may help us head off another incident.

Mr. GOTTHEIMER. Speaking of new trends and threats, from 2013 to 2017, terrorists carried out 25 known vehicle ramming attacks in North America and Western Europe, resulting in 156 fatalities and 790 injuries. This includes the Halloween 2017 terrorist attack in lower Manhattan, which killed 8 people, including my constituent, Darren Drake, of New Milford, New Jersey. Since that tragic day, I have worked closely with the Drake family to stop terror truck attacks and, recently, we reintroduced the bipartisan Darren Drake Act, H.R. 4942, with Congressman Fitzpatrick, to ensure rental companies report suspicious behavior at every point of sale.

Director, do we see domestic and homegrown terrorists increasingly resorting to terror trucks attacks in public space, and how can we stay ahead of this particular threat?

Mr. MAPLES. It is a fantastic point, and yes, we do see a direct nexus. We are starting to see domestic groups. And I would also mention Mr. Selim and the work of the ADL, we partner with the ADL and multiple groups throughout the country, FBI, et cetera, in determining the nexus. We see a clear nexus of domestic terrorism groups starting to look towards foreign terrorism organizations for methodologies, tactics and practices (TTPs), and what we are trying to observe, mass gathering attacks, vehicle-borne attacks, using knives. They are seeing that those are effective, and you are starting to see an online presence in some other areas that we know of that they are talking about using those tactics here in America.

Mr. GOTTHEIMER. Thank you.

Mr. Selim, I want to recognize the ADL for years of sounding the alarm on the threat of violent anti-Semitism and attacks on religious groups. We recently experienced, as you know, the horrific act of domestic terrorism targeting the Jewish committee in Jersey City. We know the assailants had been planning for months, acquired supplies, and practiced at a firing range in the days before the shooting. Do you believe that there was any information that could have tipped off law enforcement that the couple was planning an attack? How can we find this sort of information out going forward?

Mr. SELIM. Congressman, thank you for that question. And thank you for acknowledging both the award and the close cooperation between ADL and the New Jersey Homeland Security. The way that radicalization and recruitment and mobilization like we saw play out in Jersey City has been playing out in recent years has continued to evolve. ADL believes that there can be more done to prevent and intervene in the cycle of radicalization and recruitment.

Fundamentally, better data drives better policy and better security. So the ability for Federal, State, local, and nongovernmental entities to collect information, to get better reporting on suspicious activity and a range of other factors can lead to more comprehensive security procedures. And also, it is our belief that we need a comprehensive set of solutions that includes mental health, social service, education providers, not limited solely to law enforcement, but in partnership and in concert with law enforcement prevention services.

Mr. GOTTHEIMER. Thank you. I yield back.

Mr. SELIM. Thank you.

Chairman CLEAVER. Thank you.

We have a unanimous consent request from Chairwoman Waters.

Chairwoman WATERS. Thank you very much.

I ask unanimous consent to enter into the record a report compiled by the Southern Poverty Law Center on Stephen Miller's affinity for white nationalism as revealed in leaked emails.

Chairman CLEAVER. Without objection, it is so ordered.

Chairwoman WATERS. Thank you.

Chairman CLEAVER. The gentleman from Virginia, Mr. Rigglesman, is recognized for 5 minutes.

Mr. RIGGLESMAN. Thank you, Mr. Chairman. And thanks to all of you for being here.

Before I start my questions, my background was foreign terrorism, kinetically and nonkinetically, for a long time. So I have some questions on that, but also this hits close to my heart.

Specifically, thank you, Representative Williams, for what you said today. Any time you see political violence like that is abhorrent, and the reason I can speak to that also is, in my district, that is where Charlottesville is, and as you know, August 12, 2017, was an awful day for my district with what happened there. And for me, as far as white supremacists are concerned, I really wish they would just go back to their caves.

That is really pretty blunt and what I can say about that specifically, because I got the chance to see ethnic cleansing for real and ethnic violence during Operation Allied Force when I was on the Romanian-Serbian border, and we were trying to protect the Kosovars from ethnic cleansing there. So this is something that gets me angry, and I think you see a lot of that here, on our panel today.

Some of the things—you know, we are the National Security Subcommittee in Financial Services, and in talking about Ranking Member Hill's comments about other things that could be done first, I actually have some specific questions about how we can thwart domestic terrorism and homegrown violent extremist attacks, but it is actually how we can help. I know that is scary. We are Congress and we are here to help, but I do want to ask these questions, as we go forward, on how we can help.

And I had some incredible questions here, but listening to—and, Mr. Maples, talking about you and also the incredible work that you are doing in New Jersey, and really, Josh, great job. I think he already left. Where can we go? And I am going to have a lot of questions here. When you are talking about gaps in enforcement—and I want to talk illicit finance with Ms. McCord also and Mr. Selim and Ms. Brooks.

But as far as gaps, when you are talking steganography, when you are talking all the things you are doing with cryptocurrency utilization, gaining command and control, social media radicalization, and the TTP similarities are—tactics, techniques, and procedures, similarities between domestic terrorists and foreign terrorists organizations, which I really would love to have a talk with you about that one day, but also social network analysis and pattern analysis.

When you are talking about what you are doing for that specifically, where are the gaps that you are seeing even in fusion center types of activities when you are looking at targeting, when you are looking at intelligence analysis? Is there something that Congress could be doing better with resources or information sharing, title authority information sharing? Where do you see those roadblocks? And is there something specific we could do on the Financial Services Committee to help you in trying to get through those obstructions?

Mr. MAPLES. Thank you, Congressman. Ms. McCord, I think, hit it exactly on the head regarding the ties with the financing aspect of it. When financial systems are used to fund these terrorist activities, right now, largely, certainly by Federal statute, they are seen as criminal, and they are independent of the acts, potentially. I think a tie between those, when you have—whether it be material support, whatever you want to call that side, bridging that gap, and when you have used illicit funding streams, all the ones that we have listed, every one up on stage and the schemes that are used there, and it ends up resulting in a violent act or in a way that we can prevent that violent act from occurring when we find out about a financial tie, it should be treated as terrorism, we believe.

Mr. RIGGLEMAN. Yes.

Mr. MAPLES. I think from that perspective, the support—and I think what every speaker has talked about in getting your support on that side would be huge for us.

Mr. RIGGLEMAN. And that is what I want to do. Ms. McCord, and we can go back to Mr. Maples, too, I want to ask this question because there are experts up here, and everybody might have something to say on this. Do you see a rise in cryptocurrency utilization over, say, fiat currency? Are you seeing something, based on, say, goodness, the way to transfer money? And I did some steganography. Are you seeing a rise in cryptocurrency utilization as something that we don't have the place to resource, or do we need to resource that, or do you see that that is a huge limiting factor, or a LIMFAC, for law enforcement right now?

Ms. MCCORD. I don't have good data on the extent to which domestic extremists are using cryptocurrency. It is not my area of expertise. I think it is something that definitely needs study.

If I could answer your question about another gap—

Mr. RIGGLEMAN. Yes.

Ms. MCCORD. —very quickly, because I know time is short. I also think we need more government to government sharing of information.

Mr. RIGGLEMAN. Yes, ma'am.

Ms. MCCORD. As we discussed, this is not just a domestic problem. And NCTC, for example, historically has shared only sort of international terrorism information and not this type of information. And that could help not only ferret out the tactics and plans and plotting but also financing.

Mr. RIGGLEMAN. A loaded question about NCTC, because I have worked with them also. Do you see that they don't have the resources for domestic terrorism information sharing or do you actu-

ally see government gaps or actually authority issues with sharing that information across law enforcement agencies?

Ms. MCCORD. I know that they have recently, through their lawyers, done their own sort of review of their authorities and have concluded that they can move into this space. I haven't done my own separate analysis of that, and I believe that the director late last year announced that they were going to be trying to develop protocols for sharing more information with respect to threats other than your typical foreign terrorist organization threats.

And I can't answer the resource question. You would need to ask that of NCTC directly, but I think it is a very good development if we start sharing more information government to government and then within government, Federal down to State to local on domestic threats.

I was down in southern New Mexico last spring and meeting with local officials there about issues happening on the border where completely unlawful private militias were unlawfully detaining migrants at the border. And I was talking to their local sheriffs, police departments, et cetera, and they said, "I get a briefing every day about what is happening in Yemen, but I don't know what is happening 2 miles away at the border."

Mr. RIGGEMAN. Thank you. My time is up. I want to help all of you all with the stovepipes. I love breaking stovepipes apart and crushing them. So, thank you very much, and I yield back.

Chairman CLEAVER. Thank you.

The gentlewoman from Virginia, Ms. Wexton, is recognized for 5 minutes.

Ms. WEXTON. Thank you, Mr. Chairman. And thank you to the witnesses for appearing before us today and for all the great work that you are doing in this area.

As most of you have already pointed out, domestic terrorists have been responsible for more murders in the United States than have international terrorists in recent years. The FBI released a report in November that looked at lone wolf or lone offender terror attacks from 1972 to 2015, and found that firearms were by far the most common weapon used in such attacks, followed by explosives. Nearly 70 percent of the firearms used in those attacks were legally purchased.

Now, many of you brought up the shootings in El Paso where the shooter purchased an assault weapon online from Romania and thousands of rounds of ammunition from Russia, which he was able to pick up at a local gun store. The New York Times did some reporting on the financing of these attacks and found that in 8 of the last 13 mass shootings in which more than 10 people were murdered, the murderers, in most cases, relied upon credit cards in order to amass their arsenals.

The attacker in Las Vegas spent nearly \$95,000 on firearms in just the year leading up to the attack, almost exclusively with credit cards. The Pulse nightclub shooter opened 6 new credit card accounts over 8 months and spent over \$26,000 on firearms and ammunition in the 12 days prior to the shooting.

Mr. Selim and whomever else can answer this on the panel, can law enforcement generally and Treasury and FinCEN specifically do more to detect and disrupt these types of attacks?

Mr. SELIM. Ma'am, thank you for your question. And it is a critical issue that I think goes back to a number of issues that the panelists here have brought up specifically related to law enforcement information sharing and tips and tools between private industry and financial institutions.

To specifically answer your question, yes, we believe more can be done. The illustrations that you just described with Las Vegas, El Paso and others, there can be more information sharing, gap analysis. There can be more transparency reporting as well as training for trust and safety teams at financial institutions that may see abnormalities in purchases of firearms or bulk purchases of ammunition, et cetera.

We think that there are a number of steps, which I have outlined in my written testimony, which can be taken to strengthen the relationship to prevent, God forbid, another type of attack like the ones you just described.

Ms. WEXTON. Does anyone else wish to chime in on that or opine about what can be done?

Ms. BROOKS. I would add that the banking institutions, I would hope that they would also kind of monitor large purchases like that. It was fascinating the way you laid out, \$95,000, \$96,000, I believe you said. That should set off some check, some alarm. It is just very interesting.

Ms. WEXTON. Speaking of the data that would need to be collected and the parties that would need to be involved in such reporting, it is not exclusively the banks, although they are the ones who are the holders of those credit cards. That would also require buy in and sharing of data from the retailers.

Ms. MILLER, are you aware of any gaps that exist in that reporting from the retailer side of things?

Ms. MILLER. Let me just say, stepping back a moment, the issue has received a lot of attention in the press, in The Wall Street Journal, The New York Times, and some Washington Post reports about the role of credit cards in financing some of these mass shootings.

In terms of the data and standards that apply, there is a voluntary standard within the credit card industry called the PCCI standards. And it is not currently clear, at least to me, whether and to what degree financial institutions have access to the types of data that retail merchants obtain, so I think that question certainly remains.

Ms. WEXTON. So retailers don't necessarily automatically disclose these purchases to banks in a way that they would be able to gather that information and report it were they required to do so?

Ms. MILLER. My understanding is that financial institutions that provide credit cards to merchants, I believe that they say they don't, as a normal course of business, get that information. I think the question would probably go to the payment card industry for more detail.

Ms. WEXTON. Thank you.

Now, given the sophistication of AI and a lot of the existing programs that we already have in place to combat money laundering and other illicit financial activity, it is clear to me that we can do more using financial intelligence to intervene in these kinds of at-

tacks and hopefully be proactive and stop them from happening before they take place. Thank you.

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

Chairman CLEAVER. The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you, Chairman Cleaver. And thanks to the panel for being here today to discuss this important issue of home-grown radicalization and terrorism finance.

To tackle domestic terrorism more effectively, many experts say the United States needs increased cooperation and collaboration among all law enforcement, the Department of Homeland Security and other agencies.

Mr. Maples, how would you describe information sharing between government agencies today?

Mr. MAPLES. Thank you for the question, Congressman. I can only speak for New Jersey and my optic in New Jersey, but I can tell you that our information sharing is unique in New Jersey in that we are directly tied and integrated from Federal, State, and local levels. We are proud of that in New Jersey, and we do believe it is working effectively.

One area, and it gets to a couple of the questions that have come about, is in the technology behind it. And some of the sharing that we are hearing about from the financial sector, I think we can do better at that. There are a lot of tools, there are a lot of resources available on the Federal side. I know I mentioned that I worked in charge of cybersecurity in New Jersey. For example, JPMorgan Chase spends about \$775 million a year on cybersecurity.

I think there can be better ties into some of those networks, resources, and tools, and that will promote information sharing in a way that hasn't been done before specifically to finance, and I think that can be more effective.

Mr. ROSE. Are there barriers that need to be addressed, that you are aware of?

Mr. MAPLES. Right now, I don't know that there is a direct tie into those financing pieces. It is really tied around physical security, critical infrastructure security, but on the physical side, and there is a gap there that I think we can address together. And it has really been highlighted, I think, by the panelists, and that can be an area where we would see an increase in threat prevention and threat detection.

Mr. ROSE. Are there currently instances where private entities such as banks proactively share information, in your experience?

Mr. MAPLES. There are, and I don't want to speak on behalf of the FBI, but they do have a program that is helping with that. In the State of New Jersey, we are working towards that, and we have a great infrastructure program that my agency runs where there are mandatory tie-ins. But again, it has largely been based in the physical threat realm up until this point. And what we are seeing with finance is it is not just the technology but also the money transfers, et cetera, and I think that is an area where we can expand. But we are going to need a little tighter definition of that, I think, from the Federal side to get the funding tied to that and additional funding.

Mr. ROSE. One of the bills before us today is H.R. 5132, which would require FinCEN to issue an advisory about how homegrown violent extremists and other domestic terrorists obtain firearms. I have some very serious concerns about this bill. First, the bill requires FinCEN to define various terms, including firearm accessory, homegrown violent extremist, lone wolf, and lone actor.

Ms. McCord, have these terms already been defined by other agencies such as the FBI, DOJ, DHS or others? And what would the benefit of FinCEN developing its own definitions be, in your estimation?

Ms. MCCORD. Some of those terms are defined in current criminal statutes, like firearms and accessories. Others are terms of art used by FBI and DOJ for their own internal purposes. I would have to look at each term to see whether there were already definitions in the code.

I think as a matter of avoiding confusion, when there are already preexisting definitions in the U.S. Code for a term, that is probably the one you want to turn to when you are looking at new legislation. But I do think there is certainly value to collecting information related to firearms purchases and firearms accessory purchases.

Taking my experience prosecuting international terrorism for several years, oftentimes when we are talking about terrorist acts occurring here in the United States, these involved acquiring firearms for use in those attacks. And many operations that the FBI undertook, investigative undercover operations, involved engaging online in an undercover capacity with individuals who were seeking to acquire firearms in particular for use in terrorist attacks.

Mr. ROSE. Thank you. I just want to say as kind of reiterating my concern about 5132 and coming from a background with the private banking industry, financial institutions, I am deeply concerned that we continue to call on private sector players to, at their expense, which, of course, ultimately is at the consumers' expense, provide information and conduct law enforcement activity in gathering information without really any consideration for the cost that it imposes on those institutions. And so, that adds to my concern. Thank you.

And with that, I yield back.

Chairman CLEAVER. Thank you.

The gentleman from California, Mr. Vargas, is now recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Mr. Chairman, and thank you, Mr. Ranking Member, for bringing this forward. I think it is very important to talk about it and try to find solutions. I also want to appreciate what Mr. Riggleman said, the issue of ethnic cleansing, because we do see in other societies and other countries what happens when you have extremism. It runs afoul.

For example, we were very fortunate, my family, in being able to adopt a Muslim family from Kosovo. They lived with us for 2 years because of ethnic cleansing, a beautiful family who never caused anyone any harm, but again, they were driven from their property, from their home, simply because they were Muslim, by the Christians who didn't want Muslims in their area. And again, they lived with us for 2 years. I think Bahim, the husband, is like

a brother to me now, and certainly, his girls see me as an uncle. And it has been a wonderful thing, but it is terrible how it began.

And so this is something, again, that I think we have to take very seriously. And I think normally, in our country, we are doing actually a pretty good job with diversity. Most of us like each other. In fact, most of us love each other and get along pretty well. I have to say that I was at Mass this past Sunday and I looked around and saw how diverse—I am from San Diego—we were, different races, ethnicities, cultures. And I think we do a pretty good job.

However, I do think that there is an uptick at the moment of violent extremism. I think the numbers point it out, as we were talking about today, and then how do we address that in a way that doesn't violate our civil rights? One of the beautiful things about our country is we do have freedom of speech. And, in fact, some of the views of the minority over the years have become now the views of the majority, and some of the views that we really cherish, for example, all men are created equal, we had to kind of spell that one out a little bit to mean not just white men with property, but also women and everybody else. We are all created equal.

But I do see an upswing. And one of the things that we haven't talked about too much today that concerns me is the issue of cryptocurrency and how monies could be used without anybody following them. I think we have done a good job of talking about everything else, the gaps, but we haven't talked much about that.

Director, I would like to ask you about cryptocurrency and how it could be used. I know it is used certainly in foreign extremism and terrorism, but what about domestic experience?

Mr. MAPLES. Thank you, Congressman. We brought it up. We felt it was important to bring it up. It is something we are tracking as a potential trend in domestic terrorism because of the traceability. It is encrypted. The technology behind it makes it very difficult to track and interrupt those plots, the money transfers, et cetera. As you all know on this committee, the financial transfers end up being a huge tool that we have in the law enforcement and Homeland Security sector at intercepting and detecting, deterring, stopping these events and incidents from happening.

It's very effective overseas at the traditional money channels. But when you talk about bitcoin and you talk about any of the online encrypted currencies, they become very difficult to track as the transfer is happening and who is doing it, where they are coming from. It can bounce off of all the different—the tactics that are used online to mask the IP addresses and the locations of the routers, et cetera. And because of that, the domestic terrorism perpetrators in our country are aware of that. They are seeing that from a foreign side that they are using.

Again, I mentioned Facebook and Telegram, but there are plenty of other mediums that we are aware of and are working with our Federal partners to detect. They are seeing the effectiveness of being able to mask those movements. And so as cryptocurrency becomes more prevalent, and the technology becomes easier to adapt and use, we do believe we will see more use of that in the domestic terror realm.

Mr. VARGAS. And that is one of my concerns. I do think that it is going to grow as we see that our financial system becomes more

and more dependent on cryptocurrency. It is very small at the moment, but again, it is a perfect medium to be able to hide money moving around, as you just said. And I think it is already used in human trafficking. We know that. And I think it is also going to be used in domestic terrorism more and more, unless we are able to do that.

I do have the same concerns, though, that some of my colleagues have on the other side. I trust government generally, but I don't want government to be so intrusive that it is in everybody's lives at all the moments and all the time. I think a lot of Americans are concerned about that also. How do we do it in such a way that we are able to track this money, but at the same time not be so involved in their lives, Americans' lives, that they feel that it is government intrusion that shouldn't be there?

Mr. MAPLES. I will start by saying that my agency and I respect the rights of Americans, first and foremost. That becomes part of our goal. We need to protect and defend our homeland, but we need to be mindful of those rights that are guaranteed to us in our Constitution, Bill of Rights, et cetera. So, we will start out with that.

But the second piece is, we have to, one, put stringent oversight in place. I am supportive of that, making sure that the right people are aware of what is happening in a way that represents our country and our citizenry.

And two, is the processes that we put in place to detect those, to monitor and track the transfers and all those online—the online presence we talked about. If we get the processes right, and in conjunction with the right amount of oversight, I think we can get to the right answer to protect and defend our country.

Mr. VARGAS. Thank you. My time has expired. Thank you very much.

Chairman CLEAVER. Thank you.

The gentleman from South Carolina, Mr. Timmons, is recognized for 5 minutes.

Mr. TIMMONS. Thank you, Mr. Chairman. I would like to thank all of you for taking the time to come and testify before us today on this important issue.

As part of my background, I was a prosecutor for 4 years. I prosecuted domestic violence, white collar crime, and I had a number of murders and armed robberies. I was a State senator for 2 years, and I have spent a lot of time thinking about how to make our society safer. I am convinced that one of the biggest challenges we face right now is a lack of interconnectivity and standardization of law enforcement.

So Federal, State, and local agencies, particularly in South Carolina—and I will use domestic violence as an example. When we pull the reports Statewide for domestic violence in South Carolina, you will see arbitrary lines that are—there is no socioeconomic, there is no justification for the difference between one neighborhood versus another, other than the fact that the incident reporting system is vastly different. The way that law enforcement is operating is vastly different.

And I am just convinced that if we can get all the law enforcement in this country, at all of the different levels to work together in a meaningful way, to share information, to standardize and inte-

grate their efforts, we will take the biggest step forward. And then, at that point, if we are able to get additional information from financial institutions, we will be in a better position.

But I think that this is a step ahead of where we need to be focusing. I am of the opinion that the first thing we can do to make us safer is something similar to after 9/11. We have all of these law enforcement failures. After 9/11, we had intelligence failures, so we created a new framework. We encouraged them to share more. Whether that worked is another conversation.

But I am convinced that we need to have that conversation with law enforcement in this country, and it seems that New Jersey is doing a good job at this. Could you talk more about the way that you all have increased interconnectivity between the various law enforcement agencies?

Mr. MAPLES. Sure, I can. Thank you, Congressman. And Congressman Gottheimer knows this from being a champion of law enforcement in New Jersey, certainly, so I am sure he can add some color to my comments as well.

I will tell you this. I mentioned it was unique. In other States, there are multiple fusion centers, oftentimes multiple entities responsible for a variety of suspicious threats. You named a lot of them just from the criminal side, but then bridge it into the terrorism side.

In New Jersey, every single suspicious activity report that is filed from the local level, be it from the community to law enforcement, and then all the way up to the Federal side, so including the FBI and our key Federal partners, all of that is funneled into one location at our State's fusion center. It is called the Regional Operations Intelligence Center (ROIC). My detectives sit co-located with the New Jersey State Police, and every single suspicious activity is filed in one system. And when they hit the button that says, we have accepted it as a suspicious report, it goes to every single entity that needs it. So if it is a small local township, if it is the FBI, they all will see it immediately. And if it becomes a Federal case, the FBI can then pull it into the eGuardian system and make it a Federal case. But it is all done in coordination, so there are zero gaps between those two, and that is how we handle the suspicious activity reporting.

But the other piece revolves around how we operate in blue sky days, the good days, and that becomes very important. And what I mean by that is, we all know each other. We are not exchanging business cards in a command post. As was mentioned in my biography, I worked for the CIA, not the Culinary Institute of America, the other one, and I can tell you that any successes that I was a part of in my career were because of teamwork and partnership, and because we knew our counterparts, again, foreigners and our key colleagues in America, we knew them beforehand. We knew the plan, we knew what we were going to talk about, what we were going to have to do objective-wise, and we bring that same mindset to the table in New Jersey. I think those two things combined really are effective.

