

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

Rep. Keating:

Question 1:

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

Answer:

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

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

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

Rep. Perry:

Question 1:

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

Answer:

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

Question 2:

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

Answer:

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

Rep. Poe:

Question 1:

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

Answer:

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

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

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

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

Question 2:

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

Answer:

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

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

Question 3:

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

Answer:

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

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

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

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

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

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

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

Question 4:

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

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

Answer:

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