Mr. TIMMONS. So you would say that the tragedy in Parkland, the law enforcement failures in Parkland, would not be possible in New Jersey because of the systems you all have in place?

Mr. MAPLES. I am reticent to say that something would be impossible. It is a hypothetical. I can tell you that our systems are in place are robust, and I am confident in their ability to prevent one of these attacks from happening.

Mr. TIMMONS. And when you all were going from the previous system which was, I would imagine, far less connected and far less integrated, to this system, what were the challenges? Was it money? Was it power, that all of the different law enforcement agencies don't want to give up their area?

Mr. MAPLES. Yes.

Mr. TIMMONS. What were the biggest challenges to transition?

Mr. MAPLES. I think you just hit it right on the head. It becomes a political equation of people and ownership of information, the information sharing, et cetera, and those stovepipes can be very difficult to break down. The personalities got in place, I think, at the right time in New Jersey, and have continued to be in place to help work and guide our agencies—again, Federal, State, and local—together to work towards that common goal.

And the money piece is huge. Again, it has been very focused on specific acts of terrorism, physical threat. That is where broadening out and getting more funding available towards some of the other pieces, the online side, some of the technology behind AI and the database network, et cetera. That money can go further and be applied in a better way. But the funding at the front end, while there, wasn't as coordinated. I think we have really tightened that up over time and I look forward to more.

Mr. TIMMONS. Thank you for sharing a success story.

And I yield back. Thank you, Mr. Chairman.

Mr. MAPLES. Thank you.

Chairman CLEAVER. Thank you.

The gentleman from Connecticut, Mr. Himes, is recognized for 5 minutes.

Mr. HIMES. Thank you, Mr. Chairman.

I have just one question, and I apologize if you covered this in your earlier testimony. I was at a different hearing. My question is—I think I will direct it first to Ms. Miller. The CRS report makes reference to the fact that domestic terrorist financing is really fragmented and probably not very large. But I am just wondering, are we seeing any indications that any of these groups have access to resources in excess of 5 figures that would come from wealthy individuals, from businesses, or perhaps from sources abroad?

Ms. MILLER. Thank you for that question. First, specifically for the CRS domestic terrorism report, I am not the author of that, and the specific question to that, I will route to that author. But I would like to say one of the key studies that is public on financing of domestic terrorism was done by the ADL.

Mr. HIMES. Yes, I saw that. I was going to go to Mr. Selim next. Yes, it is referenced in the report.

Ms. MILLER. From the public information I have seen, the study that they conducted said that there wasn't a lot of evidence of wealthy benefactors, although there were a few individual cases, which maybe you would like to elaborate on.

Mr. HIMES. Mr. Selim, your organization wrote the report. Do you want to add anything to that?

Mr. SELIM. Congressman, thank you for your question. We have done a lot of robust research and analytics on this, as cited by Director Maples and others here on this panel. There are four categories I would just point out to answer your specific question. The majority of funding that we have seen has, in fact, been self-funding with individuals' own finances from their jobs, businesses, et cetera.

Director Maples had some excellent examples of criminal activity, illicit criminal activity to finance extremism across the ideological spectrum, as well as another key example that he used was the bartering, the use of different types of cards, gift cards, et cetera. And last, but not least, which is kind of the crowd platform to fund this type of extremism.

Mr. HIMES. Thank you. My question was more, are we seeing capability or any of those sources capable of generating, just to pick an arbitrary number, anything over, let's just say, \$100,000 in assets?

Mr. SELIM. I would have to double-check. I don't believe we have documented any such individual single contribution.

Mr. HIMES. And do you feel like we have the capability, through the banking monitoring systems and whatnot, that if all of a sudden one of these capabilities developed—a dark philanthropist wanted to inject \$5 million into some group, or all of a sudden, businesses around the country in some networked way were providing cash, would we see that?

Mr. SELIM. Sir, it is my assessment that the command and control structure of extremist movements is extremely limited, and the websites and the entities that they have put out to solicit funding have failed, not because financial institutions have taken robust measures or those security procedures are in place; they failed because their business models are fundamentally bad and morally bankrupt. So, they are not able to get the crowdsourcing and the funding and the push behind it. Credit card companies won't finance them. They can't link to PayPal and other sites, so their business models are really bad. In kind of a dark web covert scenario that you are alluding to, if there is a cash injection, I believe that could be a significant threat stream, but we have yet to see that to date.

Mr. HIMES. Yes. It sort of feels like for all the reasons you are outlining that some organized financing structure would be hard to build, but it is not impossible that somebody internationally, individual or a sovereign, acting covertly or, again, some maligned philanthropist might decide to do it domestically. But we are not seeing that right now?

Mr. SELIM. Not to my knowledge.

Ms. BROOKS. May I add something?

Mr. HIMES. Yes, of course.

Ms. BROOKS. The Southern Poverty Law Center is beginning to look at donor advised funds which, from our initial analysis, is showing that that very thing is happening. A report showed that \$11 million went to 34 different organizations that the Center iden-

tifies as hate groups. Now, they may not be the domestic terrorist groups, they may not be the people on the ground—

Mr. HIMES. I'm sorry, did you say \$11 million?

Ms. BROOKS. That is correct.

Mr. HIMES. From a single source?

Ms. BROOKS. Between 2014 and 2017 to specific donor-advised funds, charitable contributions. So when you asked your question, could there be a philanthropist who is seeking to fund a particular maybe ideology as opposed to a specific group on the ground, that is happening with the VDare Foundation. VDare is a quite popular white nationalist group. We showed that they received about \$50,000 through these donor-advised funds, because there is no—people are able to keep their anonymity when they are contributing to these funds.

So there is a connection but not directly to what we could call the domestic terrorist groups. But it is important to note that they influence those people on the ground. If they can give money to the more legitimate organizations who produce and distribute the rhetoric, then it will get to domestic terrorists on the ground.

Mr. HIMES. Okay. Thanks very much. My time has expired.

Chairman CLEAVER. Thank you.

The gentleman from Ohio, Mr. Gonzalez, is recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Mr. Chairman. And thank you to our panel for being here today.

First, I want to commend Mr. Selim on what you said at the very end of your written testimony, which I think speaks to the heart of this, which is that it requires a whole of society approach, what we are talking about.

And additionally, Director Maples, I read your testimony. I thought it is just the facts. You go through different organizations, right and left, which I personally don't think is a useful way of categorizing these people, but that just says this is the extremist activity that is taking place in the homeland writ large and providing that. Because extremism of all kinds is on the rise, and that has been documented, and it is something that we should be equally outraged about, whether it happens on the left or the right. We should be equally disgusted when El Paso happens as Dayton, which are two different ideologies. And I think the fastest way to make sure that we do absolutely nothing on this issue is to politicize it, which I have seen, unfortunately, from some in this hearing today.

I believe in my heart that the vast majority of my colleagues on the other side of the aisle do not support, for example, Antifa, or other organizations, or the comments from a Bernie Sanders surrogate that showed up on the internet. I know that. And I know that on this side, we are outraged over white nationalism. And if we can't have that dialogue in concert, we will not solve this. And so, I hope that we will be able to put the partisanship aside and actually work on it.

When I look at the challenge, at least with respect to this hearing, I think there is a definition question, and then there is a technical question. The definition question is, what are we going to qualify as domestic terror?

Ms. McCord, I want to start with you. You talked about changing the definition and basically saying killing, kidnapping, maiming, committing assault resulting in serious bodily harm, et cetera, et cetera, with the intent to, "intimidate or coerce the civilian population to influence the policy of the government," et cetera. In your estimation, if we made that change, I think that would certainly pick up some of the white nationalist groups. Would that also pick up, for example, inner-city gang violence, in your estimation?

Ms. MCCORD. First of all, thank you for your question. That is actually not a change in the definition. That actually is the definition of domestic terrorism in the U.S. Criminal Code. It is just that there is not an offense connected to it.

Mr. GONZALEZ OF OHIO. Got it.

Ms. MCCORD. It is the same definition as the definition of international terrorism in the criminal code. The difference is that international terrorism either occurs abroad or occurs here domestically, and this is where so much confusion arises, but it is inspired by or on behalf of a foreign terrorist organization, therefore, having international connections.

Mr. GONZALEZ OF OHIO. Got it. Let me ask it differently. I think we are in agreement that some of these white nationalist extremist groups should be in that bucket. Do you believe inner-city gangs should be in that bucket as well?

Ms. MCCORD. It is not about a bucket of groups because the definition does not designate groups or organizations. What we are talking about as the definition and with the potential domestic terrorism statute or just terrorism in the U.S. statute is criminalizing activity, which may be of individuals or it may be of groups.

If you are talking about an inner-city gang, we are not talking about designating a group. If you are talking about white nationalists—

Mr. GONZALEZ OF OHIO. The individuals, right.

Ms. MCCORD. If the individuals were committing their crimes of violence with the intent to intimidate or coerce for purposes of sending sort of a political or ideological message, then maybe they would fit. That is not what we typically see with inner-city gangs. In my experience as a prosecutor, it was usually drug-related or something like that.

Mr. GONZALEZ OF OHIO. Right. But to intimidate or coerce a civilian population.

Ms. MCCORD. Yes, or influence the policy of government through intimidation or coercion.

Mr. GONZALEZ OF OHIO. Okay. Now, shifting to the technical side, Ms. Miller, how could FinCEN leverage emerging technologies to help us overcome the needle in the haystack challenge, sort of the small-dollar fragmented financing component? Do you see FinCEN as being able to accomplish that?

Ms. MILLER. This is a difficult and challenging question that I am sure FinCEN has grappled with. The challenge, as you phrase it, the needle in the haystack, you are referring to using financial intelligence prior to an attack to prevent one?

Mr. GONZALEZ OF OHIO. Yes. Basically, this notion that there are a lot of people online and in our society who are saying a lot of things, but the gap between the rhetoric and the action, I think,

is sort of what I am trying to get at, where you go from, okay, this person has been talking about different things online—and I am running out of time, so I will follow up in writing, but that is what I am trying to get at. How can we determine using technology tools, tech tools, how to solve that? There are a lot of people talking. There is a lot of anger and vitriol, but sort of that gap. How do we get there so that we stop the action from actually occurring?

And I yield back.

Chairman CLEAVER. Thank you.

The gentleman from Colorado, Mr. Perlmutter, is recognized for 5 minutes.

Mr. PERLMUTTER. Thank you.

And Mr. Gonzalez and I are pretty much on the same page as to left, right. I am in Colorado. We had an environmental group that burned up a big restaurant at the top of Vail, called Two Elk, a number of years ago in a way to try to send a message about policy of our national forests. And obviously, just looking up at this board, we have had anti-Semitic, we have had murders related to abortion. We have had all sorts of things.

And I apologize for missing most of your testimony. I am just curious in all of this whether the RICO statutes could assist in any of this domestic terrorism type of policing, if you will. And it may be a completely off-base kind of question, but we used those certainly against motorcycle gangs back in the day. And I don't know that we have used RICO too much for anything lately, but I am just curious if anybody has a response to that? And then, because I have missed so much, I am going to let you all talk about anything you want that you haven't been able to address through the questions. So does anybody have an answer to RICO? Yes?

Ms. MCCORD. I do think RICO is an important tool that law enforcement should be looking at using, and I am sure the FBI is doing that. I think there are a couple of distinctions to draw, though, between using those type of criminal tools versus tools that are really directed at terrorism. And in part, it goes back to something I did mention earlier, who are the investigators and the prosecutors? The FBI, even before 9/11 but certainly since 9/11, has put tremendous resources into studying the terrorist threat, primarily studying the international terrorist threat, but more and more, due to the needs, frankly, and the threat here in the homeland, studying the domestic terrorist threat.

Terrorism is unique and it is different than other types of criminal gangs or continuing criminal enterprises and those that engage in serial acts of violence and other types of crimes oftentimes for financial gain, which is really what RICO has been directed to, predominantly.

The motive for a terrorist offense is not financial gain at all. It is to intimidate and coerce. And so, the experts who have spent their careers—

Mr. PERLMUTTER. Yes. But under RICO, does it have to be for financial gain? Is that an element of the statute? I don't think so.

Ms. MCCORD. No, it wouldn't be. I was really trying to make a point about centering the investigations among those who are the most equipped to deal with them and study them.

And I think the second point I wanted to make is something we have glossed over a little bit, which is that there are extremist groups here, but most of the acts of extremist domestic violence motivated by domestic ideologies that we have seen are not being perpetrated by people who say, I am a member of X group, and maybe have never even done anything to suggest they are a member of the group. They are very much inspired by rhetoric out there, maybe inspired by other groups. Maybe they visited their Facebook page. Maybe they have posted once or twice, but mostly these are people who, on their own, consume the rhetoric of hate groups and extremist groups and are motivated and inspired by that, much like homeland violent extremists (HVEs) sometimes are inspired by ISIS and al-Qaida and foreign terrorist organizations; similar type of inspiration usually over social media, and then they go out and do something on their own.

Mr. PERLMUTTER. Okay. Mr. Selim?

Mr. SELIM. Sir, if I may just weigh in, the point you made on the map above us and here in the hearing room, this is actually ADL's HEAT map. And HEAT in this context stands for hatred, extremism, anti-Semitism, and terrorism. ADL has pioneered this type of proprietary data collection and digital visualization for partners at the Federal, State, local, public sector, and private sector levels to use these type of tools to inform, as Mr. Gonzalez pointed out, how communities can really come together in order to combat the threat of extremism and terrorism comprehensively.

Sir, in your specific question, you said, what can we do? I would like to offer three specific recommendations. Having this body closely examine and pass the Domestic Terrorism Prevention Act, passing the Jabara-Heyer NO HATE Act, and significantly increase funding for the Nonprofit Security Grant Program in the DHS Office of Targeted Violence and Terrorism Prevention. And I will yield to my co-panelists.

Mr. MAPLES. I will just add—

Mr. PERLMUTTER. You have 17 seconds.

Mr. MAPLES. Okay. I will be brief.

Just one quick point that I wanted to make is that ADL and the work that they do is truly supportive of what we are doing in New Jersey to get ahead of these incidents, and I want to make sure I cite Mr. Selim's work personally, and then also from an organizational perspective. Thank you.

Mr. PERLMUTTER. I yield back.

Chairman CLEAVER. Thank you.

The gentleman from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman.

I appreciate my friend, Chairman Cleaver, for holding this important hearing, and I appreciate my friend, Mr. Hill, as ranking member, for allowing me to weigh in on this important topic.

I want to focus on this recent wave of anti-Semitic violence, the attacks in New York, New Jersey, and Pittsburgh last year, and San Diego. I don't care if it is right-wing extremism or left-wing extremism; this is extremism. It is wrong. It is not, and shouldn't be, a partisan issue. It is right versus wrong. And I am greatly concerned with the growing network of nongovernmental organizations

in the United States and other western countries which, in recent years, have engaged in an organized and well-coordinated boycott, divestment, and sanctions, or BDS, campaign against Israel.

Mr. Selim, I know your organization is very focused on this.

These NGOs often claim to stand for Middle East peace or against Israel apartheid or for justice for Palestinians in so-called occupied territory. But the reality is that many of these NGOs have direct financial ties to designated terrorist organizations, including Hamas and the Popular Front for the Liberation of Palestine.

I want to draw your attention to Executive Order 13224, which is a post-9/11 Executive Order that President Bush signed. It directs the Treasury, State, and Justice Departments to coordinate in order to cut off funding to designated terrorist organizations, block their assets, and prohibit any U.S. person or business from transacting with them.

The current list of specially designated nationals contains thousands of individuals and entities that have ties to terrorism in Israel and in the Middle East. There is evidence that certain grass-roots organizations based in the United States may have financial ties to Hamas and other SDNs.

For example, the American Muslims for Palestine (AMP) organization is headquartered in Palos Hills, Illinois, and describes its mission as, "supporting campus activism as well as working in broad-based coalitions focused on BDS."

According to testimony to Congress from a former Treasury Department terrorism finance analyst, at least seven individuals who work for or on behalf of AMP have worked for or on behalf of organizations previously shut down or held civilly liable in the United States for providing financial support to Hamas. And AMP is a prominent financial backer of Students for Justice in Palestine, a network of more than 100, "pro-Palestinian student groups across the U.S. which disseminate anti-Israel propaganda, often laced with inflammatory, and at times, combative rhetoric." That is from the Anti-Defamation League.

Identifying and countering these types of groups through available authorities under 13224 must be a high priority for the Federal Government.

Ms. McCord, in your testimony, you discussed some of the challenges with identifying and countering domestic extremist organizations due to, among other things, the First Amendment. How can the government do a better job of identifying and countering domestic groups like the ones I just mentioned, where there is evidence of financial ties to SDNs?

Ms. MCCORD. When you are talking about organizations like Hamas, that is a designated foreign terrorist organization. And if there are organizations or individuals here in the United States that are providing material support or resources to Hamas, that is a very easy investigation for the Bureau to open and for Treasury and State to look into that, because that would directly violate U.S. criminal law.

If we are talking about independent advocacy by U.S.-based organizations that might support ideologies of foreign terrorist organizations, if it is not directed or funded by a foreign terrorist organi-

zation, that is a First Amendment right because the Supreme Court has said so.

Mr. BARR. Sure. And I understand that. I am sensitive, and I am an advocate of the First Amendment, as we all are. The problem here is that there is documented evidence of financial support from designated terrorist organizations to some of these NGOs. And in July, Congressman Stivers and I sent a letter to OFAC asking for a briefing on their process for designating entities and how they use their authorities under 13224. And during that briefing, they made it very clear that in addition to OFAC, the FBI plays an important role in investigating domestic entities that may have ties to these foreign terrorist organizations. We have sought a follow-up briefing from the FBI to learn more about their procedures and made numerous requests for information, and they have yet to provide it.

The FBI has a lot of problems right now. And we know that it is an important element of the construct of combating financing for terrorist groups that the FBI investigate this, so I am very disappointed that the FBI is not being responsive to us and that they declined to participate in this hearing. And we are going to continue to push the FBI to investigate this.

I yield back, and I appreciate being able to participate in this hearing.

Chairman CLEAVER. Thank you.

The gentleman from California, Mr. Sherman, who is also the Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is now recognized for 5 minutes.

Mr. SHERMAN. Thank you.

I want to pick up on the comments of the gentleman from Kentucky. A decade ago, I brought to the attention of the IRS an organization who was advertising on their website that you could get a tax deduction for giving money to Hamas. I still don't think they have acted—well, I think they acted a few years ago, but it took them many years.

But speaking of Hamas, if you go to a Hamas website, they will instruct you as to how to make a donation using cryptocurrency. And so I want to focus on cryptocurrency a little bit, because if it works for Hamas, it will work for the Nazis too.

I have criticized cryptocurrency in this room before. A few of you are aware of that. And I have been deluged with all of the argumentation of the fervent supporters of cryptocurrency. And if you read it, it is clear that one of the big pluses they have is that it weakens the U.S. Federal Government, evades the U.S. Federal Government.

Mr. Zuckerberg was at that table just a couple of months ago. He says that, when he creates a new cryptocurrency, Facebook will follow the know-your-customer rules and the anti-money-laundering rules, but then the paper published by his company says, "And then, we will have other business partners who will allow for anonymous accounts."

So if the Libra ever becomes an efficient currency, Mr. Zuckerberg can say that he is not facilitating anonymous accounts; he is just having his business partners do it as part of a structure that he has created. And I would say that anonymous accounts and

Know-Your-Customer (KYC), there is no way to square those two things.

On October 21st of last year, FinCEN Director Kenneth Blanco gave remarks at a Georgetown University event where he discussed cryptocurrency and illicit finance. During his remarks, he indicated that those in the crypto businesses are arguing that they are incapable of complying with FinCEN's anti-money-laundering and know-your-customer rules and, therefore, should be exempted.

I will ask the entire panel: Have you seen evidence of domestic extremist organizations moving toward or exploring the use of cryptocurrencies in order to disguise their financial transactions?

Mr. MAPLES. I will begin by saying I did cite that in my opening remarks and certainly in my written testimony in a little more robust way. We have seen evidence of that. One clear-cut example is the Charlottesville example that I cited. There was a cryptocurrency exchange.

And we do see evidence that domestic terror groups are realizing that foreign groups, like you mentioned, foreign terrorism groups like Hamas, like you mentioned, have been operating using Bitcoin due to the encryptions, due to the difficulties in tracking those transactions. So, we are seeing it.

Cryptocurrency, of course, is a small subset of the American financial system, the world financial system.

Mr. SHERMAN. If I can interrupt, I am not sure that you will ever be able to buy a ham sandwich for a Bitcoin, but Facebook is a powerful organization. If they go with the Libra, it will no longer be an inefficient system.

I also want to point out that we really have to focus on preventing these organizations from getting military-style weapons. We have seen a lot of terrorist attacks. They don't involve an amount of money that is hard to get—they should—but they involve weapons that should be impossible to get. And while we have to turn off the finances to these organizations, we also have to focus, or at least another committee has to focus on that.

I am also concerned about the definition of what is a terrorist group. This country could move radically to the right or the left. In fact, I think it may be given that choice in just a few months. It could move—we on the left think it is going to move that way. It could move as far to the right of Trump as Bernie is to the left of Trump.

Do the statutes allow a President to designate pro-choice organizations or abortion providers as terrorists if they declare that the unborn is somehow a group subject to oppression? Are our statutes clear enough on that to prevent that from happening no matter who is elected President?

Does anybody have a comment?

Ms. McCord?

Ms. MCCORD. Yes. Thank you.

Right now, there is no authority, statutory or otherwise, for designating domestic organizations as terrorist organizations. And as I indicated in my oral testimony, even if such authority were provided, either through statute or through Executive Order, I think it would run afoul of the First Amendment in most circumstances.

Mr. SHERMAN. Thank you.

Mr. CLEAVER. Thank you.

The gentleman from Massachusetts, Mr. Lynch, is recognized for 5 minutes.

Mr. LYNCH. Thank you very much, Chairman Cleaver, and I appreciate the work that you have done on this issue. It is an important issue, but it is tough to get at.

So, as the Chair of the Task Force on FinTech, and someone who has worked with FinCEN in the past on terrorist financing, we have a whole framework there where the KYC that we use in the international context is also assisted by suspicious transaction reports that are filed with FinCEN, cash transaction reports that are filed with FinCEN. I think there were 15.8 million CTRs filed by financial institutions in 2019 and 1.5 million suspicious activity reports.

FinCEN, in the past, has said that in order to find a needle in a haystack, you need a haystack. So they get all this data, and then they are able to dig through it.

We don't get nearly the volume of information on the domestic side. I am trying to figure out how do we get at this, in terms of trying to identify a prospective domestic terrorist? We don't have a similar mechanism to do that, do we?

We don't ask local banks, even traditional banks—let's put mobile banking aside for a minute. We don't even get that information from our local banks, do we?

Mr. SELIM. Sir, if I may?

Mr. LYNCH. Yes.

Mr. SELIM. Thank you for your question, Congressman.

I think there are a number of steps, to address your question, that can lead up to reporting that eventually creates a better ecosystem of data to prevent domestic terrorism and extremism: improving reporting mechanisms; increasing transparency; and enhancing the training for trust and safety teams across financial institutions and financial service platforms online.

These are the core building blocks to ensure that, if and when reporting to regulatory or State and local law enforcement is required, that that reporting is accurate and substantively helpful.

Mr. LYNCH. I see.

I am not saying we should go there in terms of vetting domestic, U.S. citizens without probable cause or anything like that in a fashion that would be intrusive. I am just trying to get my arms around, how do we, for these low-dollar amounts and with the emergence of mobile banking, which doesn't readily acknowledge the existence of borders, how might we better approach this problem from a domestic standpoint?

Are there other measures out there that you think might be helpful, Ms. Miller? And we greatly appreciate the support that Congress gets from CRS, we really do, the Congressional Research Service. We all utilize your subject-matter experts on a regular basis. We really do appreciate your great work.

But are there specific measures that you might suggest Congress might take up in order to more accurately predict and prevent something like this from emerging?

Ms. MILLER. I am going to make two points. One, which I will make first, is about the financial system writ large.

Mr. LYNCH. Yes.

Ms. MILLER. It is that the more transparency there is in the financial system, the easier it can be for law enforcement, FinCEN, intelligence agencies to track the financing of individuals, whether it is international or domestic terrorists or others.

There is an issue with legislation in this Congress, the beneficial ownership bills that your committee worked with, that does address, in a way you have chosen, the issue of financial transparency in the system as a whole. The purpose of it is to try, as I read it, to prevent illicit actors or others from using legal entities to store money, move money, or hide money under assumed names without any sort of identification procedures about who really controls those.

Mr. LYNCH. Yes.

Ms. MILLER. It is possible that other prosecutors or law enforcement officials might have something to say. There have been views on both sides, concerns about privacy or cost. But, again, that issue of financial transparency in the system writ large is relevant here.

On the question of data and preventing the next attack, I would say it is also important to think, first, what type of data, what type of information is it that would be most useful, and then, second, who in the current system has access to that data and at what point in time?

It seems to me that, with changing technology, we are less constrained if data itself is standardized. In looking at very large amounts of data, the bigger question is, what type of data is useful, who has access to that data, and when and how?

Mr. LYNCH. That is great.

Mr. Chairman, thank you for your indulgence, and I yield back.

Chairman CLEAVER. Thank you.

I want to really, really express our appreciation to the witnesses. You have been great, and we appreciate the information you have given us.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

I would also like to say that we are going to receive some additional information from other religious organizations not necessarily represented here, and judiciaries.

The hearing is now adjourned, unless there is any critical information that you can give us that we don't already have.

Thank you. We are adjourned.

[Whereupon, at 12:12 p.m., the hearing was adjourned.]

A P P E N D I X

January 15, 2020

**Testimony of Lecia J. Brooks
Southern Poverty Law Center
Before the
Subcommittee on National Security, International Development and Monetary Policy
U.S. House Committee on Financial Services

A Persistent and Evolving Threat: An Examination of the Financing of Domestic
Terrorism and Extremism
January 15, 2020**

My name is Lecia Brooks. I am a member of the senior leadership team at the Southern Poverty Law Center (SPLC). We are a civil rights organization founded in 1971 and based in Montgomery, Alabama, with offices in five Southern states and Washington, D.C. For more than three decades, the SPLC has been monitoring, issuing reports about, and training law enforcement officials on far-right extremist activity in the United States. Each year since 1990, we have conducted a census of hate groups operating across America, a list that is used extensively by journalists, law enforcement agencies and scholars, among others.

I would like to make three main points.

First, we are witnessing a surging white nationalist movement in the United States that is part of a larger, global movement linked by the idea that white people are being displaced, in part by migrants, in countries they believe should belong to them. This extremist movement represents a global terrorist threat and should be treated as such. Unfortunately, the words and actions of our president have energized and emboldened the white nationalist movement in the United States.

Second, this movement is rooted in a toxic, anti-democratic white supremacist ideology that is metastasizing on social media networks and other websites that traffic in hate. These networks are not only radicalizing people but are, in effect, incubating new terrorists – typically young white men who are motivated to act by what they call “white genocide.”

Third, we would like to recommend ways in which technology companies – including social media sites and online pay portals – can disrupt the funding, organizing and recruiting efforts of hate groups and bad actors who seek to normalize racism, antisemitism, and anti-immigrant ideologies as well as sexism and anti-LGBTQ animus.

The White Nationalist Movement Represents a Global Terrorism Threat

On August 3, 2019, the United States witnessed yet another mass shooting – this time in El Paso, Texas, where 22 people were killed and more than 20 were injured. Shortly before the shooting took place, a [four-page manifesto](#) appeared online, reportedly written by the shooter. The manifesto contained white nationalist talking points on “demographic displacement,” “white

genocide” and “illegal immigration.” Much of its language mirrors that of President Trump’s rhetoric about a so-called “immigrant invasion” posing threats to American jobs and safety.

Technology companies, especially social media platforms, play an enormous role in the spread of hateful rhetoric and ideas, which can lead to the radicalization of people online.

Though the U.S. government has, since 911, devoted enormous resources to fighting international terrorism spawned by radical forms of Islam, it has done relatively little to combat another, increasingly virulent source of terror, one that has claimed many more lives in recent years: the white nationalist movement.

On March 15, 2019, a white nationalist massacred 51 Muslim worshipers at two mosques in Christchurch, New Zealand, and livestreamed one of the attacks on Facebook. On the killer’s weapon was written the white supremacist slogan known as the 14 words – “We must secure the existence of our people and a future for white children” – and coined by the infamous neo-Nazi terrorist David Lane. In what has become commonplace for white nationalist terrorists, the Christchurch killer also left a manifesto bearing the unmistakable fingerprints of the so-called “alt-right,” both in tone and reference. It celebrated the Norwegian terrorist Anders Breivik as well as Charleston terrorist Dylann Roof. It spoke of “invaders” who “replace” white people – the same kind of language used by Roof and other white nationalist terrorists.

When asked after the Christchurch massacre if he believed white nationalists were a growing threat, the president said, “I don’t really. I think it’s a small group of people that have very, very serious problems. It’s certainly a terrible thing.”¹

The president is wrong to dismiss the significant threat of violence represented by this movement. In fact, as we have seen in recent months, one terrorist inspires another to act.

On April 27, five weeks after Christchurch, a gunman walked into the Chabad of Poway synagogue in California and opened fire. A 60-year-old woman observing Passover was killed. Many more might have been slaughtered if the gunman’s assault rifle had not jammed. The man accused of the murder, John Earnest, posted an “open letter” littered with the same racist and antisemitic tropes that other white nationalist terrorists wrote before him. He praised Brenton Tarrant, the man charged in Christchurch, writing that Tarrant “was a catalyst” for him. “He showed me that it could be done. It needed to be done.”²

The Poway shooting occurred exactly six months after 11 Jews were massacred at the Tree of Life synagogue in Pittsburgh by a man who reportedly shouted “All Jews need to die” before he opened fire.

¹ Colby Itkowitz, “Trump says white nationalism is not a rising threat after New Zealand attacks: ‘It’s a small group of people,’” *The Washington Post*, March 25, 2019, at https://www.washingtonpost.com/politics/trump-offers-us-assistance-after-horrible-massacre-in-new-zealand/2019/03/15/931833d2-4712-11e9-aaf8-4512a6fe3439_story.html?utm_term=.24c80ecba2b9.

² Ebony Bowden, “Synagogue shooting suspect’s parents say son is part of ‘history of evil,’” *New York Post*, April 29, 2019, at <https://nypost.com/2019/04/29/synagogue-shooting-suspects-parents-say-son-is-part-of-history-of-evil/>.

The “small group of people” that President Trump referenced has spawned the likes of Dylann Roof, killer of nine African-American worshipers in Charleston; Anders Breivik, killer of 77 people in Norway; Robert Bowers, the accused Pittsburgh shooter; Wade Michael Page, murderer of six Sikhs at a Wisconsin temple; and James Alex Fields, killer of anti-racist protester Heather Heyer in Charlottesville, Virginia. Many other white nationalists in recent years – far too many to list – have also committed hate-inspired violence or been arrested before they could launch terror attacks.

According to the SPLC’s analysis, more than 100 people in the United States and Canada have been killed in attacks committed by extremists linked to the white supremacist movement since 2014. All of the perpetrators interacted with extremist content online.

In our view, the most important factor driving this movement and its violence is the fear and resentment over the nation’s changing demographics. The U.S. Census has projected that sometime in the 2040s white people will no longer be a majority in the United States.

This nativist fear is not new. We began to see sharp increases in the number of U.S.-based hate groups around the turn of the century, following a decade in which the unauthorized immigrant population doubled, rising from 3.5 million to 7 million.³ In 1999, we counted 457 hate groups. That number more than doubled – to 1,018 – by 2011, two years into the Obama administration. But, after that peak, the number began to decline steadily, to a low of 784 by 2014.

Our latest count shows that hate groups operating across America rose to a record high in 2018. It was the fourth consecutive year of growth – a cumulative 30% increase that coincides roughly with Trump’s campaign and presidency – following three straight years of declines.⁴ We also found that white nationalist groups in 2018 rose by almost 50% – from 100 to 148 – over the previous year.⁵

Racist and antisemitic violence has followed the same escalating pattern. FBI statistics show that overall hate crimes fell slightly in 2018, although those involving violence (as opposed to property) reached a 16-year high. This followed a 30% increase in hate crimes during the three-year period ending in 2017.⁶

Since the campaign, Trump has continued to energize the white nationalist movement through both his words and his policies. For example, he famously insisted there were “very fine people” among the hundreds of neo-Nazis and other white supremacists who marched in the

³ Marc R. Rosenblum and Ariel G. Ruiz Soto, August 2015, “An Analysis of Unauthorized Immigrants in the United States by County and Region of Birth,” Migration Policy Institute, at <https://www.migrationpolicy.org/research/analysis-unauthorized-immigrants-united-states-country-and-region-birth>.

⁴ “The Year in Hate: Rage Against Change,” *Intelligence Report*, Southern Poverty Law Center, February 20, 2019, at <https://www.splcenter.org/fighting-hate/intelligence-report/2019/year-hate-rage-against-change>.

⁵ In a clear reaction to President Trump’s words and policies, black nationalist groups have also expanded their ranks, growing from 233 chapters in 2017 to 264 in 2018. These groups are typically antisemitic, anti-white, and anti-LGBT. Unlike white nationalist groups, however, they have virtually no influence in mainstream politics.

⁶ “2017 Hate Crime Statistics,” FBI, at <https://ucr.fbi.gov/hate-crime/2017>.

streets of Charlottesville, Virginia, in August 2017, shouting slogans like “Jews will not replace us.”⁷ In 2018, he called Haiti and majority-black countries in Africa “shithole countries.”⁸ He has also implemented draconian policies at the U.S.-Mexico border, separating migrant children from their families, imprisoning tens of thousands of immigrants, and virtually shutting down the asylum system.

In some cases, violent acts by extremists appear to have been motivated by Trump’s words or by support for him. In March 2019, Cesar Sayoc, a Trump supporter, pleaded guilty to charges related to a mail bomb campaign in which he sent 16 devices to Democratic politicians, media figures, and other prominent critics of the president in October 2018, just before the midterm elections.⁹ At the time, Trump was raging about the so-called caravan that was bringing an “invasion” of migrants to the United States. Sayoc’s targets included George Soros, a Jewish billionaire who funds progressive causes. Soros was the subject of a false alt-right conspiracy theory – spread on social media and even parroted by mainstream politicians – that claimed he was orchestrating and funding the caravan.¹⁰ The theory dovetailed with white nationalist notions that Jews, more generally, are working to facilitate immigration.

Similarly, a study released in March 2018 found that President Trump’s tweets on Islam-related subjects were highly correlated with anti-Muslim hate crimes and that a rise in anti-Muslim hate crime since Trump’s campaign was concentrated in counties with a high Twitter usage.¹¹

White Supremacist Terrorists Are Being Incubated on Both Extremist and Mainstream Social Media Sites

The President has undoubtedly energized the white nationalist movement. But nothing has helped facilitate the process of far-right radicalization like the internet. Long before Donald Trump entered office, white supremacists around the world began constructing a robust, online ecosystem that indoctrinates people – especially young white men – into the world of hate. The dramatic rise in white nationalist hate groups and white supremacist killers in recent years is a testament to its effectiveness. Indeed, in the manifesto he posted online prior to murdering 51 Muslim worshipers in Christchurch, the killer posed a question to himself: “From where did you receive/research/develop your beliefs?” He answered thusly: “The internet, of course. You will not find the truth anywhere else.”

⁷ Ashley Parker, “How Trump has attempted to recast his response to Charlottesville,” *The Washington Post*, May 7, 2019, at https://www.washingtonpost.com/politics/how-trump-has-attempted-to-recast-his-response-to-charlottesville/2019/05/06/8c4b7fc2-6b80-11e9-a66d-a82d3f3d96d5_story.html?utm_term=.4d386b48cd27.

⁸ Eli Watkins and Abby Phillip, “Trump decries immigrants from ‘shithole countries’ coming to US,” *CNN*, January 12, 2018, at <https://www.cnn.com/2018/01/11/politics/immigrants-shithole-countries-trump/index.html>.

⁹ Benjamin Weiser, “Trump Supporter Sobs as He Describes Mailing Bombs to Obama, Clinton and Other Democrats,” *The New York Times*, March 21, 2019, at <https://www.nytimes.com/2019/03/21/nyregion/cesar-sayoc-trump-mail-bomber.html>.

¹⁰ Brad Heath, Matt Wynn and Jessica Guynn, “How a lie about George Soros and the migrant caravan multiplied online,” *USA Today*, October 31, 2018, at <https://www.usatoday.com/in-depth/news/nation/2018/10/31/george-soros-and-migrant-caravan-how-lie-multiplied-online/1824633002/>.

¹¹ Karsten Müller and Carlo Schwarz, “Making America Hate Again? Twitter and Hate Crime Under Trump,” March 30, 2018, available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3149103.

The Christchurch killer's online radicalization narrative is now a terrifyingly common one. Before the days of the internet, far-right extremists typically had to publish and disseminate propaganda in printed form. Most Americans were simply never exposed to this material. Now, white nationalists commonly develop their views by coming into contact with extremist content online – either on social media or other sites that are fine-tuned to encourage young men to blame their real and perceived grievances on racial and religious minorities, immigrants, women, and others.

We've seen numerous examples of men who were radicalized online and went on to commit acts of terrorism.

Dylann Roof became convinced that black people pose a tremendous threat of violence to white people after he typed "black on white crime" into Google's search engine and found himself on the website of the Council of Conservative Citizens, a white nationalist hate group that has called black people "a retrograde species of humanity." Robert Bowers' antisemitic beliefs were reinforced on Gab, a social media site crawling with references to "white genocide" and posts encouraging others to commit acts of violence against Jews. In his manifesto, John Earnest referred to his fellow users on the white-supremacist friendly forums 4chan and 8chan as his "brothers" before encouraging them to commit attacks of their own.

White supremacists hoping to disseminate their propaganda have been helped immeasurably by social media companies that are, in some cases, unwilling to moderate hateful or extremist content. Twitter, for example, allows some of the most prominent leaders of the white nationalist movement – including David Duke and Richard Spencer – to maintain accounts. YouTube is one of the most efficient radicalizing forces on the internet, one that white nationalists frequently credit with first introducing them to ethnonationalist ideas.

When tech companies do decide to act against hate, it is often only after a violent attack has occurred. They need to proactively address the problem of extremist content on their platforms rather than simply react after people have been killed.

Most people who associate with the white nationalist movement do not belong to a formal hate group but act as part of loosely organized communities of extremists who congregate around online propaganda hubs. The neo-Nazi website Daily Stormer, for instance, has cultivated a massive following of readers who daily consume content that tells them that the Holocaust was a hoax, that Jews are committing a genocide against white people, and that there is an impending race war in the United States. The site often presents this content under layers of humor that are designed to desensitize readers to grossly racist content and ease them into the world of hate. This is part of its strategy to recruit impressionable young people. Andrew Anglin, who runs the Daily Stormer, has said that his site is "mainly designed to target children."¹²

Social media and sites like the Daily Stormer have helped to cultivate an enormous online white nationalist movement – one that is now actively embracing violence as a solution to "white

¹² "Andrew Anglin brags about 'indoctrinating' children into Nazi ideology," Hatewatch, January 18, 2018, at <https://www.splcenter.org/hatewatch/2018/01/18/andrew-anglin-brags-about-indoctrinating-children-nazi-ideology>.

genocide.” Though many extremists see Trump as a fellow traveler – or even as a champion of their movement – they are frustrated with the pace of political change and, therefore, increasingly believe that they can bring about their ethnonationalist vision only through acts of violence.

Violent attacks by far-right extremists are growing in frequency and becoming more deadly. In a 2019 report, the Anti-Defamation League found that domestic extremists killed 50 people in 2018 – up from 37 in 2017 – and that “every single extremist killing – from Pittsburgh to Parkland – had a link to right-wing extremism.”¹³ Violence in the name of white supremacy encourages others to carry out similar attacks. An analysis by *The New York Times* found that “at least a third of white extremist killers since 2011 were inspired by others who perpetrated similar attacks, professed a reverence for them or showed an interest in their tactics.”¹⁴

There are entire online spaces – including the forum Fascist Forge, threads on the social media sites Gab and Telegram, and many others – that exist solely to provide training and advice about how to carry out acts of violence; to disseminate polemical texts that promote racial terrorism; to encourage followers to commit their own violent attacks; and to venerate those who have carried out acts of domestic terrorism in the name of white supremacy.¹⁵ These online spaces are incubating future terrorists.

Many adherents to white nationalist ideology look upon white supremacist mass killers with a degree of religious reverence; it is not difficult to find images on social media of men like Roof, Bowers, and Earnest depicted as saints. Until the SPLC brought it to the attention of the website Teespring in 2019, T-shirts and mugs with the images of six white supremacist killers under the words “Praise the Saints” were available for purchase on the site.¹⁶ Men who commit acts of terrorism in the name of white supremacy are, in effect, promised they will be canonized within the movement.

These websites are not only radicalizing potential terrorists, they are injecting toxic white supremacist ideology and other extremist ideas into the mainstream. A Twitter employee who works on machine learning told *Vice* last year that Twitter has not taken an aggressive approach to removing white supremacist content from its platform because any algorithm it would use to identify objectionable content would also flag the accounts of some Republican politicians. “Banning politicians wouldn’t be accepted by society as a trade-off for flagging all of the white supremacist propaganda, he argued.”¹⁷ The president himself has retweeted content that

¹³ “Murder and Extremism in the United States in 2018,” ADL Center on Extremism, January 2019, at <https://www.adl.org/murder-and-extremism-2018>.

¹⁴ Weiyi Cai and Simone Landon, “Attacks by White Extremists Are Growing. So Are Their Connections,” *The New York Times*, April 3, 2019, at <https://www.nytimes.com/interactive/2019/04/03/world/white-extremist-terrorism-christchurch.html>.

¹⁵ “Atomwaffen and the SIEGE parallax: how one neo-Nazi’s life’s work is fueling a younger generation,” Hatewatch, February 22, 2018, at <https://www.splcenter.org/hatewatch/2018/02/22/atomwaffen-and-siege-parallax-how-one-neo-nazi%E2%80%99s-life%E2%80%99s-work-fueling-younger-generation>.

¹⁶ Michael Edison Hayden (@MichaelEHayden), Twitter (May 29, 2019, 2:12 PM), at <https://twitter.com/MichaelEHayden/status/1133843617410424834>.

¹⁷ Joseph Cox and Jason Koebler, “Why Won’t Twitter Treat White Supremacy Like ISIS? Because It Would Mean Banning Some Republican Politicians Too,” *Vice*, April 25, 2019, at

originated in white nationalist networks, such as in August 2018 when he tweeted about the “large-scale killing” of white farmers in South Africa.¹⁸ He also has praised the reputation of far-right, internet conspiracy theorist Alex Jones as “amazing.”¹⁹

Technology Companies Must Act to Disrupt the Funding of Hate Online

For decades, the SPLC has been fighting hate and exposing how hate groups use the internet. We have lobbied internet companies, one by one, to comply with their own rules to prohibit their services from being used to foster hate or discrimination. A key part of this strategy has been to target these organizations’ funding.

Hate group sites are funded by peer-to-peer interaction, not by large donors. Even a small amount of money can go a long way in spreading hate online. These groups and individuals are able to spread their toxic ideologies far and wide through ads and events that cost relatively little.

The first targets of our attack against hate group funding online were PayPal, Apple’s iTunes and Amazon. The SPLC found that at least 69 hate groups were using PayPal, the world’s largest online payment processor, to collect money from merchandise sales and donations. PayPal was earning a fee from each transaction, and essentially served as the banking system for white nationalism.

At iTunes, the SPLC identified at least 54 white-power bands that were earning 70 cents for each downloaded song. Amazon, too, was selling racist music, and groups were earning commissions by sending their users to Amazon to buy products. Within days of an SPLC expose in November 2014, Apple vowed to purge racist music and immediately began removing dozens of offensive bands from iTunes.

We continued our campaign over the months and years that followed, publishing reports and sharing information with the news media about the many ways Silicon Valley was enabling the spread of hate.

The former Klansman David Duke and others like him had their own channels on YouTube. Numerous hate groups had Facebook pages. Google was placing ads on hate group websites, funneling money to them from mainstream advertisers. The hugely popular website Reddit, too, was hosting racist content categories, or subreddits, with names that included racial slurs. Twitter was awash in racist comments. And racist websites like Stormfront and the Daily Stormer were hosted and serviced by a variety of reputable companies.

https://www.vice.com/en_us/article/a3xgq5/why-wont-twitter-treat-white-supremacy-like-isis-because-it-would-mean-banning-some-republican-politicians-too.

¹⁸ Julie Hirschfeld Davis and Norimitsu Onishi, “Trump’s South Africa Tweet Seems to Embrace Racist Narrative on Land Dispute,” *The New York Times*, August 23, 2018, at <https://www.nytimes.com/2018/08/23/us/politics/trump-south-africa-land.html>.

¹⁹ Eric Bradner, “Trump praises 9/11 truther’s ‘amazing’ reputation,” *CNN*, December 2, 2015, at <https://www.cnn.com/2015/12/02/politics/donald-trump-praises-9-11-truther-alex-jones/index.html>.

The public exposure was half the battle. We conducted the other part of the campaign privately. SPLC officials held dozens of meetings with top Silicon Valley executives. Some companies acted. Some took half steps. Others did little or nothing. But eventually, the far-right extremists who depended on Silicon Valley were beginning to feel the pain. “[S]lowly, methodically, the SPLC and other such groups are moving to cut off the miniscule financial support that sustains what little counter-culture is left,” complained the white nationalist *Radix Journal* in May 2015.

Our campaign really began to see results in June 2015, when Dylann Roof massacred nine African Americans at the Emanuel AME Church in Charleston. As a shocked nation mourned, the SPLC alerted PayPal that a key point in Roof’s radicalization came when he found racist propaganda on the website of the hate group Council of Conservative Citizens. Days later, PayPal canceled the group’s service.

Then, Google began aggressively pulling ads from hate group websites. Reddit dumped some of its most offensive subreddits. Other companies began to act with greater urgency. The SPLC kept up the pressure, cajoling companies and exposing those that dragged their feet.

Then, two years after the Charleston massacre, the dam burst. In August 2017, hundreds of white supremacists gathered under the umbrella of the “alt-right” in Charlottesville, Virginia, to protest the planned removal of Confederate statues. Violence broke out, and young anti-racist demonstrator Heather Heyer was murdered in the melee. Two law enforcement officers also were killed in a helicopter crash.

The SPLC revealed that organizers, speakers and attendees of the rally relied heavily on PayPal to raise money and move funds around during the run-up to the event. Responding immediately, the company dropped many of the accounts named by the SPLC, including that of key white nationalist Richard Spencer, who organized the rally. “As much as I hate to say it, these attacks have been extremely detrimental to my ability to move forward,” Spencer told *HuffPost*.

Within days of the rally, the websites Stormfront and Daily Stormer vanished as their providers pulled their services. Other companies acted as well, and several reached out to the SPLC to identify hate groups among their clients. In the months that followed, numerous extremists lost access to social media platforms like Twitter, YouTube and Facebook.

Extremists and their allies, again, blamed the SPLC. “[T]he radical Southern Poverty Law Center (SPLC) has slimed its way through the doors of the biggest tech companies out there, offering its services as the leading censor of conservative voices,” the hate group American Free Press wrote last June. In August 2018, anti-Muslim hate leader David Horowitz said, “The reason Mastercard and Visa gave us for cutting us off and thus sabotaging our online fund-raising operation is that the SPLC told them that we were a hate group.”

On Oct. 25, 2018, the Change the Terms coalition – including the SPLC and other civil rights groups – released a suite of recommended policies for technology companies that would

take away the online microphone that hate groups use to recruit members, raise funds and organize violence.

In response to Change the Terms' advocacy, several Silicon Valley leaders have made promising changes that align with the coalition's vision for a safer online world. In March 2019, Facebook banned prominent white supremacists, published a report on content removal and made changes to its Livestream feature while also accepting the coalition's recommendations on tracking URLs from extremist sites.

In May 2019, Internet-infrastructure firm Cloudflare cut its services to 8chan, an infamous online forum. The move came nearly two days after the mass shooting in El Paso, Texas, in which the alleged gunman posted an anti-Latinx manifesto on 8chan 20 minutes before murdering 22 people.

In June 2019, YouTube announced a broadened hate-speech policy, in which "content that alleges a group is superior in order to justify discrimination on characteristics like age, race, caste, gender, religion, sexual orientation, or veteran status" would be prohibited.

These shifts have made the internet safer for millions of people, but the work is far from finished.

In November 2019, Facebook announced that it was taking down substantially more posts containing hate speech from its platform than ever before, claiming that it removed more than 7 million instances of hate speech in the third quarter of 2019, an increase of 59% over the previous quarter. More and more of that hate speech (80%) is now being detected not by humans, Facebook said, but automatically, by artificial intelligence.

Hate groups have clearly been damaged by the efforts of the SPLC and its allied organizations, including the Change the Terms coalition, to fight them and their funding sources online. But the fight is far from over. Many extremists are finding new, though often obscure, internet platforms along with technology providers that don't mind providing them with services.

Charities Must Also Be Vigilant in Fighting Hate Online

Charities also have a role to play in fighting hate online by blocking donations to hate groups. Charitable gift funds – including the largest charity in the United States – are helping dozens of hate groups raise millions of dollars by allowing their donors not to reveal their identities.

Donors Trust, Fidelity Charitable Gift Fund, Schwab Charitable Fund, and Vanguard Charitable are donor-advised funds that allow individual donors to have accounts from which they can contribute to the nonprofits of their choice. From mid-2014 through 2017, these four donor-advised funds combined to funnel nearly \$11 million to 34 organizations that we have identified as hate groups, according to a Sludge analysis of recent tax filings. Among these groups are 12 anti-LGBTQ groups, 12 anti-Muslim groups, eight anti-immigrant groups, one

white nationalist group and one “radical traditionalist Catholic” group. The white nationalist organization VDARE Foundation received \$46,000.

These donor-advised funds companies are serving as financial pass-throughs to hate groups.

**The Federal Government Has Long Failed to Devote the Resources Needed
to Combat the Threat of the White Nationalist Movement**

Following the violence at the white supremacist “Unite the Right” rally on the weekend of Aug 11-12, 2017, in Charlottesville, Virginia – which left an anti-racist counter-demonstrator dead and more than 30 people injured – Congress unanimously passed a joint resolution urging the Trump administration to “use all available resources” to address the threat from groups that espouse white supremacy. The resolution further called on the attorney general and other federal agencies to vigorously prosecute criminal acts by white supremacists and to improve the collection and reporting of hate crimes.²⁰

Clearly, little or nothing has been accomplished to improve the collection and reporting of hate crimes. (The Justice Department acknowledges that hate crimes are vastly underreported. Its Bureau of Justice Statistics estimates that there are as many as 250,000 hate crimes in our country each year.²¹ Yet, in its 2018 report, the FBI counted just 7,120 hate crime incidents.²²)

In terms of addressing white supremacist terror, we know very little about what this administration is doing or whether it is taking any steps whatsoever to counter the threat.

What we do know is that the Department of Homeland Security (DHS) has disbanded a group of intelligence analysts who focused on the threat of domestic terrorism. As part of the department’s Office of Intelligence and Analysis (I&A), these analysts shared information about possible domestic terror threats with state and local officials to help protect communities.²³ One DHS official told the *Daily Beast* for an April 2, 2019, report: “We’ve noticed I&A has significantly reduced their production on homegrown violent extremism and domestic terrorism while those remain among the most serious terrorism threats to the homeland.”²⁴

There are other causes for concern. In 2017, six months into the president’s term, the FBI’s Domestic Terrorism Analysis Unit, part of the bureau’s Counterterrorism Division, warned of the rise of a “black identity movement.”²⁵ The report was issued to law enforcement agencies across the country just a week before the white supremacist rally in Charlottesville. The reality is

²⁰ S.J. Res 49, 115th Cong. (2017) (enacted).

²¹ Lynn Langton, “Hate Crime Victimization, 2004-2015,” Bureau of Justice Statistics, Office of Justice Programs, U.S. Department of Justice, June 29, 2017, at <https://www.bjs.gov/index.cfm?ty=pbdetail&iid=5967>.

²² “2018 Hate Crime Statistics,” FBI, at <https://ucr.fbi.gov/hate-crime/2018>.

²³ Betsy Woodruff, “Homeland Security Disbands Domestic Terror Intelligence Unit,” *Daily Beast*, April 2, 2019, at <https://www.thedailybeast.com/homeland-security-disbands-domestic-terror-intelligence-unit>.

²⁴ *Ibid.*

²⁵ Alice Speri, “Fear of a Black Homeland,” *The Intercept*, March 23, 2019, at <https://theintercept.com/2019/03/23/black-identity-extremist-fbi-domestic-terrorism/>.

that no such movement exists. Federal law enforcement agencies also have shown a pattern of viewing anti-fascist protesters as just as problematic as the deadly white supremacist movement.²⁶

We do not want to leave the impression that federal law enforcement agencies across the board have not taken domestic terrorism seriously. To be clear, the FBI and its joint terrorism task forces have thwarted numerous white supremacist terror plots in recent years. In February, for example, the FBI arrested U.S. Coast Guard Lt. Christopher Hasson, a self-avowed white nationalist who worked at the Coast Guard's headquarters in Washington, D.C., on charges related to what authorities said was a terrorist plot to attack politicians and journalists.²⁷ In Kansas, three men who called themselves "the Crusaders" were convicted in April 2018 for plotting to blow up an apartment complex where Somali refugees lived.²⁸ There are many other examples. (Indeed, the numerous examples of these plots reinforce the danger of this movement.)

But, there has not been the kind of sustained, coordinated focus at the highest levels to fight this growing threat. Since 9/11, our country has spent hundreds of billions of dollars to fight groups like Al Qaeda and ISIS. Comparatively, very little has been spent on domestic terrorism.

Congress Must Act to Combat White Nationalism and Racist Violence

To battle this metasticizing threat, we must act.

SPLC encourages corporations to create policies and terms of service to ensure that social media platforms, payment service providers, and other internet-based services do not provide platforms where hateful activities and extremism can grow and lead to domestic terrorism.

Removing hate groups from online platforms by removing their funding sources will prevent their ideas from reaching a wider audience and disrupt their networks.

Some technology companies have taken steps in the right direction, but internet companies must do far more to combat extremism and hate. To stem the rise of hate and domestic terrorism, we are encouraging tech companies to respect people over profits.

Thank you.

²⁶ Josh Meyer, "FBI, Homeland Security warn of more 'antifa' attacks," *Politico*, September 1, 2017, at <https://www.politico.com/story/2017/09/01/antifa-charlottesville-violence-fbi-242235>.

²⁷ Justin Jouvenal and Lynh Bui, "Coast Guard officer accused of terror plot remains in custody, but judge will consider terms of a release," *The Washington Post*, April 25, 2019, at https://www.washingtonpost.com/local/public-safety/coast-guard-officer-accused-of-terror-plot-remains-in-custody-but-judge-will-consider-terms-of-a-release/2019/04/25/78a04a20-66c1-11e9-a1b6-b29b90efa879_story.html?utm_term=.7ca98c72def3.

²⁸ Mitch Smith, "Kansas Trio Convicted in Plot to Bomb Somali Immigrants," *The New York Times*, April 18, 2018, at <https://www.nytimes.com/2018/04/18/us/kansas-militia-somali-trial-verdict.html>.

OFFICIAL TESTIMONY
OF
JARED M. MAPLES
DIRECTOR
NEW JERSEY OFFICE OF HOMELAND SECURITY AND PREPAREDNESS

FOR A HEARING ON

***“A Persistent and Evolving Threat: An Examination of the Financing of Domestic Terrorism
and Extremism.”***

BEFORE THE
United States House of Representatives
Subcommittee on National Security, International Development and Monetary Policy
of the House Committee on Financial Services

Wednesday, January 15, 2020

[INTRODUCTION]

Chairman Cleaver and Ranking Member Hill, thank you for the opportunity to testify before you today.

It is an honor to speak with you and share the intelligence gathered by my Office regarding sources of domestic terrorism funding, as it impacts New Jersey and the country as a whole.

The New Jersey Office of Homeland Security and Preparedness (NJOHSP) is tasked with coordinating counterterrorism, resiliency, and cybersecurity efforts across all levels of government, law enforcement, nonprofit organizations, and the private sector. NJOHSP is charged with bolstering New Jersey's resources for counterterrorism, critical infrastructure protection, preparedness, training, and federal grants management.

New Jersey faces a complex, diverse, and fluid security environment with real, pervasive, and evolving threats. NJOHSP defines domestic terrorism as violence committed by individuals or groups associated primarily with US-based movements, including anti-government, race-based, religious, and single-issue extremist ideologies.

Most domestic extremist attacks are committed by individuals unaffiliated or unassociated with a larger group network. Many of the cases I will discuss today highlight lone offenders who do not need large amounts of funding to conduct their operations, making it difficult to detect and prevent attacks. The most common tactics in domestic extremist attacks include easily obtainable weapons, such as knives, small arms, and vehicles. The cases of domestic terrorism I will mention have a direct nexus to New Jersey but serve as examples of the kind of activity prevalent throughout the United States.

My Office assessed that many of these organized domestic extremists' activities are funded through criminal enterprises such as the illicit sale of counterfeit goods, drug and weapon trafficking, cigarette smuggling, and various fundraising methods. During the course of criminal or terrorism investigations, we may find that money laundering is the most common source of funding because transactions are tracked by financial institutions. Lone wolf offenders will likely be self-funded in order to carry out their goals. Additionally, we cannot discount the future role of cryptocurrencies in funding acts of domestic extremism, both within New Jersey and across the United States.

[NJOHSP ACTIONS]

Our Office is proud of the collaborative progress we continue to make as a State for the safety and security of New Jersey. However, we recognize that our work is never complete, and continual improvement is the only way to succeed at protecting New Jersey and the country. NJOHSP has worked with many federal, State, and local government agencies during the course of investigations, including the New Jersey Office of the Attorney General, Homeland Security Investigations of the US Department of Homeland Security, High Intensity Drug Trafficking Areas of the US Drug Enforcement Administration, the New Jersey Department of the Treasury, county prosecutors' offices, the Social Security Administration, and the United States Postal Inspectors

Service. While we provide details on our ongoing efforts, be mindful that we always seek to improve our approach toward preventing these incidents from occurring in the first place.

A focus on prevention is key in stopping an incident before it starts and avoiding the need to employ response tactics. It is our goal to be first preventers instead of just first responders and make certain our communities embrace a culture of preparedness that invests equally in both practices.

The New Jersey Suspicious Activity Reporting System, or NJSARS, is part of an ongoing effort in New Jersey to increase our threat reporting. NJSARS shares information from suspicious activity reports (SARs) with law enforcement partners throughout the State. It is also linked to the FBI's national SAR system known as eGuardian, which partners with the Nationwide SAR Initiative (NSI) to form a single repository accessible to thousands of law enforcement personnel and analysts nationwide. We collect and analyze over 1,000 SARs every year and immediately share all of these leads with the FBI Joint Terrorism Task Force. Additionally, we will continue to prioritize the identification of suspicious activity, as well as ensure there is a clear path for reporting and addressing issues before an incident can occur.

While the domestic terrorism threat continues to evolve, our efforts have proven to be successful in building resiliency against attacks. When it comes to cybersecurity, we are still at that nascent stage of collaboration and resource and information sharing, which was why NJOHSP created the New Jersey Cybersecurity and Communications Integration Cell, or NJCCIC, more than four years ago. The NJCCIC is responsible for information and resource sharing as it relates to cybersecurity threats and best practices necessary to mitigate them. Since its creation, the NJCCIC has built a membership consisting of over 4,000 organizations and over 10,000 individuals that it shares information with and provides cybersecurity resources to. The NJCCIC continues to build strong partnerships in both the public and private sectors in an effort to carry out our mission of making New Jersey more resilient to cyber attacks.

My Office facilitates the sharing and dissemination of information with faith-based leaders and pertinent members of their communities around New Jersey through our Interfaith Advisory Council (IAC). Community outreach and frank dialogue between the IAC and religious and community leaders, both through regular meetings and conference calls, have facilitated feedback and direct insight into the needs of Interfaith communities. The IAC has grown to over 3,500 active members across all 21 counties in New Jersey, with representation from nearly every religion and sect. The partnerships between our Interfaith communities and government officials help to paint a complete picture of the State's threats, vulnerabilities, and capabilities in mitigating and responding to those threats. Over the past year, we developed a webpage containing a comprehensive suite of resources and tools, as well as information on grants, specifically for Interfaith communities.

[WHITE SUPREMACIST EXTREMISTS]

On April 13, 2018, the leader of Aryan Strikeforce, Joshua Steever of Phillipsburg in Warren County, was arrested along with five other members of the group for conspiring to sell methamphetamine, firearms, and machinegun parts to fund the organization's activities. The

defendants stored firearms and ammunition at locations in New Jersey and Pennsylvania and transported methamphetamine across state lines. Steever and other members laundered the proceeds by purchasing Target gift cards, which they traded for illegal weapons.

The indictment in this case indicates that the group was infiltrated by law enforcement, detailing transactions in which the defendants made purchases from undercover officers they believed were brokers for drugs and firearms.

Aryan Strikeforce claims to have more than 30 chapters domestically and internationally, with the “goal to protect the honour of our women, children, and the future of our race and nation” using violence as a necessary tool.

Steever had numerous arrests throughout the United States, including bias offenses and aggravated assault. He pleaded guilty to conspiring to distribute large quantities of methamphetamine in April 2018 in federal court in Williamsport, Pennsylvania. He is awaiting sentencing.

The source of funding in this case was proceeds from drug sales, which were used to buy gift cards later traded for guns and ammunition.

[BLACK SEPARATIST EXTREMISTS]

At least two black separatist extremist groups are active in New Jersey: The New Black Panther Party, or the NBPP, and the Israelite Church of God in Jesus Christ, or the ICGJC. The NBPP portrays itself as a militant modern expression of the original Black Panther Party; however, representatives of the original group have denounced the “exploitation of the party’s name and history” and have called the NBPP “a black racist hate group.” The ICGJC justifies its rhetoric with religious ideology and believes its members are the true Hebrew descendants. Both the NBPP and ICGJC promote violence and hate-based rhetoric against law enforcement, government officials, the Jewish community, and white people.

On March 20, 2017, two ICGJC leaders each pleaded guilty to one count of conspiracy to defraud the United States after they used millions of dollars of the church’s money to fund one of the leader’s personal expenses and never reported them on his personal tax forms.

In November 2016, the FBI served a search warrant related to “financial irregularities” at the ICGJC’s headquarters in New York. The leader of the ICGJC is a New Jersey resident and oversees churches in at least 10 states.

The financial status of the NBPP is unknown. The group often advertises various ways to donate via the Internet and other types of social media. Some NBPP members are involved in criminal activity, but it is unknown if any proceeds are used to fund the group.

The ICGJC is financially sustained through donations and tithes from members. A tithe is typically 10 percent of an individual’s income. There have been allegations by other Hebrew Israelite sects that the ICGJC is involved in financial scams that prey upon members.

On December 10, 2019, David Anderson and Francine Graham killed three people and injured three when they targeted a kosher grocery store in Jersey City, New Jersey, shortly after killing a police detective at a nearby cemetery. The shooters espoused anti-Semitic and anti-law enforcement views prior to the attack, according to authorities. A review of Anderson's social media activity highlighted direct threats toward these groups and support for the Black Hebrew Israelite ideology. This ideology asserts that black people are the true descendants of the Israelites and that the white and Jewish communities are the enemy, as well as law enforcement who protect them. As this is an ongoing investigation, we cannot currently provide further information, but we expect to learn more about possible funding sources once the investigation has concluded.

[ANTI-GOVERNMENT EXTREMISTS]

On October 9, 2018, authorities arrested Paul Rosenfeld for plotting to detonate a 200-pound improvised explosive device on Election Day in Washington, DC, in furtherance of his political views. Rosenfeld ordered large quantities of black powder over the Internet, which he transported from Bergen County in New Jersey to his residence in New York.

Prosecutors said his plan was to draw attention to "sortition," which is a "political theory that advocates the random selection of government officials."

In May 2019, Rosenfeld was sentenced to 16 months in prison.

Rosenfeld was self-funded. Black powder is inexpensive and can be purchased over the Internet.

[SOVEREIGN CITIZEN EXTREMISTS]

Sovereign citizens continue to engage in harassing tactics such as bogus liens, as well as a variety of scams and fraud. Threats and ultimatums, attempted citizens' arrests and takeovers of government or other buildings, and acts of violence, especially during traffic stops and residence visits, are common among the sovereign citizen movement. These actions make them a serious threat to the safety of officers and a potential threat to public officials and private citizens in the communities where they serve.

The Moorish Nation, a sovereign citizen extremist group that splintered from the black nationalist movement, asserts that it is the original inhabitant of the United States and is entitled to self-governing status, giving its members rights that predate the Constitution.

In May 2017, NJOHSP detectives arrested Courtney Alexander of Irvington in Essex County for filing fraudulent liens in the first instance of an individual being indicted under New Jersey legislation that passed in 2016. New Jersey enacted legislation § 2C:21-42 making it a second-degree crime for knowingly filing fraudulent liens against the real or individual property of a current or former public servant with the intent to harass, hinder, defraud, retaliate against, or in any way impede the performance of that public servant's, officer's, or employee's duties. Alexander filed the liens totaling more than \$1.5 million against two Irvington police officers, a municipal prosecutor, and a municipal judge in retaliation for traffic tickets he had received.

Police in Roselle Park of Union County arrested Wayne Hill, a self-proclaimed sovereign citizen, in March 2017 after officers asked him to provide his information. Hill instead gave the officers a card that asserted he was not subject to traffic laws, resulting in an altercation. Authorities also arrested Hill's friend, Jameika Hutchison, after she engaged in a physical altercation with police.

Several of the largest scams involving sovereign citizens have brought in over \$100 million. Among the most common types of scams used are pyramid and other investment schemes, bogus trust scams, real estate fraud, and various types of tax fraud. However, sovereign citizens have engaged in more creative scams as well, ranging from immigration fraud to malpractice insurance fraud. Any sort of debt can also fuel a sovereign citizen scheme, including student loans, car loans, and credit card debts.

Extremists have also taught fellow inmates how to file fraudulent liens, sometimes for a fee, claiming the tactic will get them out of jail.

[ANARCHIST EXTREMISTS]

Dr. Roberto Rivera, a former physician from Ridgewood in Bergen County, stated that in 2012, he was planning to detonate an explosive that would blow up the Wall Street Bull statue in Manhattan's financial district. Rivera received the maximum sentence of 25 years for his conviction in November 2018 for possessing a destructive device in his apartment in Ridgewood.

The charges resulted from a raid on the apartment in November 2012, when federal agents found large labeled boxes containing nitric acid, glycerin, and potassium perchlorate, which are precursors for explosive devices. Agents also found 10 thermite lights, which can be used as detonators. Rivera was also convicted in January 2019 on weapons charges related to assault weapons, two 9 mm Cobray M11 machine pistols.

Rivera said that the plot to blow up the bull statue was intended to be a political statement conceived during his involvement in the Occupy Wall Street movement. He said that he planned to drive through the Holland Tunnel at night and place enough explosives at the bull's feet to upend it. He began researching methods to make nitroglycerin, but he said he abandoned the plan once he realized the explosion could not be conducted safely and would jeopardize people in the area. He said that items for a disguise found in his briefcase, including a wig, gloves, and sunglasses, were to avoid being identified on security cameras in Manhattan. Rivera claimed that his two assault weapons were unrelated to the plot.

Although the exact source of funding is unknown, it is likely that Rivera stockpiled weapons as he obtained them over an undetermined amount of time.

[CONCLUSION]

We assess that organized domestic extremists will continue to fund activities through criminal enterprises such as selling counterfeit goods, drug and weapon trafficking, cigarette smuggling, and various fundraising methods. During the course of criminal or terrorism investigations, we may find that money laundering is the most common source of funding because financial records

are traceable and tracked by financial institutions. Lone offenders will likely be self-directed and self-funded in order to carry out their goals. Additionally, we cannot discount the future use of cryptocurrencies as a means to fund acts of domestic extremism within New Jersey and across the United States. Foreign Terrorist Organizations (FTOs) have used platforms such as Facebook and Telegram to solicit funding through bitcoins. In June 2015, US authorities convicted Shukri Amin, a 17-year-old from Virginia, for material support to ISIS. Amin was charged with helping ISIS supporters travel to Syria through the use of social media sites, where they were encouraged to contribute with bitcoins. Over the past year, we have seen domestic terror groups adopt tactics from FTOs. This is no different. In 2017, Andrew Anglin, publisher of neo-Nazi blog The Daily Stormer, received a donation after the Charlottesville attack in the amount of 14.88 bitcoins, or approximately \$60,000.

We remain dedicated to continuing efforts to combat domestic terrorism and its sources of funding; to further collaborating with our law enforcement partners at the local, county, State, and federal levels; and to work toward addressing threats with a focus on prevention.

Chairman Cleaver, Ranking Member Hill, and distinguished members of the Subcommittee, I thank you again for the opportunity to testify today.

I look forward to your questions and yield back to the Chairman.

Hearing before the House Committee on Financial Services
Subcommittee on National Security, International Development, and Monetary Policy

“A Persistent and Evolving Threat:
An Examination of the Financing of Domestic Terrorism and Extremism”

Mary B. McCord
Legal Director, Institute for Constitutional Advocacy and Protection
Visiting Professor of Law, Georgetown University Law Center

January 15, 2020

There are marked differences in the tools available to investigate the financing of domestic and international terrorism. This is because the First Amendment protects the freedom of speech and peaceful assembly of individuals and organizations in the United States, while providing no such protections for foreign individuals and organizations. Thus, U.S. law provides for the designation of foreign terrorist organizations (FTOs) like ISIS and al Qaeda that engage in terrorist activity, even if those same organizations might engage in other activity that would be protected by the First Amendment if they were based in the U.S. An FTO designation allows the United States to enforce criminal statutes that prohibit providing material support or resources to designated FTOs. It also allows for other State Department and Treasury Department sanctions.

Focusing on criminal enforcement tools, the statute that criminalizes providing material support to a designated FTO, 18 U.S.C. § 2339B, provides the basis for law enforcement and the intelligence community to open investigations on suspicion that an individual or entity may be financing a foreign terrorist organization, regardless of the purpose of the financing. In other words, even if a person wants to fund only the “humanitarian” operations of an FTO, it is prohibited. The material support statute drives U.S. financial services providers to implement sophisticated risk-management protocols for detecting potential misuse of their services for foreign terrorist financing.

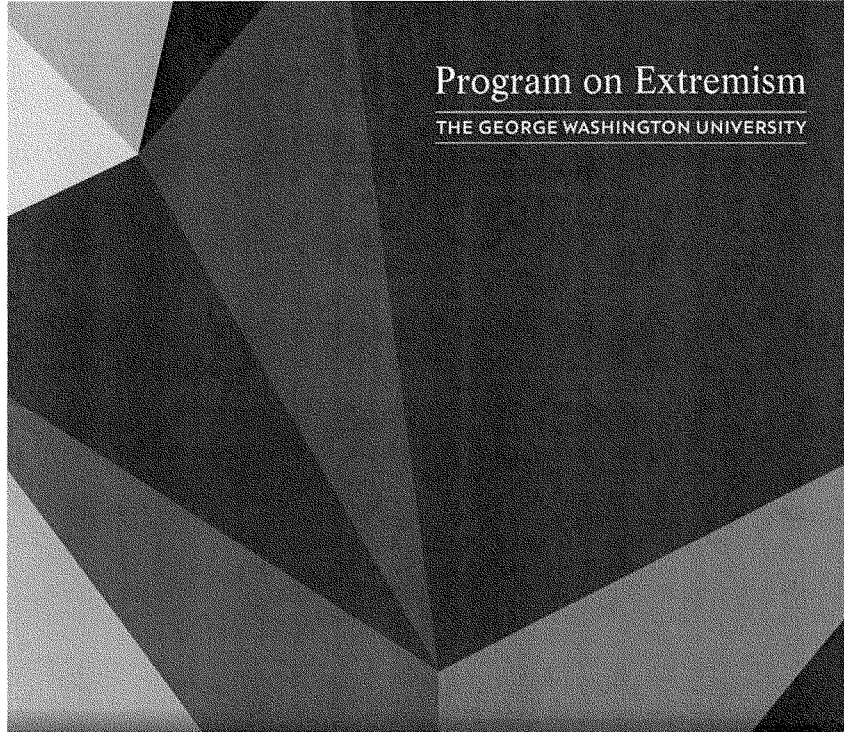
Because of the rights protected by the First Amendment, there is no comparable designation scheme for domestic extremist organizations. Hateful speech, even if abhorrent to the majority of the population, is protected by the First Amendment, as is assembling with others who share the same hateful views. Unless an organization engages *solely* in *unprotected* activity, such as committing crimes of violence, any designation of the organization as a terrorist organization likely would run afoul of the First Amendment. Thus, law enforcement cannot open an investigation merely based on suspicion that someone is providing financing to an extremist group in the U.S.

Moreover, the FBI is prohibited by its own internal rules from opening investigations based purely on protected First Amendment activity. To use investigative tools like undercover and sting operations—sometimes criticized as overly aggressive, but important in any crime prevention program—the FBI must have reason to believe that a crime is being or may be committed. For the reasons just discussed, providing material support for a designated terrorist organization is not an available option for opening an investigation into the financing of domestic extremist organizations. But there’s another gap in our criminal laws that impacts terrorism investigations. Currently, there is no federal law prohibiting what is commonly thought of as “domestic” terrorism when committed with a firearm, knife, or vehicle—all of which have been used to commit acts of domestic terrorism in the U.S. in recent years—when the crime is not in support of a designated foreign terrorist organization or against a U.S. official or U.S. property. Likewise, there is no current federal prohibition on stockpiling firearms with intent to commit a mass attack in furtherance of domestic ideologies like white supremacy that are unconnected to a foreign terrorist organization.

This gap has several important implications. First, it fails to accord moral equivalency to terrorist acts regardless of the ideology motivating them. This leads to a double standard that perpetuates the misconception that all terrorism is Islamist extremist terrorism even when the lethality of domestic terrorism in the U.S. exceeds that of international terrorism. Second, it results in inaccurate and inadequate data about incidents of domestic terrorism that could be used to develop measures to counter the threat. Third, and most salient for today’s hearing, it fails to integrate domestic terrorism into the U.S. counterterrorism program, which is based on *prevention* of terrorism rather than prosecutions after the fact. Filling the gap in our terrorism statutes, as explained more fully in the attached paper, when coupled with appropriate oversight, would provide more flexibility for law enforcement to open investigations into those who may be acquiring or providing resources—financial or otherwise—for potential terrorist attacks.

Attachment:

Mary B. McCord, *Filling the Gaps in Our Terrorism Statutes*, Program on Extremism, George Washington University (August 2019)



FILLING THE GAP IN OUR TERRORISM STATUTES

MARY MCCORD
AUGUST 2019

About the Program on Extremism

The Program on Extremism at George Washington University provides analysis on issues related to violent and non-violent extremism. The Program spearheads innovative and thoughtful academic inquiry, producing empirical work that strengthens extremism research as a distinct field of study. The Program aims to develop pragmatic policy solutions that resonate with policymakers, civic leaders, and the general public.

About the Author

Mary McCord serves as Senior Litigator from Practice at the Institute for Constitutional Advocacy and Protection as well as Visiting Professor of Law at Georgetown University Law Center. McCord was the Acting Assistant Attorney General for National Security at the U.S. Department of Justice from 2016 to 2017 and served as Principal Deputy Assistant Attorney General for the National Security Division (NSD) from 2014 to 2016. Joining NSD put McCord in charge of the Division's nearly 400 employees, who

collectively are tasked with carrying out the counterterrorism, counterespionage, and counterintelligence functions of the Justice Department. In her post, McCord interacted with the 94 U.S. Attorney's Offices across the country.

Previously, McCord worked for nearly twenty years at the U.S. Attorney's Office for the District of Columbia. Among other positions, she served as a Deputy Chief in the Appellate Division, overseeing and arguing hundreds of cases in the U.S. and District of Columbia Courts of Appeals.

She also served as the Criminal Division Chief, where she oversaw all criminal prosecutions in federal district court. McCord graduated from Georgetown University Law School and subsequently served as a law clerk for Judge Thomas Hogan of the U.S. District Court for the District of Columbia.

The views expressed in this paper are solely those of the author, and not necessarily those of the Program on Extremism or the George Washington University.

It's been just over two years since the Unite the Right rally in Charlottesville, Virginia, during which James Fields, who had attended and marched with white supremacist, neo-Nazi, and neo-Confederate organizations, rammed his car into a group of counter-protestors, killing Heather Heyer and seriously injuring dozens more. Although his crime appeared to meet the federal definition of domestic terrorism—a crime of violence intended “to intimidate or coerce a civilian population,” “to influence the policy of a government by intimidation or coercion,” or “to affect the conduct of a government by mass destruction, assassination, or kidnapping”¹—Fields was not charged with a terrorism crime. Nor were the suspects in Pittsburgh, Poway, or El Paso, who committed mass shootings using assault rifles to further white supremacist and anti-immigrant ideologies. That is because there is no federal terrorism crime that applies to acts that otherwise meet the definition of domestic terrorism in the U.S. Code, but are committed with firearms or vehicles—two of the most common means used to commit terrorist attacks both in the U.S. and abroad—and are not connected to a State-Department-designated foreign terrorist organization (FTO).

Had any of these attackers pledged their allegiance to Abu Bakr al-Baghdadi, the leader of ISIS, prior to their attacks (like the shooters in San Bernardino and Orlando in 2015 and 2016), they almost certainly would be charged with multiple terrorism crimes. The difference in treatment is a result of our suite of terrorism statutes, which skews toward international terrorism and terrorism in the homeland committed using weapons of mass destruction or directed at U.S. government officials or property. It provides no penalty for the terrorist whose attack is not in furtherance of the goals of an FTO like ISIS or al Qaeda and who uses a firearm or vehicle as the weapon of choice. Nor does it provide a penalty for stockpiling firearms with intent to commit a mass shooting in furtherance of political or social ideologies that are not connected to an FTO.

To be specific, the U.S. Code defines both “international terrorism” and “domestic terrorism” exactly the same way, except that “international terrorism” occurs “primarily outside the territorial jurisdiction of the United States, or transcend[s] national boundaries,”² while “domestic terrorism” occurs “primarily within the territorial jurisdiction of the United States.”³ But these definitions do not create the terrorism

offenses that appear in Chapter 113B of Title 18 of the U.S. Code, titled “Terrorism.” The crimes in that chapter prohibit: using weapons of mass destruction;⁴ acts of terrorism transcending national boundaries;⁵ engaging in financial transactions with countries that support international terrorism;⁶ bombing places of public use, government facilities, public transportation systems, and infrastructure facilities;⁷ possessing, using, or threatening to use a missile system designed to destroy aircraft;⁸ using or attempting to use a radiological dispersal device;⁹ acts of nuclear terrorism;¹⁰ harboring or concealing terrorists;¹¹ providing material support to terrorists;¹² providing material support to a designated foreign terrorist organization;¹³ financing terrorism;¹⁴ and receiving military-type training from a designated foreign terrorist organization.¹⁵

In addition to the crimes included in the “Terrorism” chapter of the U.S. Code, others are defined as “federal crimes of terrorism” for certain purposes, and include things like using or attempting to use biological weapons; kidnapping or assassination of certain U.S. and foreign government officials; and attacks on U.S. government property. But *none* of these crimes apply to terrorist attacks committed based on what are commonly thought of as “domestic” political and social ideologies like white supremacy when committed with a firearm or vehicle. This double standard fails account for the moral equivalency of killing innocents based on a desire to create a white ethno-state and killing innocents in furtherance of Islamist jihad. The failure also leaves law enforcement without important tools for integrating the investigation and prosecution of “domestic” terrorism into the national counterterrorism program—a program focused on *prevention* of terrorist acts in the homeland and not merely on prosecutions after the harm already has been done.

A federal terrorism statute applicable to crimes of violence committed in the territorial jurisdiction of the U.S., when committed with one of the intents included in the definitions of both international and domestic terrorism, regardless of the ideology behind it, would fill this gap. Such a statute could be modeled after the current crime titled “acts of terrorism transcending national boundaries,” 18 U.S.C. § 2332b, which applies to specific enumerated crimes of violence in circumstances where there is both “conduct occurring outside of the United States in addition to conduct occurring in the United States.”¹⁶ But the new statute would require no “conduct occurring outside of the United States.” Instead, it could apply to the same enumerated crimes as § 2332b—

killing, kidnapping, maiming, committing assault resulting in serious bodily injury or assault with a dangerous weapon, or destroying property in circumstances creating a substantial risk of serious bodily injury—when committed with the intent “to intimidate or coerce a civilian population,” “to influence the policy of a government by intimidation or coercion,” or “to affect the conduct of a government by mass destruction, assassination, or kidnapping.” Like § 2332b, the statute should apply to attempts and conspiracies as well. And, logically, it should include the same penalties as § 2332b, for there is no reason to treat terrorist attacks in the U.S. any differently depending on whether they have a connection to conduct overseas or are entirely homegrown. Its jurisdictional bases—necessary to establish that the crime affects interstate commerce and is thus within congress’s power to legislate—should include all of those found in § 2332b, but also borrow from the federal hate crimes statute. That statute provides that the jurisdictional bases may also be satisfied if the offense occurs “during the course of, or as a result of, the travel of the defendant or the victim (I) across a State line or national border; or (II) using a channel, facility, or instrumentality of interstate or foreign commerce,”¹⁷ or if the defendant “employs a firearm, dangerous weapon, explosive or incendiary device, or other weapon that has traveled in interstate or foreign commerce.”¹⁸

To fully fill the gap in current law also would require an amendment to 18 U.S.C. § 2339A: “providing material support to terrorists.” (This should not be confused with 18 U.S.C. § 2339B: “providing material support or resources to designated foreign terrorist organizations.”) Section 2339A makes it illegal to “provide material support or resources or conceal[s] or disguise[s] the nature, location, source, or ownership of material support or resources, knowing or intending that they are to be used in preparation for, or in carrying out, a violation of” any one of a list of enumerated federal crimes of terrorism. If a new crime of terrorism within the territorial jurisdiction of the United States were added to this list, it would provide a terrorism charge for people like Christopher Paul Hasson, the Coast Guard lieutenant who stockpiled firearms, ammunition, and other equipment (thus concealing the nature, location, and ownership of resources) with intent to commit mass shootings to establish a white homeland (an act of terrorism in the territorial jurisdiction of the U.S., as it would be defined under a new statute to be included in the list of enumerated crimes). Because no terrorism crime applied to his conduct, Hasson was indicted for unlawful possession of a silencer,

possession of firearms by a drug addict, and possession of controlled substances,¹⁹ none of which carries a substantial penalty, and which hampered the government in its efforts to detain him pretrial.²⁰

A statute applicable to terrorist crimes of violence in the U.S., whether motivated by Islamist extremism, white nationalist extremism, or any other extremism, would bring moral equivalency to how we investigate and prosecute terrorism in the homeland and would express society's condemnation for terrorism regardless of the ideology behind it. This is important in and of itself. It would help educate the public that "terrorism" does not refer only to "Islamist extremist terrorism." It would provide for better record-keeping and data analysis of the terrorist threat in the U.S. because all crimes prosecuted under the statute, like all other federal terrorism crimes prosecuted in the U.S., would be coordinated and approved by the National Security Division of the Department of Justice. With better data and analysis would come greater efforts to counter the drivers of terrorist violence without singling out any particular group for those efforts. And a new statute would direct more resources toward combating what the FBI has acknowledged to be the greatest terrorist threat in the U.S.: more deaths here have been caused by "domestic" terrorists than "international" terrorists in recent years, and the majority of the FBI's domestic terrorism investigations involve white-supremacist or white-nationalist ideology.²¹ It also would integrate the investigation and prosecution of *all* terrorism, not just "international" terrorism, more fully into the national counterterrorism program—a program designed to *prevent* terrorist attacks by aggressive use of law-enforcement tools like online undercover personas and sting operations, and more coordinated sharing of information between the U.S. government and foreign allies and between the U.S. government and state and local law enforcement.

Critics of a new terrorism offense worry that it would give law enforcement officials, and the FBI in particular, new authorities that could be misused to infiltrate organizations based on their expression of viewpoints protected by the First Amendment. But the FBI's Domestic Investigations and Operations Guide (DIOG) forbids using any otherwise authorized investigative tool (including undercover and sting operations) based solely on First-Amendment-protected activity.²² Instead, the FBI must predicate the use of its tools on information that a crime is being, or may be,

committed.²³ That standard would apply to investigations into whether someone like Christopher Paul Hasson is or may be committing or attempting to commit a crime of terrorism within the territorial U.S. or is or may be concealing resources for use in such a crime.

Importantly, the new statute proposed here would *not* involve designating domestic organizations as terrorist organizations. Although violence and incitement to violence are not protected by the First Amendment, hateful speech and the right to assemble with others to express hateful speech, generally are protected. Most domestic organizations, including those whose members might at various times advocate violence, also engage in First-Amendment-protected activity, which would make any attempt to designate them as terrorist organizations immediately vulnerable to constitutional challenge. Because the new statute would not designate domestic terrorist organizations, it would not provide any end-run around the DIOG's proscription on using investigative tools based solely on First-Amendment-protected activity.²⁴

Nor would a new statute unduly expose internet service providers to criminal responsibility for the misuse of their platforms to encourage or solicit terrorist violence. These providers are generally protected from civil liability for most of the content on their platforms by the Communications Decency Act,²⁵ but they are not exempt from responsibility for violations of federal criminal law. The terrorism statute proposed herein, like all of the terrorism crimes in the U.S. Code, requires specific intent. Whether it is the intent to intimidate or coerce a civilian population or influence governmental policy through intimidation or coercion, or the provision of support or resources (including services) knowing or intending that they be used in the commission of a terrorist crime, internet service providers and platforms would incur criminal responsibility only where they have the requisite intent. Deliberately putting their heads in the sand would raise the same concerns under a new statute that it does under existing law, and responsible service providers and social media platforms would be well advised to implement protocols to ferret out and quickly take down content that encourages or solicits terrorist acts.

To ensure compliance with the Constitution and to ensure that law enforcement resources are put toward the most significant threats, any new terrorism statute should

include oversight. The FBI and Department of Justice should be required to report annually on the number of “domestic” and “international” investigations opened and closed during the previous year, and the number of arrests, indictments, and convictions obtained, along with the charges associated with each. The reporting of investigations should include the category of the threat being investigated: FTO-related extremism, white racially motivated extremism, other racially motivated extremism, anti-government/anti-authority extremism, animal rights/environmental extremism, and any other category used by the FBI or pertinent to congress’s oversight role. With this reporting, as well as data gathered and submitted on incidents of terrorism in the U.S., Congress and the American people should be able to assess for themselves whether the FBI is appropriately prioritizing the most significant terrorist threats.

But congressional oversight should not be the extent of it. Implementation of a new terrorism statute should be reviewed by the Privacy and Civil Liberties Oversight Board (PCLOB), an independent, bipartisan agency within the executive branch established in August 2007 “(1) [t]o review and analyze actions the executive branch takes to protect the nation from terrorism, ensuring the need for such actions is balanced with the need to protect privacy and civil liberties and (2) [t]o ensure that liberty concerns are appropriately considered in the development and implementation of laws, regulations, and policies related to efforts to protect the nation against terrorism.”²⁶ The PCLOB has undertaken important reviews of intelligence-collection programs in the past, and recently announced a new oversight review of the use of facial recognition and other biometric technologies in aviation security. Its public reports have contributed greatly to transparency in the U.S. counterterrorism program, of which any new terrorism statute would be a part.

With the continuing rise of extremist violence in the U.S., more discussion has been occurring about whether a new terrorism statute is needed. Although not a panacea, a statute that provides the mandate and predicate for launching additional investigations, using appropriate law enforcement tools, into white supremacist and other extremist violence, while respecting constitutional rights, is an important piece of any whole-of-government, whole-of-America, response.

References

- ¹ 18 U.S.C. § 2331(5).
- ² 18 U.S.C. § 2331(1).
- ³ 18 U.S.C. § 2331(5).
- ⁴ 18 U.S.C. § 2332a.
- ⁵ 18 U.S.C. § 2332b.
- ⁶ 18 U.S.C. § 2332d.
- ⁷ 18 U.S.C. § 2332f.
- ⁸ 18 U.S.C. § 2332g.
- ⁹ 18 U.S.C. § 2332h.
- ¹⁰ 18 U.S.C. § 2332i.
- ¹¹ 18 U.S.C. § 2339.
- ¹² 18 U.S.C. § 2339A.
- ¹³ 18 U.S.C. § 2339B.
- ¹⁴ 18 U.S.C. § 2339C.
- ¹⁵ 18 U.S.C. § 2339D.
- ¹⁶ For example, Justin Sullivan was charged with and pleaded guilty to attempting to commit an act of terrorism transcending national boundaries after he conspired with a Syria-based ISIS member online to conduct mass shootings in North Carolina and Virginia and agreed to make a video of the attacks for ISIS—thus involving conduct both outside and inside the United States. See Press Release, U.S. Dep’t of Justice, Office of Public Affairs, North Carolina Man Sentenced to Life in Prison for Attempting to Commit an Act of Terrorism Transcending National Boundaries (June 27, 2017), [available at https://www.justice.gov/opa/pr/north-carolina-man-sentenced-life-prison-attempting-commit-act-terrorism-transcending](https://www.justice.gov/opa/pr/north-carolina-man-sentenced-life-prison-attempting-commit-act-terrorism-transcending).
- ¹⁷ 18 U.S.C. § 249(a)(2)(B)(i).
- ¹⁸ 18 U.S.C. § 249(a)(2)(B)(iii).
- ¹⁹ Press Release, U.S. Dep’t of Justice, U.S. Attorney’s Office (D. Md.), Christopher Hasson Facing Federal Indictment for Illegal Possession of Silencers, Possession of Firearms by a Drug Addict and Unlawful User, and Possession of a Controlled Substance (Feb. 27, 2019), [available at https://www.justice.gov/usao-md/pr/christopher-hasson-facing-federal-indictment-illegal-possession-silencers-possession](https://www.justice.gov/usao-md/pr/christopher-hasson-facing-federal-indictment-illegal-possession-silencers-possession).
- ²⁰ *Judge Blocks Release of Coast Guard Officer Accused of Drafting Hit List*, CBS (May 13, 2019, 6:02 PM), <https://www.cbsnews.com/news/christopher-hasson-coast-guard-accused-hit-list-remains-detained-judges-order-today-2019-05-13/>.
- ²¹ *Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Civil Rights and Civil Liberties* (June 4, 2019) (testimony of Michael C. McGarrity, Ass’t Dir., Counterterrorism Div., Fed. Bureau of Investigation), [available at https://oversight.house.gov/legislation/hearings/confronting-white-supremacy-part-ii-adequacy-of-the-federal-response](https://oversight.house.gov/legislation/hearings/confronting-white-supremacy-part-ii-adequacy-of-the-federal-response); S. *Judiciary Comm.: Oversight of the Fed. Bureau of Investigation* (July 23, 2019) (testimony of Christopher Wray, Dir., Fed. Bureau of Investigation), [available at https://www.judiciary.senate.gov/meetings/07/23/2019/oversight-of-the-federal-bureau-of-investigation](https://www.judiciary.senate.gov/meetings/07/23/2019/oversight-of-the-federal-bureau-of-investigation).
- ²² Federal Bureau of Investigation, Domestic Investigations and Operations Guide, § 4.2, [available at https://vault.fbi.gov/FBI%20Domestic%20Investigations%20and%20Operations%20Guide%20%28DIOG%29/FBI%20Domestic%20Investigations%20and%20Operations%20Guide%20%28DIOG%29%202016%20Version/FBI%20Domestic%20Investigations%20and%20Operations%20Guide%20%28DIOG%29%202016%20Version%20Part%2001%20of%2002/view](https://vault.fbi.gov/FBI%20Domestic%20Investigations%20and%20Operations%20Guide%20%28DIOG%29/FBI%20Domestic%20Investigations%20and%20Operations%20Guide%20%28DIOG%29%202016%20Version/FBI%20Domestic%20Investigations%20and%20Operations%20Guide%20%28DIOG%29%202016%20Version%20Part%2001%20of%2002/view).
- ²³ *Id.* § 6.5.
- ²⁴ I have advocated elsewhere that the State Department should consider designating *foreign* white-supremacist groups as terrorist organizations if they meet the criteria in 8 U.S.C. § 1189(a): (1) the organization must be foreign; (2) the organization must engage in terrorist activity or retain the capability and intent to engage in terrorist activity or terrorism; and (3) the terrorist activity or terrorism of the organization must threaten the security of U.S. nationals or the national security of the U.S. Several foreign neo-Nazi groups would appear to meet these criteria. Designation of these groups would make it illegal under 18 U.S.C. § 2339B for individuals and companies knowingly to provide them with material support or resources, including, money, equipment, and services. See Mary B. McCord, *White Nationalist Killers Are Terrorists. We Should Fight Them Like Terrorists.*, WASH. POST (Aug. 8, 2019), https://www.washingtonpost.com/outlook/white-nationalist-killers-are-terrorists-we-should-fight-them-like-terrorists/2019/08/08/3f8b761a-b964-11e9-bad6-609f75bfd97f_story.html.
- ²⁵ 47 U.S.C. § 230.
- ²⁶ See PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD, <https://www.pclob.gov/> (last visited Aug. 19, 2019).



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TESTIMONY

Statement of

Rena S. Miller

Specialist in Financial Economics

Before

Committee on Financial Services
Subcommittee on National Security, International Development, and
Monetary Policy
U.S. House of Representatives

Hearing on

**“A Persistent and Evolving Threat: An
Examination of the Financing of Domestic
Terrorism and Extremism”**

January 15, 2020

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Chairman Cleaver, Ranking Member Hill, Members of the Subcommittee, thank you for the opportunity to testify today. My name is Rena Miller, and I have been a Specialist in Financial Economics at the Congressional Research Service (CRS) since 2009, focusing on financial regulation including anti-money laundering and terrorism financing issues. My testimony will first discuss the current regulatory tools upon which the nation's counter terrorism financing system relies.¹ It will then examine the ways in which those existing tools may face challenges because of the evolving methods for financing domestic terrorism and home-grown violent extremism (HVE). For brevity, I will use the term "domestic terrorism" to include HVEs and other domestic actors, but I will also examine U.S. actors providing support to foreign terrorist organizations as relevant. Lastly, I will touch upon changing technologies and legislative proposals such as beneficial ownership legislation (H.R. 2513) and financial intelligence legislation (H.R. 5132). I would note that CRS is nonpartisan and does not advocate for any policies or proposals.

Basis of U.S. Regime to Counter Terrorism Financing

The existing U.S. regulatory regime to combat terrorism financing was not set up specifically with the challenges of small-scale domestic terrorism in mind. The existing regime draws heavily upon both the Bank Secrecy Act of 1970,² known as the BSA, and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001,³ known as the USA PATRIOT Act, passed in the wake of the Sept. 11, 2001 terrorist attacks.

The United States enacted anti-money laundering (AML) legislation partly in response to money laundering from the illicit drug trade, to make it harder for large amounts of cash or unexplained money deposited to be made to look "clean." The BSA required financial institutions to file certain reports to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) and maintain records for their account holders.⁴ Prominent among these reports are "suspicious activity reports," known as SARs, and "currency transaction reports," or CTRs. CTRs must be filed automatically by banks when a customer withdraws or deposits \$10,000 or more in cash.

This filing requirement was later expanded to retailers receiving \$10,000 or more in cash. But these requirements are specific to *cash* transactions—so the form of the payment matters. The IRS considers cash to include traveler's checks, cashier checks, bank drafts and money orders, but electronic payments such as credit cards and cryptocurrencies are not included.⁵ CTRs have historically been most useful for identifying money laundering by criminals involved in cash-intensive illicit activities. In an increasingly cashless society, they may be less relevant in flagging potential domestic terror attacks—particularly for small-scale attacks that may not require large sums, such as those involving retail firearms or a rented car.

SARs may prove useful in flagging suspicious money transfers, for example between U.S. account holders and "high risk" terrorism jurisdictions. But if such overseas payments are not used frequently in

¹ For further information, see CRS Report R44776, *Anti-Money Laundering: An Overview for Congress*, by Rena S. Miller and Liana W. Rosen; CRS In Focus IF11061, *Targeting Illicit Finance: The Financial Crimes Enforcement Network's "Financial Institution Advisory Program"*, by Liana W. Rosen and Rena S. Miller; CRS In Focus IF10873, *Overview of Correspondent Banking and "De-Risking" Issues*, by Rena S. Miller.

² The Bank Secrecy Act of 1970, 12 U.S.C. §§1829b and 1951-1959, and 31 U.S.C. 5311-5322, and its major component, the Currency and Foreign Transactions Reporting Act, 31 U.S.C. §§5311-5322.

³ The International Money Laundering Abatement and Anti-Terrorist Financing Act, Title III of the USA-PATRIOT Act, P.L. 107-56.

⁴ Tracey Durner and Danielle Cotter, "Untangling a Marriage of Convenience: Anti-Money Laundering and Countering the Financing of Terrorism," Global Center on Cooperative Security, January 2019.

⁵ See <https://www.irs.gov/businesses/small-businesses-self-employed/irs-form-8300-reference-guide> and <https://www.californiacannabiscpa.com/blog/irs-audits-and-form-8300-what-is-it-and-why-is-it-important>.

small-scale domestic attacks, the usefulness of SARs in this realm to prevent attacks may be more attenuated. CTRs, SARs and other BSA reports can often provide valuable information to law enforcement following such attacks,⁶ even if their usefulness to flag potential attacks may be more circumspect. Following an actual attack, publicized event, or in response to other “derogatory information” available to them, financial institutions may proactively file SARs or provide other information to FinCEN which can then prove useful to law enforcement in their investigation. A 2018 assessment by the Treasury Department of SAR filings associated with U.S.-based individuals charged with supporting terrorist activity found that most were filed based on derogatory information regarding the sender or recipient, rather than based on suspicious activity associated with the transaction itself.⁷ When there is more information in the public realm about domestic terrorist actors and their financing, financial institutions may be more likely to proactively provide such information.

The USA PATRIOT Act also introduced additional customer due diligence (CDD) procedures for financial institutions opening accounts.⁸ This CDD rule was amended by FinCEN, effective in 2018, to include some due diligence associated with the identities of beneficial owners, who may control or benefit from an entity but not be its registered owner.⁹ While these measures assist law enforcement in cracking down on money laundering and other illicit use of the financial system, they rely on customers’ use of accounts at banks and brokerage firms. If domestic terrorists don’t rely on such accounts, or on international wire transfers and overseas remittances into or out of such accounts, then a reporting regime and customer due diligence requirements may prove less effective for flagging would-be domestic terrorists. Even for terrorism with an international nexus, the 2018 Treasury assessment found that, “An additional challenge for financial institutions is that many transactions associated with terrorism financing are often hard to distinguish from legitimate day-to-day transactional activity.”¹⁰

Another pillar of the nation’s post-9/11 Countering Financing of Terrorism (CFT) regime has been the designation of foreign terrorist organizations (FTOs) and the freezing of their assets, as well as “secondary sanctions” wherein correspondent banks “freeze out” designated groups or individuals from dollar-denominated transfers into or out of the U.S. financial system.¹¹ Broadly, these authorities stem from Executive Order 13224, first signed by President George W. Bush after 9/11 in 2001, and issued under the International Emergency Economic Powers Act (IEEPA).¹² These measures can have potent effects on state actors or large, established entities—especially if those actors rely on transactions with the United States and can’t easily continue operations under an assumed identity. Yet domestic terrorism may involve previously unknown individuals.

⁶ See, e.g., “We are already able to confirm just how extensive and crucial the value of BSA reporting is to an array of stakeholders and activities—activities that go well beyond just whether or not a particular SAR, CTR, or FBAR (or any other BSA report) facilitates a particular law enforcement investigation.” Kenneth A. Blanco, Director, *Prepared Remarks of FinCEN Director Blanco at the NYU Law Program on Corporate Compliance and Enforcement*, Financial Crime Enforcement Network, June 12, 2019, <https://www.fincen.gov/news/speeches/prepared-remarks-fincen-director-blanco-nyu-law-program-corporate-compliance-and>.

⁷ Department of Treasury, *National Terrorism Financing Risk Assessment*, 2018, p. 20.

⁸ 31 U.S.C. §5318(l). See Joint Final Rule—Customer Identification Programs for Banks, Savings Associations, Credit Unions and Certain Non-Federally Regulated Banks.

⁹ Financial Crimes Enforcement Network (FinCEN), Treasury, “Customer Due Diligence Requirements for Financial Institutions,” 81 *Federal Register* 29398, May 11, 2016.

¹⁰ Department of Treasury, *National Terrorism Financing Risk Assessment*, 2018, Executive Summary.

¹¹ For more information, see CRS Report R41333, *Terrorist Material Support: An Overview of 18 U.S.C. §2339A and §2339B*, by Charles Doyle.

¹² Peter R. Neumann, “Don’t Follow the Money: The Problem with the War on Terrorist Financing,” 96 *Foreign Aff.* 93 (2017).

Also, such public designations—of particular relevance for the financial sector in screening customers—only apply to foreign terrorist organizations, not domestic groups.¹³ This may reflect First Amendment concerns.¹⁴ The current designations have at times resulted in significant sums of money frozen for foreign state sponsors of terrorism and FTOs. By contrast, domestic extremists appear to be less well-funded, may rely on newer online methods of fund-raising, and may require relatively limited funds for their attacks. They may be harder for banks to screen—assuming they use banks at all—particularly if they have no prior convictions or other red flags. Though the United States may have potent regulatory tools to combat financing terrorism of larger FTOs and state sponsors, these tools may be harder to leverage in the realm of domestic terrorism.

The New Challenges of Domestic Terrorism Financing

I will briefly discuss domestic terrorism itself; then what we know about its financing; and finally, the new challenges this poses for the existing AML/CFT regime.

Threat of Domestic Terrorism

In the United States, domestic terrorism is defined by statute as a life-endangering federal or state crime, committed within the United States, with the apparent intent to coerce or intimidate a civilian population or influence government policy or conduct.¹⁵ Federal Bureau of Investigation (FBI) Director Christopher Wray, in November 2019, called home-grown violent extremists (HVEs) “the greatest, most immediate terrorism threat to the homeland.”¹⁶ He noted that these individuals are inspired by foreign terrorist organizations, but have been radicalized primarily in the United States, and are not receiving individualized direction from overseas groups.¹⁷ Previous testimony by a senior FBI official noted:

domestic terrorists pose a present and persistent threat of violence and economic harm to the United States; in fact, there have been more arrests and deaths caused by domestic terrorists than international terrorists in recent years. We are most concerned about lone offenders, primarily using firearms, as these lone offenders represent the dominant trend for lethal domestic terrorists. Frequently, these individuals act without a clear group affiliation or guidance, making them challenging to identify, investigate, and disrupt.¹⁸

According to the FBI, the possible underlying drivers for domestic terrorism include perceptions of government or law enforcement overreach, socio-political conditions, racism, anti-Semitism,

¹³ The government does not provide an official and public list of domestic terrorist organizations, but includes known and suspected domestic terrorists (along with international terrorists) in its Terrorist Screening Database, commonly known as the “Terrorist Watchlist.” This contrasts to the world of international counterterrorism, where the United States maintains a well-established regimen regarding the identification of foreign terrorist organizations. See CRS Report R44921, *Domestic Terrorism: An Overview*, by Jerome P. Bjelopera, Specialist in Organized Crime and Terrorism, August 21, 2017, p. 57.

¹⁴ See CRS Report R44921, *Domestic Terrorism: An Overview*, by Lisa N. Sacco; and CRS Legal Sidebar LSB10340 *Domestic Terrorism: Some Considerations*, by Charles Doyle, August 12, 2019.

¹⁵ 18 U.S.C. §2331. For further detail, please see CRS Legal Sidebar LSB10340 *Domestic Terrorism: Some Considerations*, by Charles Doyle, August 12, 2019.

¹⁶ Christopher Wray, Director, Federal Bureau of Investigation, *Worldwide Threats*, Statement Before the Senate Homeland Security and Governmental Affairs Committee, Washington, D.C., November 5, 2019, <https://www.fbi.gov/news/testimony/worldwide-threats-110519>.

¹⁷ *Ibid.*

¹⁸ Michael C. McGarrity, Assistant Director, Counterterrorism Division, Federal Bureau of Investigation, *Confronting White Supremacy*, Statement Before the House Oversight and Reform Committee, Subcommittee on Civil Rights and Civil Liberties, Washington D.C., June 4, 2019, <https://www.fbi.gov/news/testimony/confronting-white-supremacy>.

Islamophobia, and reactions to legislative actions.¹⁹ One development that appears to have impacted both the spread of violent extremism domestically and foreign terrorist organizations' ability to recruit at less expense within the United States, is the increasing use of social media. FBI Director Wray noted that, "Due to online recruitment, indoctrination, and instruction, [foreign terrorist organizations] are no longer dependent on finding ways to get terrorist operatives into the United States to recruit and carry out acts of terrorism."²⁰ He called this trend "a significant transformation from the terrorist threat our nation faced a decade ago."²¹

Some criminologists have referenced a contagion and reinforcement theory wherein past terrorism incidents in a country may have a positive effect on the number of terrorist incidents in the future.²² The FBI noted that the attack at the Chabad of Poway Synagogue in Poway, California, demonstrated the danger presented by the propagation of violent acts on the Internet, adding that the attacker in Poway referenced the mosque attacks in Christchurch, New Zealand, which the latter attacker livestreamed.²³ The FBI noted that they "remain concerned that online sharing of livestreamed attack footage could amplify viewer reaction to attacks and provide ideological and tactical inspiration to other domestic terrorists in the homeland."²⁴ Though the psychological, recruiting, and motivational effects of social media are not per se a financial issue, one could argue that a governmental study of ways to reduce domestic terrorism might benefit from an interdisciplinary—and possibly interagency—approach examining various aspects of technology and social media as they impact domestic terrorism, including financing methods.

Financing of Domestic Terrorism

There is little in the way of public, systematic studies of the financing of domestic terrorism. The Anti-Defamation League (ADL), which examined white supremacy groups in the United States, provides one of the few public sources.²⁵ A 2017 ADL study found that such groups tended to be poorly funded and decentralized rather than highly organized; that they tend to be early adopters of new technologies; they have begun to rely on crowd-funding; and that crowd-funding and use of Bitcoin have become necessary alternatives to credit cards or electronic funds transfer sites, particularly as such groups sporadically are cut off from these payment processors.²⁶ The study flagged the importance of social media, crowd-funding, online lending platforms, and crypto-currencies for these domestic extremists.²⁷ The FBI has also noted that "lone wolf" actors without a clear group affiliation, primarily using firearms, are the

¹⁹ Wray, *Op Cit.*

²⁰ *Ibid.*

²¹ *Ibid.*

²² See, e.g., Midlarsky, M. I., M. Crenshaw, and F. Yoshida, "Why violence spreads—The Contagion of International Terrorism," *International Studies Quarterly*, vol. 24, no. 2, June 1980, pp. 262-298 and Gao, Peng, et al, "Early Detection of Terrorism Outbreaks Using Prospective Space-Time Scan Statistics," *The Professional Geographer*, vol. 65, no. 4, November 2013, https://www.researchgate.net/profile/Peng_Gao27/publication/263183811_Early_Detection_of_Terrorism_Outbreaks_Using_Pro Prospective_Space-Time_Scan_Statistics/links/560fd5cd08ac4833751808c5/Early-Detection-of-Terrorism-Outbreaks-Using-Prospective-Space-Time-Scan-Statistics.pdf.

²³ Michael C. McGarrity, Assistant Director, Counterterrorism Division, Federal Bureau of Investigation, *Confronting White Supremacy*, Statement Before the House Oversight and Reform Committee, Subcommittee on Civil Rights and Civil Liberties, Washington D.C., June 4, 2019, <https://www.fbi.gov/news/testimony/confronting-white-supremacy>.

²⁴ *Ibid.*

²⁵ Anti-Defamation League, "Funding Hate: How White Supremacists Raise Their Money," December 5, 2017, <https://www.adl.org/resources/reports/funding-hate-how-white-supremacists-raise-their-money>.

²⁶ See <https://www.adl.org/news/press-releases/hate-groups-increasingly-raising-money-online>.

²⁷ Anti-Defamation League, "Funding Hate: How White Supremacists Raise Their Money," December 5, 2017, <https://www.adl.org/resources/reports/funding-hate-how-white-supremacists-raise-their-money>.

dominant actors in lethal domestic terrorism, and are difficult to identify, investigate, and disrupt.²⁸ This can pose additional challenges in trying to use financing red flags, as such lone perpetrators seem to lack group affiliations, or formally organized resources, and often experience financial strain or have limited means.²⁹ Such self-funded lone-actors can render it challenging to identify patterns of suspicious financial activity related to domestic terrorism, particularly prior to attacks.

Proposals

While the traditional AML/CFT regime in the United States may be effective for combating foreign terrorist organization financing, and sanctioning state sponsors and larger entities,³⁰ it appears that combating the financing of domestic extremists poses novel challenges. One tool the United States has to combat terrorist financing is the collection and analysis of financial data. Evolving technology and use of new data sets (e.g., social media information and electronic payments) may potentially be employed to address those novel challenges. As such, cross-cutting issues that span different areas of congressional oversight may become more important; for example, access to data provided on social media sites and payment platforms. Some argue that expanding data sources examined, including through automated text analysis of social media, and increasing the interoperability of systems that examine the data (such as, between government agencies) can help in identifying domestic terrorists.³¹ Others, however, oppose an expansion of monitoring or surveillance for domestic groups, citing constitutional issues.³²

An approach Congress may choose to pursue is an interdisciplinary, interagency study to examine the use of new technologies in both the spread and financing of domestic terrorism. Such a study may also be used to survey what data sets exist, who has access to that data, and the potential uses of such data. It could also examine other factors in the spread of domestic terrorism, and how to combat it, including but not limited to financing. Legislation introduced in the 116th Congress (H.R. 5132) would require FinCEN to request information from financial institutions for the purpose of developing an advisory about the identification and reporting of suspicious activity related to how “lone wolf” domestic terrorists procure weapons for the purpose of carrying out domestic terror attacks.

Finally, legislation passed by the House in the 116th Congress (H.R. 2513), aimed at increasing transparency of beneficial ownership for entities such as corporations and limited liability corporations (LLCs) may also have value in combating domestic terrorism as well as, more broadly, international terrorism and money laundering. Multiple agencies, including the FBI, have stated that legal entities can be used by hidden owners to raise money, buy assets, or move money anonymously under the current U.S. regime of multiple state laws, which lack a minimum federal identification standard. Opponents of the legislation have asserted that it would burden small businesses and pose privacy concerns for entrepreneurs.³³ On the other hand, multiple agencies have testified it would enable law enforcement to

²⁸ Michael C. McGarrity, Assistant Director, Counterterrorism Division, Federal Bureau of Investigation, *Confronting the Rise of Domestic Terrorism in the Homeland*, Statement Before the House Homeland Security Committee, Washington D.C., May 8, 2019, <https://www.fbi.gov/news/testimony/confronting-the-rise-of-domestic-terrorism-in-the-homeland>.

²⁹ Department of Justice and Federal Bureau of Investigation, *A Study of Lone Offender Terrorism in the United States*, November 2019.

³⁰ This assessment, however, is also debated by scholars; see, e.g., Peter R. Neumann, “Don’t Follow the Money: The Problem with the War on Terrorist Financing,” *Foreign Affairs*, July/August 2017, <https://www.foreignaffairs.com/articles/2017-06-13/dont-follow-money..>

³¹ See, e.g., <https://www.nextgov.com/ideas/2018/06/3-ways-use-data-fight-terrorism-and-money-laundering/149043/>.

³² See, e.g., *ACLU Letter to The Senate on the Domestic Terrorism Prevention Act*, S. 894, <https://www.aclu.org/letter/aclu-letter-senate-domestic-terrorism-prevention-act-s-894>.

³³ See <https://www.americanbar.org/content/dam/aba/unclassified/GAO/2019may6-lettertohfscopposinghr2513substitutebill.pdf>.

more easily trace and monitor assets, including those of domestic terrorists.³⁴ An easier ability to discern underlying owners of corporate entities might offer positive externalities for small business owners as well. For instance, a business owner might more quickly carry out due diligence on prospective borrowers or joint venture partners if he or she had access to information on beneficial owners of legal entities. In short, actions affecting the broader landscape of financial transparency might also help in tracking the financing of domestic terror groups.

³⁴ See, e.g., Kenneth A. Blanco, Director, *Prepared Remarks of FinCEN Director Blanco at the NYU Law Program on Corporate Compliance and Enforcement*, Financial Crime Enforcement Network, June 12, 2019, <https://www.fincen.gov/news/speeches/prepared-remarks-fincen-director-blanco-nyu-law-program-corporate-compliance-and>.

Congressional Testimony

A Persistent and Evolving Threat: An Examination of the Financing of Domestic Terrorism and Extremism

George Selim
Senior Vice President, Programs
Anti-Defamation League

Hearing before the
House Committee on Financial Services
Subcommittee on National Security, International Development, and
Monetary Policy

Washington D.C.
January 15, 2020



*Working to stop the defamation of the
Jewish people and to secure justice and
fair treatment to all since 1913*

Chairman Cleaver, Ranking Member Hill and distinguished Members of the Subcommittee: thank you on behalf of the Anti-Defamation League for the opportunity to testify before you today.

Since 1913, the mission of ADL has been to “stop the defamation of the Jewish people and to secure justice and fair treatment to all.” For decades, ADL has fought against bigotry and anti-Semitism by monitoring and exposing extremist groups and movements who spread hate and commit acts of violence. Through our Center on Extremism, widely recognized as a leading authority on combating extremism, terrorism, and hate in the United States, ADL plays a prominent role in exposing extremist movements and activities, while helping communities and government agencies alike to combat them. ADL’s team of experts, analysts, and investigators track and disrupt extremist and terrorist activity, and provide law enforcement officials and the public with extensive resources, including analytic reports on extremist trends. Notable tools include the Hate Symbols Database,¹ which identifies symbols used by extremists, and the Hate, Extremism, Anti-Semitism, and Terrorism (HEAT) Map,² an online tool that provides details on extremist and anti-Semitic incidents nationwide that can be filtered by region and type.

Murder and Extremism in the United States

The intent of a particular violent act is sometimes unclear or difficult to prove for prosecution, and as such, a metric as illustrative as the number of terrorist attacks is the number of murders committed by known extremists. ADL has tracked murders by extremists since 1970. Between 2009 and 2018, domestic extremists of all kinds killed at least 427 people in the United States. Of those deaths, approximately 73 percent were at the hands of right-wing extremists such as white supremacists, sovereign citizens and militia adherents. In 2018, domestic extremists killed at least 50 people in the U.S., a sharp increase from the 37 extremist-related murders documented in 2017, though still lower than the totals for 2015 (70) and 2016 (72). The 50 deaths made 2018 the fourth-deadliest year on record for domestic extremist-related killings since 1970.

More recently, 2019 proved yet again that Americans do not have the luxury of ignoring extremist threats from across the ideological spectrum, as we saw tragedies in Poway, El Paso, and Jersey City.

These incidents represent merely the most visible extremist violence and crime in the United States: for each person actually killed by an extremist, many more are injured in attempted murders and assaults. Every year, police uncover and prevent a variety of extremist plots and conspiracies with lethal intentions. Moreover, extremists engage in other crimes related to their beliefs, from threats and harassment to white collar crime.

¹ Anti-Defamation League, *Hate on Display™ Hate Symbols Database* (<https://www.adl.org/education-and-resources/resource-knowledge-base/hate-symbols>)

² Anti-Defamation League, *ADL H.E.A.T. Map: Hate, Extremism, Anti-Semitism, Terrorism* (<https://www.adl.org/heat-map>)

Homegrown Terrorism

ADL defines terrorism as a pre-planned act or attempted act of significant violence by one or more non-state actors in order to further an ideological, social, or religious cause, or to harm perceived opponents of such causes.³ Significant violent acts can include bombings or use of other weapons of mass destruction, assassinations and targeted killings, shooting spree, arsons and fire-bombings, kidnappings and hostage situations and, in some cases, armed robberies.

While all forms of extremism are worthy of attention, the most severe threats in the United States based on recent data are from the far-right. In recent years, domestic Islamist extremists and right-wing extremists have perpetrated shooting spree, bombings, and a vast array of plots and conspiracies at roughly similar rates, with right-wing extremist plots resulting in 34 more deaths. Since 9/11, ADL has identified 127 Islamist extremists in the United States involved in 98 terrorist plots or attacks and 161 right-wing extremists involved in 94 plots or attacks.⁴ The far-right threat includes terrorist incidents from a wide variety of white supremacists, from neo-Nazis to Klansmen to racist skinheads, as well as incidents connected to anti-government extremists such as militia groups, sovereign citizens, and tax protesters. The number of acts attributed to each far-right extremist sub-group is nearly identical: 64 terror incidents are related to white supremacists, while 63 are related to anti-government extremists. When most people picture right-wing terrorism, they tend to think of white supremacists, but anti-government extremists such as militia groups and sovereign citizens pose just as much of a threat. The danger posed by violent anti-abortion extremists and other, smaller right-wing movements that resort to violence also cannot be ignored.

White Supremacists

White supremacist ideology in the United States today is dominated by the belief that whites are doomed to extinction by a rising tide of non-whites who are supposedly controlled and manipulated by the Jews. To counter this, white supremacists believe they must act to prevent a “white genocide.” This core belief is exemplified by slogans such as the so-called Fourteen Words: “We must secure the existence of our people and a future for white children.”⁵ White supremacists are often motivated to violence by this racist conviction.

Many white supremacists belong to organized hate groups, but most participate in the white supremacist movement as unaffiliated individuals. Thus, the size of the white supremacist movement is considerably greater than just the members of specific hate groups.

³ Anti-Defamation League, “Domestic Terrorism” (<https://www.adl.org/resources/glossary-terms/domestic-terrorism>); Cf. Anti-Defamation League, “Extremism” (<https://www.adl.org/resources/glossary-terms/extremism>)

⁴ Anti-Defamation League, *A Homegrown Threat: Islamist Extremist Plots in the United States*, May 1, 2018 (<https://www.adl.org/media/11160/download>)

⁵ Anti-Defamation League, “14 Words,” *Hate on Display™ Hate Symbols Database* (<https://www.adl.org/education/references/hate-symbols/14-words>)

The white supremacist movement has a number of different components, including: 1) neo-Nazis; 2) racist skinheads; 3) “traditional” white supremacists; 4) Christian Identity adherents; 5) white supremacist prison gangs; and 6) the alt right.⁶

White supremacists engage in a variety of terrorist plots, acts, and conspiracies. However, white supremacists also have a high degree of involvement with non-ideological criminal activity as well as ideologically-based criminal activity, including murders. However, even if non-ideological murders are ignored, white supremacists still account for the majority of lethal extremist violence in the United States.

Most of the recent growth of the white supremacist movement is attributable to the rise of the alt right since 2015. The newest segment of the white supremacist movement has brought many new faces to the movement, people not previously involved in extremist causes, as well as a new subculture derived from online forums such as 4chan, 8chan, and Reddit, as well as from the misogynistic “manosphere.”⁷ The alt right was the organizing force behind the white supremacist “Unite the Right” rally in Charlottesville, Virginia, on August 11-12, 2017, which attracted some 600 extremists from around the country and ended in deadly violence.⁸ While the growth of the alt right has energized the movement, it has also had somewhat of a destabilizing effect, as the alt right actually threatens to steal recruits from some of the more veteran segments of the white supremacist movement.

Since 2017, the alt right has continued to move from online activism into the real world, forming groups and organizations on the ground and engaging in new tactics such as targeting college campuses. As the alt right received increased media scrutiny, it suffered from dissension and disunity, most notably the departure of many alt right supporters who, though possessing a number of extreme views, did not advocate explicit white supremacy (these defectors are often referred to as the “alt lite”).⁹ The post-Charlottesville backlash against the alt right impacted many of its leading spokespeople but has not resulted, as some have claimed, in a decline in the movement as a whole.¹⁰

Other white supremacists – such as neo-Nazis, traditional white supremacists, racist skinheads, white supremacist religious sects, and white supremacist prison gangs – have not been replaced by the alt right, but have continued to threaten our communities. Some white supremacists, such as neo-Nazis, seem to have been buoyed by the alt right to some extent, while others – most notably racist skinheads – may experience a loss of potential recruits at the hands of the alt right.

⁶ Anti-Defamation League, “Defining Extremism: A Glossary of White Supremacist Terms, Movements and Philosophies” (<https://www.adl.org/education/resources/glossary-terms/defining-extremism-white-supremacy>)

⁷ Anti-Defamation League, *When Women are the Enemy: The Intersection of Misogyny and White Supremacy*, July 24, 2018 (<https://www.adl.org/media/11707/download>)

⁸ Anti-Defamation League, “Have Hate, Will Travel: The Demographics of Unite the Right” (<https://www.adl.org/blog/have-hate-will-travel-the-demographics-of-unite-the-right>)

⁹ Anti-Defamation League, “From Alt Right to Alt Lite: Naming the Hate,” July 18, 2017 (<https://www.adl.org/resources/backgrounders/from-alt-right-to-alt-lite-naming-the-hate>)

¹⁰ Oren Segal, “The Alt-Right Isn’t Going Away,” *The Forward*, July 5, 2018 (<https://forward.com/opinion/404501/the-alt-right-isnt-going-away/>)

Anti-Government Extremists (The “Patriot” Movement)

Although the term “anti-government extremism” can be used generically to refer to any fringe movement with an antipathy toward the government, or even the idea of government itself, in the United States the term is usually used to describe a specific set of right-wing extremist movements and groups that share a conviction that part or all of the U.S. government has been taken over by a conspiracy and is therefore not legitimate. Collectively, these movements and groups are often referred to as the “Patriot” movement.¹¹

The most important segments of the so-called “Patriot” movement include the militia movement, the sovereign citizen movement and the tax protest movement. Though each sub-movement has its own beliefs and concerns, they share a conviction that part or all of the government has been infiltrated and subverted by a malignant conspiracy and is no longer legitimate. Though there is considerable overlap between the white supremacist movement and “Patriot” groups, that overlap has likely diminished over time.¹²

Currently, the two most important anti-government extremist movements are the militia movement and the sovereign citizen movement. The militia movement, which dates back to 1993, is centered on anti-government conspiracy theories about the relationship between the federal government and an ostensible global conspiracy to create a tyrannical one-world government (often referred to as the “New World Order”) that seeks to disarm and enslave Americans. Militia movement adherents claim to be fighting against this global conspiracy and its collaborators within the federal government much like their forefathers fought against the British during the American Revolution. In recent years, the militia movement has also developed extreme anti-immigrant and anti-Muslim beliefs.

Three Percenters and the Oath Keepers are also part of the militia movement.¹³ The term “Three Percenter” derives from the erroneous belief that only three percent of colonists fought against the British during the Revolutionary War – but achieved liberty for everybody. Three Percenters view themselves as modern day versions of those revolutionaries, fighting against a tyrannical U.S. government rather than the British. With anyone able to declare themselves a Three Percenter, the concept allowed many people to join who were not suited, physically or by inclination, to engage in the traditional paramilitary activities of the militia movement.

Oath Keepers are a fairly large and loosely-organized anti-government extremist group started by attorney E. Stewart Rhodes that emerged as part of a resurgence of the militia movement in 2008-09. They particularly seek to spread the anti-government ideology of the militia movement among, and to seek recruits from, former and active duty military personnel, law enforcement officers and first responders. However, such a background is not required for membership.

¹¹ Anti-Defamation League, “Defining Extremism: A Glossary of Anti-Government Extremist Terms, Movements and Philosophies” (<https://www.adl.org/education/resources/glossary-terms/defining-extremism-anti-government>)

¹² Anti-Defamation League, “The Lawless Ones: The Resurgence of the Sovereign Citizens Movement” (<https://www.adl.org/sites/default/files/documents/assets/pdf/combating-hate/Lawless-Ones-2012-Edition-WEB-final.pdf>)

¹³ Anti-Defamation League, *The Oath Keepers: Anti-Government Extremists Recruiting Military and Police*, September 18, 2015 (<https://www.adl.org/resources/profiles/the-oath-keepers>)

The sovereign citizen movement dates back to 1970 in its earliest incarnation and is larger than the militia movement.¹⁴ Sovereign citizens believe that a conspiracy dating back to the 1860s infiltrated and subverted the government of the United States, replacing its laws and legal systems with versions designed to allow repression and tyranny. This conspiracy purportedly replaced the original “de jure” government with a new, illegitimate “de facto” government.

Sovereign citizens believe that they can declare their “sovereignty” and return to the pre-conspiracy government, after which the “de facto” government has no authority or jurisdiction over them. Sovereign citizens thus believe they can ignore laws, rules, regulations and taxes; as a result, the movement has a high association with criminal activity, both violent and non-violent. Because of a history of violent confrontations between sovereign citizens and law enforcement, including deadly shootouts, the movement represents a significant risk to officer safety.

Though the sovereign citizen movement began in the United States, it spread to Canada in the 1990s and to other English-speaking countries in the 2000s and is even present in small numbers in Europe. Spurred by the recession and foreclosure crisis of 2008-2009 and enabled by the rise of social media, the sovereign citizen movement experienced considerable growth over the past ten years, with corresponding rises in sovereign citizen violence, so-called “paper terrorism” harassment tactics, and white-collar scams and frauds.

Domestic Islamist Extremism

While Islamist-inspired extremism – such as allegiance to ISIS, Al Qaeda, and related groups – may not fit the prosecutable, legal definition of “domestic terrorism,” the domestic Islamist-inspired extremist threat persists and is, in fact, homegrown. Over the past ten years, about 24 percent of victims killed by domestic terrorists were at the hands of domestic Islamist extremists.¹⁵ Of the 127 individuals involved in Islamist extremist-inspired plots since 2002, 66 were born in the United States – approximately 52 percent of the total.¹⁶ Twenty-five of those 127 individuals, or roughly 20 percent, were naturalized citizens, and 23 were lawful permanent or temporary residents – approximately 18 percent. Five of the individuals were foreign citizens, and eight were in the United States without documentation. This means that 90 percent of the individuals involved in these plots were U.S. citizens, lawful permanent or temporary residents, or in the United States with documentation.

In 2018, 13 individuals were arrested for domestic criminal activity motivated by Islamist extremism. Four of the 13 arrests were linked to terror plots, one of which resulted in the murder of a high school student. All 13 individuals arrested for domestic Islamist extremist activity in 2018 were lawfully in the United States at the time of their arrest. As of June 2019, law enforcement had foiled five Islamist extremist inspired plots in the United States, including a plot to attack federal buildings in Washington D.C., carry out a vehicular ramming at the

¹⁴ Anti-Defamation League, *The Lawless Ones: The Resurgence of the Sovereign Citizen Movement*, 2012 (<https://www.adl.org/sites/default/files/documents/assets/pdf/combating-hate/Lawless-Ones-2012-Edition-WEB-final.pdf>)

¹⁵ Anti-Defamation League, *Murder and Extremism in the United States in 2017: An ADL Center on Extremism Report*, January 17, 2018 (<https://www.adl.org/media/10827/download>)

¹⁶ Anti-Defamation League, *A Homegrown Threat: Islamist Extremist Plots in the United States*, May 1, 2018 (<https://www.adl.org/media/11160/download>)

National Harbor in Maryland, attack a white supremacist rally in California, attack a pro-Israel rally and the Israeli consulate in New York, and detonate explosives in Times Square in New York.

Self-radicalized lone actors pose a particular challenge to combat, in that they are often harder to trace, and they do not operate under the direction of any designated terror group, which means their motivations tend to be less clear and their actions less predictable. As such, the domestic threat from Islamist extremism requires continued vigilance, adaptation to a decentralized approach, and an understanding of adherents inspired in America rather than fighters coming from abroad. Notably, beginning in 2008, individuals more often plotted attacks on their own rather than as part of cells. By 2010, the number of individuals involved in Islamist extremist plots was almost equal to the total number of such plots for that year. Between 2014 and 2017, 51 people were involved in 47 plots. In both 2016 and 2017, the number of plots matched the number of individuals involved. And the focus on soft targets¹⁷ has increased significantly since 2014.

Left-Wing and Black Nationalist Violence

While in no way comparable to the nature and magnitude of the threat posed by right-wing and white supremacist groups, far left-wing violence does still occur in the United States, though at significantly lower levels than during its heyday from 1965-1985. Here we use the term “far left” very broadly, to include anarchists as well as violent black nationalists, even though some of those groups themselves might claim not to be part of the left. The term also encompasses single-issue extremists such as animal rights and environmental extremists, typically emerging from the extreme wings of mainstream movements. Such groups and individuals have been responsible for a relatively small number of terrorist incidents over the past ten years, far less than those committed by either Islamist extremist or right-wing extremist actors.

Of particular note has been a rise of violence related to black nationalism in the past several years, generally as a response to police shootings perceived as wrongful. Several shootings and one vehicular assault have been directed against police officers by such extremists. In 2016, two black nationalists specifically targeted, shot and killed eight police officers in separate incidents in Dallas and Baton Rouge.¹⁸

The Financing of Extremism in the United States

Contrary to common public perception, most extremist movements in the United States are largely self-funded, with individuals and groups funding their own activities (violent or otherwise), though online fundraising does play a role, especially for groups and individuals promoting extremist propaganda.

¹⁷ A “soft target” is an inherently unprotected target. See e.g., “Soft Target,” Wikipedia (https://en.wikipedia.org/wiki/Soft_target)

¹⁸ Anti-Defamation League, *Murder and Extremism in the United States in 2016*, February 16, 2017 (<https://www.adl.org/sites/default/files/documents/MurderAndExtremismInUS2016.pdf>)

It is important to note that funding levels for any extremist movement do not necessarily correlate tightly with the movement's ability to promote or even perpetrate violence. Domestic terrorism in the United States is primarily committed by lone actors or small, informal cells rather than large, organized or hierarchical groups. Would-be domestic terrorists largely fund their own violence; the cost of obtaining a firearm and engaging in a public attack is small. However, money raised to support non-criminal extremist activities and propaganda can indirectly promote terrorism and other violence by inflaming passions and identifying targets.

As outlined below, certain funding modalities – like cryptocurrencies, for example – are particularly vulnerable to exploitation by extremists. Online payment and money transfer services require further vigilance to prevent their systems from being exploited by extremists. Financial institutions have an interest in protecting their brand and therefore should consider increasing diligence and actively cutting off bad actors from across the extremist spectrum.

Anti-government extremists

The anti-government movement is largely self-funded, with relatively few revenue streams. Militia groups, for example, tend to be self-funded, with people putting their own money into their movement activities, purchasing their own weapons, equipment and uniforms, and paying their own way to events they organize or attend.

Occasionally these self-funding activities themselves are unlawful, such as the leader of a militia group in Georgia, who committed murder and insurance fraud by killing his pregnant wife for insurance money, which he used to fund his group.¹⁹

In general, the sovereign citizen movement is similarly self-funded. There are, however, some unique elements to sovereign citizen funding. For example, sovereign citizen groups and trainers sell many manuals and guides that teach their ideas and tactics. The prices range from hundreds to thousands of dollars. These are sold online as well as in person – on their own sites, or sometimes on third party seller sites, although less common.

Sovereign citizens also commonly hold seminars and training sessions for which they charge (often substantial) fees for people to come to learn ideas and tactics. The sovereign citizen movement is also well-known for perpetrating a variety of scams and frauds – from mortgage fraud to investment scams to immigration fraud and more. Some of these schemes can take in millions or even tens of millions of dollars, most of which is used for the benefit of the scammers.

White supremacists

White supremacist extremists use funding for a variety of purposes, such as funding activities and propaganda, as well as criminal defense costs and other organizational needs. However, relatively speaking, in terms of American political and social movements, the white supremacist

¹⁹ Seamus Hughes, “Low Cost, High Impact: Combatting the Financing of Lone-Wolf and Small-Scale Terrorist Attacks,” Testimony Before the U.S. House of Representatives Financial Services Committee, September 6, 2017 (https://financialservices.house.gov/uploadedfiles/09.06.2017_seamus_hughes_testimony.pdf)

movement is particularly poorly funded. Small in numbers and largely populated by people of minimal means, the white supremacist movement has an inherently weak base for raising money. It should also be noted that far-left extremists, such as black nationalists, also have sparse funding streams but to the extent they do finance themselves, their efforts are similar to those of white supremacists.

Ostracized because of its extreme and hateful ideology, not to mention its connections to violence, the white supremacist movement does not have easy access to many common methods of raising and transmitting money. This lack of access to funds and funds transfers results in barriers and limitations to what white supremacists can achieve.

Recent developments, particularly in crowdfunding, provided a small number of high-visibility white supremacists with additional revenue streams – mostly small but sometimes significant. However, mainstream crowdfunding sites are now much more likely to prevent white supremacists from exploiting their platforms, while the “alternative” crowdfunding sites established by extremists themselves have mostly failed.

Because white supremacists often face “de-platforming”²⁰ (banning users who violate terms of service) and exclusion from mainstream online methods of raising or transferring money, they have become particularly assiduous at exploiting new methods of fundraising, often seeking out platforms that have not yet realized how extremists can exploit them and have not developed policies or measures to counter such exploitation. When a new fundraising method or platform emerges, white supremacists can find a window of opportunity. These windows can, however, be shut if platforms promptly take countermeasures.

As outlined in ADL’s 2017 report titled, “Funding Hate: How White Supremacists Raise Their Money,”²¹ the main sources of white supremacist funding include:

Self-funding

Most white supremacists fund their own activities in the movement – whatever those activities may be. This is not surprising; most white supremacists do not belong to any organized group and have little to rely upon other than their own resources. If they want to attend a white supremacist event somewhere, they must travel there themselves or find a ride with others. They often must pay for their own tattoos, clothing, paraphernalia and weaponry. Because many white supremacists are not economically advantaged, such self-funding does not generate much money as a whole.²²

²⁰ Anti-Defamation League, “When Twitter Bans Extremists, GAB Puts Out the Welcome Mat,” March 11, 2019 (<https://www.adl.org/blog/when-twitter-bans-extremists-gab-puts-out-the-welcome-mat>)

²¹ Anti-Defamation League, *Funding Hate: How White Supremacists Raise their Money*, December 5, 2017 (<https://www.adl.org/media/10761/download>)

²² Anti-Defamation League, “Chapter 2: Self-Funding,” *Funding Hate: How White Supremacists Raise their Money*, December 5, 2017 (<https://www.adl.org/resources/reports/funding-hate-how-white-supremacists-raise-their-money#self-funding>)

Organizational funding

Most white supremacist groups, as well as other white supremacist entities such as websites, do solicit voluntary donations, regardless of whether they have membership dues. For example, the Arkansas-based Knights Party, a Klan group, solicits donations of from \$5 to \$500 through an online store. Fundraising campaigns for limited and specific purposes – such as raising money to pay the legal fees of an arrested white supremacist – often have a greater chance of success than broader or more generic entreaties.²³

Most of these groups seeking dues and donations cannot easily use electronic forms of payment, because companies like PayPal make an effort to prevent white supremacists from using their services. The Knights Party, for example, allows people to “purchase” donations online but they must send checks or money orders by mail. The National Policy Institute, the “think tank” of alt right ideologue Richard Spencer, complains on its site that “each of our online donation processors has been successively torpedoed by Silicon Valley,” and asks that people send traditional checks or money orders.

Unfortunately, extremists continue to exploit some payment platforms, such as Stripe, a payment platform for internet businesses.²⁴

Other products, including storefront software, also allow users to purchase items from extremist websites, some of which even helps promote the extremists’ brand, such as extremist T-shirts and other fashion items.²⁵

Criminal Activity

White supremacists engage not only in ideological crimes such as hate crimes or terrorist plots, but also a wide variety of traditional crimes – including crimes intended to obtain money, such as drug dealing, robberies, and thefts. White supremacist prison gangs, many of which can be described as organized crime syndicates, are particularly noteworthy for such activities, but this type of criminal behavior can be found to some degree across much of the white supremacist movement.²⁶

²³ Anti-Defamation League, “Chapter 3: Organizational Funding,” *Funding Hate: How White Supremacists Raise their Money*, December 5, 2017 (<https://www.adl.org/resources/reports/funding-hate-how-white-supremacists-raise-their-money#organizational-funding>)

²⁴ Jared Holt, “Stripe Payment Platform is Facilitating a Fundraiser for This Neo-Nazi Gang,” Right Wing Watch, January 7, 2019 (<https://www.rightwingwatch.org/post/stripe-payment-platform-is-facilitating-a-fundraiser-for-this-neo-nazi-gang/>)

²⁵ Cynthia Miller-Idriss, “The rise of fascist fashion: Clothing helps the far right sell their violent message,” *Salon*, April 21, 2018 (<https://www.salon.com/2018/04/21/the-rise-of-fascist-fashion-clothing-helps-the-far-right-sell-their-violent-message/>); Cynthia Miller-Idriss and La’Nita Johnson, “The far right is really good at tricking you into giving it free advertising,” *Quartz*, July 30, 2019 (<https://qz.com/1677549/how-the-far-right-tricks-online-shoppers-into-spreading-its-message/>)

²⁶ Anti-Defamation League, “Chapter 4: Criminal Activity,” *Funding Hate: How White Supremacists Raise their Money*, December 5, 2017 (<https://www.adl.org/resources/reports/funding-hate-how-white-supremacists-raise-their-money#criminal-activity>)

Most such criminal activity, however, is designed primarily to benefit the person or persons engaging in the crime, rather than a white supremacist group or white supremacist causes as a whole. As such, criminal activity is not a major source of funding for white supremacism as a movement.

Online funding platforms

The most significant new type of funding for the white supremacist movement has been crowdfunding or crowdsourcing, which can be used by both individuals and groups. Essentially an extension of social media, crowdfunding consists of using dedicated internet platforms such as GoFundMe, Patreon, FundRazr, Indiegogo, and Kickstarter, among others, to solicit and raise money for specific products, projects or general support from among a wide base of people. Today, crowdfunding is used by the general public to finance a wide range of activities, from moviemaking to wrestling camps.²⁷

White supremacists quickly discovered the usefulness of such platforms. In 2014, white supremacist Kyle Hunt launched an Indiegogo fund drive to produce “Stop White Genocide” banners for planned White Man March events across the country. With 50 backers contributing money, Hunt quickly raised over \$3,500, well over his stated goal of \$2,000. A similar campaign aimed to purchase an aerial sign (i.e., one pulled by a plane) reading “March Against White Genocide,” which was also successful. Canadian white supremacist Veronica “Evalion” Bouchard successfully raised more than \$1,600 on Indiegogo in 2016 for a “new studio set up” to use to make racist videos.

However, as mainstream crowdfunding websites became aware of white supremacist exploitation of their platforms, they have increasingly moved to block these users. Some white supremacists and other extremists attempted to create their own alternative crowdsourcing platforms, like GoyFundMe, Hatreon, and WeSearchr, but these have all have failed. We assume that failure is due at least in part to the fact that their financial and technical resources are dwarfed by mainstream platforms and fringe platforms have user-bases that are insignificant in comparison to mainstream platforms.

However, white supremacists continue to exploit newly emergent crowdfunding platforms, at least until those platforms take countermeasures.

Cryptocurrencies

White supremacists routinely encounter problems with money transfers and payment processing. Many online payment sites deny them access and sometimes even getting a credit card payment processor can be challenging. As a result, white supremacists are not guaranteed swift electronic funding transfers, and money is generally transferred by check, money order or cash sent by mail.

²⁷ Anti-Defamation League, “Chapter 5: The New Kid on the Block: Crowdfunding,” *Funding Hate: How White Supremacists Raise their Money*, December 5, 2017 (<https://www.adl.org/resources/reports/funding-hate-how-white-supremacists-raise-their-money#the-new-kid-on-the-block-crowdfunding>)

In recent years, the electronic cryptocurrency Bitcoin, which can be used for digital payments, has become an attractive alternative for some white supremacists, including Stormfront, the oldest and largest white supremacist website on the internet. The site claims that Bitcoin is its preferred payment method and provides its Bitcoin address to would-be contributors. In August 2017, Matt Parrott of the Traditionalist Worker Party, a neo-Nazi group, announced a “sweeping shift toward relying on blockchain-driven technologies [*i.e.*, cryptocurrencies like Bitcoin or Ethereum] instead of the traditional corporate internet.” The group had already been getting at least some donations through Bitcoin since 2015.²⁸

One odd aspect of Bitcoin is that, while the crypto-currency is anonymous in the sense that it does not transmit personally identifying information, it is quite transparent in that all transactions using Bitcoin are permanently and publicly stored. This means that if one knows the identifier for Bitcoin “wallets” belonging to extremists, one can see the overall wallet value as well as the individual transaction amounts for those wallets. However, unlike more traditional forms of payment processors like credit cards that actually log purchases, it’s impossible to know what is being purchased using cryptocurrency without further investigation, even if the transactions between individuals are transparent in the cryptocurrency model. In October 2017, journalists Will Carless and Aaron Sankin did just that, with help from a Twitter bot, @NeonaziWallets, which posts information related to certain identified Bitcoin wallets. They revealed that Stormfront’s Bitcoin wallet was worth more than \$30,000, while that of the neo-Nazi website Daily Stormer was ten times that amount. Perhaps most surprisingly, their report revealed that white supremacist hacker Andrew Auernheimer has received more than a million dollars in Bitcoin currency, a staggering amount for a white supremacist. (It should be noted that Auernheimer’s appeal extends beyond the white supremacist movement into several other movements or subcultures and therefore, he is not necessarily representative of white supremacists’ use of Bitcoin.) These figures illustrate that a small number of prominent white supremacists have been able to receive significant amounts via cryptocurrency.²⁹

As more cryptocurrencies have emerged, white supremacists have exploited them as well. Examples include Ethereum, Litecoin, BitcoinCash, and Chainlink, but any popular cryptocurrency may be used by white supremacists.

However, cryptocurrencies are not a panacea for white supremacists’ money transfer difficulties. While white supremacists may be able to transfer money from their own “wallets” to those of other white supremacists, obtaining wallets or converting cryptocurrency into traditional money requires the services of other businesses. Some of these companies providing wallets and conversion services, such as Coinbase, have terms of service that can be used to deny access to white supremacists—something that Coinbase has done on more than one occasion. Other companies, however, may have only minimal provisions in their terms of service, or may not enforce them well.

²⁸ Anti-Defamation League, “Chapter 6: Bitcoin and Cryptocurrencies,” *Funding Hate: How White Supremacists Raise their Money*, December 5, 2017 (<https://www.adl.org/resources/reports/funding-hate-how-white-supremacists-raise-their-money#bitcoin-and-cryptocurrencies>)

²⁹ Aaron Sankin and Will Carless, “The Hate Report: People have sent this neo-Nazi over \$1M in bitcoin,” *Reveal News*, October 27, 2017 (<https://www.revealnews.org/blog/hate-report-people-have-sent-this-neo-nazi-over-1-million-in-bitcoin/>)

It is clear that white supremacist funding can be further inhibited through encouraging businesses in the cryptocurrency industry to adopt and enforce terms of service that would prohibit their use, as Coinbase puts it, to “incite, threaten, facilitate, promote, or encourage hate, racial intolerance, or violent acts against others.”³⁰

Exploitation of Other Online-Enabled Methods of Raising or Transferring Money

White supremacists are quick to exploit any method they can for raising or sending money. Some, for example, promote the use of gift cards and gift lists. They urge people to purchase gift cards through credit card companies or major retailers, then send the cards to them electronically or through the mail. Gift lists are essentially a “payment in kind” method of fundraising that originated with amateur pornographers, using a barter-like system to obfuscate the purpose of the payment from oversight. Some extremists have published “wish lists” of items for sale on sites like Amazon, urging their followers to purchase those items for them.

Some extremists currently exploit a relatively new technology – streaming donations. A recent YouTube feature called SuperChat allows people to pay to post comments during livestreaming video events—essentially a way of supporting whoever is making the broadcast. Third party companies also offer streaming donation services for various popular video platforms, and white supremacists have exploited some of these as well.

Online Advertising

A few white supremacist organizations have generated advertising revenues through their websites in sophisticated ways. These methods include using advertisement services like Google AdSense or Doubleclick that automate the process of placing an advertisement on a website without the website owner and advertising company having to interact, and without the advertising company having to explicitly opt in for its ads to be placed on any website. The website owner generates revenue from Google or Doubleclick, who in turn receive payments from the advertising company. Websites that peddle anti-Semitism and Holocaust denial, like Counter-Currents Publishing, American Free Press, The Right Stuff, and Veterans Today, were found to be generating revenue using Google AdSense.³¹

While Google announced an update to their AdSense policy in 2017³² to protect advertisers who did not want to see their advertisements placed next to hateful content, the issue appears to persist,³³ with reports of white supremacist groups adapting to Google’s updated policies by

³⁰ Coinbase User Agreement (https://www.coinbase.com/legal/user_agreement)

³¹ Eric Hananoki, “How Anti-Semitic And Holocaust-Denying Websites Are Using Google AdSense for Revenue,” *Media Matters for America*, January 30, 2017 (<https://www.mediamatters.org/google/how-anti-semitic-and-holocaust-denying-websites-are-using-google-adsense-revenue>)

³² Philipp Schindler, “Expanded safeguards for advertisers,” March 21, 2017 (<https://blog.google/topics/ads/expanded-safeguards-for-advertisers/>)

³³ John Ellis, “Dear Google: Please stop using my advertising dollars to monetize hate speech,” *Quartz*, January 11, 2018 (<https://qz.com/1177168/dear-google-please-stop-using-my-advertising-dollars-to-monetize-hate-speech/>)

creating networks of websites that do not contain explicitly hateful content but generate funds by creating user traffic and which can ultimately support white-supremacist activity.³⁴

Principles for Addressing the Challenge

The threat of domestic extremism in the United States is severe. The government, private sector, and civil society must come together to comprehensively develop new approaches to keep our communities safe. However, we must concede that the financing of these organizations is not significant – the organizations are loose and inexpensive to operate, their operations are inexpensive, and preventing lone actors from self-financing is highly challenging. But that does not mean there is not significant work that can be done to help cut off some additional financing to extremist organizations that would mitigate the threat in meaningful ways, such as by increasing efforts to counter extremism writ large and ensuring they include financial measures, as well as by integrating domestic extremism concerns into existing financial oversight. Part of the challenge at this phase is that this issue has not been addressed in a meaningful way before – I believe this is the first hearing in recent history on this topic, and one of few on related topics.³⁵ Therefore there are not actionable plans specific to extremist financing to which we can point, but there are related approaches that await Congressional action and other elements due for consideration and evaluation.

While the threat of domestic extremism has been on the rise in recent years, government resources have gone the opposite direction. My former office in DHS that worked to prevent extremism through grants and related partnerships with local organizations was stripped of staff and grant funding, only to see most – but not all – of the original funding restored³⁶ in the most recent budget, but without the increase in resources that the rising threat demands. Further, DHS intelligence analysts specializing in domestic terrorism were reassigned;³⁷ while they may still serve as intelligence analysts, the loss of specialization may significantly hinder DHS's abilities. These changes may seem a small regress, but they can have a sizable impact. Moreover, the threat of domestic terrorism requires a significant increase in efforts to counter it; and filling the gap between what the government is doing and what we need is paramount.

Congress should pass several types of legislation to combat the domestic terrorism challenge from various angles. Bills to codify into law domestic terrorism specialization offices, to increase transparency into how the government sees the threat and what it is doing to counter it, to devote additional resources to combating the challenge and to increase the prioritization of

³⁴ “How You Thought You Support The Animals and You Ended Up Funding White Supremacists,” *Vox Pol*, December 11, 2019 (<https://www.voxpol.eu/how-you-thought-you-support-the-animals-and-you-ended-up-funding-white-supremacists/>)

³⁵ See, e.g., “How the Tax Code Subsidizes Hate,” House Ways and Means Subcommittee on Oversight, September 19, 2019; “Low Cost, High Impact: Combatting the Financing of Lone-Wolf and Small-Scale Terrorist Attacks,” Financial Services Committee, September 6, 2017.

³⁶ See, e.g., Peter Beinart, “Trump Shut Programs to Counter Violent Extremism,” *The Atlantic*, October 29, 2019 (<https://www.theatlantic.com/ideas/archive/2018/10/trump-shut-countering-violent-extremism-program/574237/>); Department of Homeland Security Appropriations for 2020 (<https://docs.house.gov/billssthisweek/20191216/BILLS-116HR1158SA-JES-DIVISION-D.pdf>)

³⁷ Betsy Swan, “Homeland Security Disbands Domestic Terror Intelligence Unit,” *The Daily Beast*, April 2, 2019 (<https://www.thedailybeast.com/homeland-security-disbands-domestic-terror-intelligence-unit>)

combating precursor crimes such as hate crimes are all welcome reforms that we need urgently. These reforms could include a financial component, to the extent appropriate – with the goals of improving the transparency and understanding of the financial components of domestic terrorism and prioritizing investigation and prosecution of financial crimes (under current law) that facilitate hate and extremism.

Law enforcement could further prioritize the issue of domestic extremist financing. If law enforcement suspects that financing of domestic terrorism in a particular instance is unlawful, they should pursue it, which would require prioritization from FBI and the Department of Justice. Current policy for prosecuting domestic terrorism cases involves high-priority investigations by the domestic terrorism team at FBI, but – as there is no directly relevant, prosecutable federal domestic terrorism statute – they are prosecuted under other laws such as murder, hate crimes, or weapons charges. FBI and Department of Justice officials could also review whether those investigated as domestic terrorists may have violated financial crimes (under current law) as part of a prosecution.

Existing approaches to financial crimes and diligence should also be adapted to address the domestic extremism concerns when appropriate. This Committee’s hearing on this issue is welcome and we urge you to continue evaluating the potential for developments in this area. While Foreign Terrorist Organization (FTO) provisions such as those prohibiting material support are not appropriate in the setting of domestic terrorism due to the different legal framework, that obviously does not leave domestic terrorists impervious to any financial-related criminal prosecution if they violate applicable financial statutes. A Congressional review would be welcomed on issues such as anti-money laundering (AML) approaches, suspicious activity reporting, financial intelligence practices, tax policies, and how there may be reforms in accordance with current law that could better deprive domestic extremists of resources.

Potential reforms do not end with government either. We need a whole-of-society approach to countering domestic extremism. Civil society can provide expertise, convening power, and services to communities to off-ramp individuals on a path to extremism. We work with law enforcement, the technology sector, mayors, governors, and community members to promote an awareness of hate and extremism and to reduce the likelihood that it hurts our communities. There are other organizations whose efforts show considerable promise in cutting off resources to hateful organizations, such as Color of Change and SumOfUs.³⁸ Their advocacy has led to many reforms from companies to prevent money from flowing to extremists through credit card processors and related companies. We thank them for their efforts and hope leaders like those in Congress will applaud similar efforts.

Financial companies, ranging from credit card processors to insurers and those in e-commerce all have a role to play. Similar to social media companies, they should be aware of how domestic extremists abuse their platforms, and they use that knowledge to update and enforce terms of service to ensure that abuse by extremists does not help fund terrorism. We provide expertise to

³⁸ See, e.g., Color of Change, “#NoBloodMoney” (https://colorofchange.org/press_release/one-year-after-charlottesville-color-of-change-launches-bloodmoney-org-targeting-financial-service-providers-that-continue-to-profit-from-white-supremacist-organizations/); SumOfUs, “Stop financial corporations funding hatred and violence” (<https://actions.sumofus.org/a/stop-financial-corporations-from-funding-violence-and-hate>)

private sector companies to help them in these types of risk mitigation activities, and we look forward to expanding those efforts.

Recommendations for Research and Mechanisms to Address Domestic Terrorism Financing

Due to the complex nature of the intersection between finance, technology and domestic terrorism, ADL recommends this area receive significant further study. Congress should fund research on these topics, including support for research by government agencies, academic institutions, and/or non-profit organizations, and should ensure the views experts from the fields of finance, technology, civil rights and civil liberties, and public policy are brought to bear. This important research could produce recommendations for new laws or regulatory frameworks as well as for policy changes and actions that private entities can take to aid in addressing the problem.

Such research would aim to understand and analyze the online financial ecosystem behind hate-motivated conduct and crimes. It could begin by considering a defined universe of cases, and then delving into the funding streams, types of transactions and financial mechanisms that enabled each incident. A study would provide a body of informative data and also deduce patterns and trends.

New forms of financial products and services, including cryptocurrencies, should be addressed. Analysis should cover challenges as well as opportunities inherent in these new financial products and services for those endeavoring to stop the funding of hate and violence.

A. Assess Potential Legal and Regulatory Changes to Address the Threat

Based on the findings and research, we ask Congress to reconsider options for tailored approaches to countering the domestic terrorist financing threat. That approach could comprise a comprehensive government strategy if appropriate, but certainly should include ways the government can better address the issue of domestic extremist financing and how best to train and prepare government entities for related tasks. The scope of any such reforms must be limited to financial entities' role in enabling illegal activity, not First-Amendment-protected activity. Privacy and civil liberties concerns will be crucial, and we look forward to considering the civil liberties implications of any potential reforms before they are enacted.

B. Potential Best Practices for Private Companies that Provide Financial Products or Services

We assess that the companies such as online payment processors currently addressing the challenge of mitigating abuse of their services for financing extremist causes may frame their approach to include:

- 1) Effective terms of service, as well as internal policies and procedures to implement them, to prevent exploitation by extremists;

- 2) Sufficient human and technological resources to detect and prevent exploitation and attempted exploitation by extremist on their platforms and services; and
- 3) Responsiveness to warnings by users and third parties of instances of extremist exploitation of their platforms and services.

While information on specific financial company successes and challenges in countering extremism is limited – and further transparency is needed – new methods to counter these threats and a deeper understanding of what works in the financial sector to mitigate the threat would be welcome.

Industry best practices would be useful and important to develop, particularly with regard to a complex and evolving online funding ecosystem. In order to recommend new or additional best practices for private companies, it would help to have additional research and in-depth analysis regarding the way online products or financial services are used by hateful extremists.

A look into industry best practices should cover areas that (i) help online payment services prevent extremists from using their services to further illegal activity, (ii) provide transparency through anonymized and aggregated datasets and insights to help researchers and policy makers conduct analysis and make decisions, and (iii) create a framework that allows platforms using new technologies like cryptocurrency that enable online transactions to assess and mitigate the potential for exploitation of their services.

As these best practices would be voluntary steps by private entities rather than state action, recommendations could be broader without running afoul of First Amendment legal protections.

A non-exhaustive list of potential best practices for companies could include:

- Develop and Implement Anti-Hate Terms of Use Policies
 - In addition to existing laws, companies involved in online payments should have inclusive, comprehensive, and robust policies that explicitly prohibit the use of their products or services to fundraise for extremists, hate groups, movements, and events that advocate violence or promote discrimination or dehumanization of any group. It is crucial that these terms are clear and transparent and that users consent to them initially and at the point of transaction. Companies must then vigorously enforce these guidelines for the benefit of their users
 - As an example of an anti-hate policy, PayPal's use policy states: "*You may not use the PayPal service for activities that: (1) violate any law, statute, ordinance or regulation. (2) relate to transactions involving. . . (f) the promotion of hate, violence, racial or other forms of intolerance that is discriminatory. . .*"³⁹

³⁹ PayPal, *Acceptable Use Policy*, updated June 15, 2018
(<https://www.paypal.com/us/webapps/mpp/ua/acceptableuse-full>)

- In contrast, many companies currently have policies that could be broader when it comes to restricting transactions likely to promote discriminatory conduct, threats, or incitement to violence. For example, MasterCard articulated its use policy in 2017 (in response to activism after Charlottesville): “...we’re working with our acquirers to shut down the use of our cards on sites that make specific threats or incite violence — because this activity can be unlawful. . . . We believe that offensive speech will be seen for what it is and that it will lose its force in the free marketplace of ideas. For that reason, our cards may still be accepted at some sites that people find offensive. Our standard is whether a merchant’s activity is lawful, even when we disagree with what they say or do. That supports the ideals of free expression.”⁴⁰

- Establish Reporting Mechanisms
 - Users should be able to quickly and easily report to an online payment processor if they believe that their services are being used by members of hate groups to conduct transactions that support activity that discriminates against any group.
- Transparency Reporting and Annual Auditing
 - Payment processor companies should be encouraged to release information on trends in which extremists and domestic terrorism groups and movements are being blocked from using their services and the frequency with which these blocks happen. They should also be audited on their tracking of attempts made by individuals to use payment services to commit or assist unlawful activity, and the nature of the activity itself.
- Safety Team Development and Trainings
 - Companies that provide online payment processing services should have safety teams with analysts who actively work with researchers to find instances where their services are being used to promote hateful and harmful movements and related illegal activity. Safety team analysts should receive routine training to help identify transactions that could be used to further acts of hate and domestic terrorism. This could include training on hate symbols and hate group social media use.
- Collaborations
 - Payment service providers need to work in close partnership on combating this threat with other relevant horizontal and vertical stakeholders like social media platforms, internet infrastructure companies that provide hosting services, and advertising companies that sponsor or facilitate the sponsoring of ads on websites. This collaboration is necessary to prevent miscommunication between stakeholders from hampering efforts aimed at preventing the funding of domestic terrorist groups and hate movements.

⁴⁰ MasterCard, *Statement on the Use of our Network*, August 18, 2017 (<https://newsroom.mastercard.com/news-briefs/mastercard-statement-on-the-use-of-our-network/>)

- Limitations

- There is a key practical implementation issue regarding line-drawing in crafting these terms of use policies: the nexus between finances raised and ultimate conduct that promotes hate. Moreover, attribution of many transactions may be difficult, further complicating enforcement. All such complications should be considered within any best practices evaluation.
- Companies should have a process by which individuals and organizations who are denied the ability to utilize a certain financial entity's product or service, or whose specific transactions are denied, are informed of the reason for the denial and provided the opportunity to dispute the denial in a timely manner. The existence of such a dispute resolution mechanism should be transparent and clear to the user; for example, a browser page providing the option to dispute could pop up immediately upon a transaction being denied.
- Additionally, particularly in the current polarized political climate, financial service companies could be hesitant to become the referees of what constitutes hate or discrimination and what constitutes legitimate political viewpoints. Civil liberties should be front of mind with every action taken.

Recommendations for Countering Domestic Terrorism in General

Use the bully pulpit: The President, cabinet officials, and Members of Congress must call out bigotry at every opportunity. The right to free speech is a core value, but the promotion of hate should be vehemently rejected. Simply put, you cannot say it enough: America is no place for hate

Increase government transparency and expand its understanding of the challenge of countering domestic terrorism: The Fiscal Year 2020 National Defense Authorization Act (NDAA) required increased coordination, accountability, and transparency of the federal government in collecting and recording data on domestic terrorism. Data on extremism and domestic terrorism is being collected by the FBI, but not enough, and the reporting is insufficient and flawed. Data drives policy; we cannot address what we are not measuring. This transparency should be extended to financial intelligence and prosecutions.

Resources to combat the threat: Congress should pass the Domestic Terrorism Prevention Act (DTPA) (S. 894/ H.R. 1931) to enhance the federal government's efforts to prevent domestic terrorism by not only requiring reporting on the threat of white supremacist violence, but also requiring that the government apportion its resources to focus on the threat as reported. The bill also authorizes the offices addressing domestic terrorism, giving Congress offices that they can oversee more directly. It would also provide training and resources to assist non-federal law enforcement in addressing these threats, requiring DOJ, DHS, and the FBI to provide training and resources to assist state, local, and tribal law enforcement in understanding, detecting, deterring, and investigating acts of domestic terrorism.

Create a mechanism for systematized public-private information sharing: Since law enforcement must be more constrained than civil society in collecting information on domestic extremists, and since civil society and the technology sector may be more credible or appropriate actors to counter certain aspects of the threat, there must be a formalized and institutionalized mechanism for information flow on domestic terrorism. The National Center for Missing and Exploited Children (NCMEC) has set up such a public-private partnership that could serve as a model for this effort in how it has streamlined public-private information flow using a structure set up with government funding but operating independently of the government.

Invest in prevention: Civil society and other actors can help create off-ramps to prevent individuals from taking up violent extremists' cause. Congress can work to prevent violent extremism with an outside grants lens, empowering academic institutions to research what works in prevention, to provide funding for law enforcement training on white supremacy and extremism, and to help civil society and empower local communities.

Support local entities in preventing, addressing, and reporting hate crimes: Congress should take up and pass the Khalid Jabara and Heather Heyer National Opposition to Hate, Assault, and Threats to Equality (NO HATE) Act of 2019 (S. 2043/ H.R. 3545). This legislation would authorize incentive grants to spark improved local and state hate crime training, prevention, best practices, and data collection initiatives – including grants for state hate crime reporting hotlines to direct individuals to local law enforcement and support services.

Consider the necessity and feasibility of a criminal domestic terrorism statute: Congress should begin immediate hearings and consultations with legal and policy experts, marginalized communities, and law enforcement professionals on whether a rights-protecting domestic terrorism criminal charge is needed – and whether it is possible to craft such a statute. Congress should closely examine whether the gap in the law caused by the lack of a domestic terrorism statute can be addressed without violating First Amendment speech and association rights.

Better enforce existing hate crimes laws and improve training and data collection on hate crimes: Congress should ensure that the FBI and the Justice Department's Civil Rights Division will enforce relevant federal laws and vigorously investigate and prosecute hate crimes. The Department of Justice should incentivize and encourage state and local law enforcement agencies to more comprehensively collect and report hate crimes data to the FBI, with special attention devoted to large underreporting law enforcement agencies that either have not participated in the FBI Hate Crime Statistics Act program at all or have affirmatively and not credibly reported zero hate crimes. More complete hate crime reporting can deter hate violence and advance police-community relations.

Consider whether and how it might be appropriate to designate overseas white supremacist groups as FTOs: The State Department should examine whether certain white supremacist groups operating abroad meet the specific criteria to be subject to sanctions under its Designated Foreign Terrorist Organization (FTO) authority. The criteria, set out in 8 U.S.C. § 1189(a) are: (1) the organization must be foreign; (2) the organization must engage in terrorist activity or retain the capability and intent to engage in terrorist activity or terrorism; and (3) the terrorist activity or terrorism of the organization must threaten the security of U.S. nationals or the

national security of the U.S. It is possible that a white supremacist terrorist group might meet these criteria, and the State Department should determine whether it is appropriate to apply the designation.

Conclusion

Domestic extremism and terrorism are at frightening levels in America. The threat needs the urgent attention of Congress in a variety of ways. While the financing of domestic extremist organizations may be fluid and sparse, we must still seek to deprive them of resources so that today's funding stream does not enable tomorrow's atrocity. Simple measures to understand extremist financing can be taken now, a range of provisions to counter domestic terrorism writ large can be passed by Congress now, and the time has come for our government to show leadership in countering hate and promoting hope.

