



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
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MEMORANDUM FOR DEPARTMENT OF DEFENSE
LEAD INSPECTOR GENERAL

FROM: Gregory Sullivan /s/
Audit Director

SUBJECT: Overseas Contingency Operations - Summary of Work
Performed by the Department of the Treasury Related to
Terrorist Financing and Anti-Money Laundering for Third
Quarter Fiscal Year 2021

This summary provides an update on the Department of the Treasury's (Treasury) programs to combat terrorist financing. Per your request, we provided this information in a question and answer format to help streamline the information. This information is provided by Treasury management and is not audited by Treasury Office of Inspector General.

Q1. In an unclassified, publicly releasable format, provide information on individuals and organizations sanctioned for providing support to the Islamic State of Iraq and Syria (ISIS) as follows:

- a. Reasonable estimate of the cumulative number of individuals and organizations sanctioned (by Treasury, not cumulative with State) for providing support to ISIS since 2014.**

Treasury told us it uses the full range of its authorities to aggressively target ISIS leaders and operatives around the world. These efforts resulted in the United States designating 99 ISIS-associated individuals and organizations since 2014.

b. Details on individuals and organizations sanctioned for providing support to ISIS during the reporting period: April 1, 2021 – June 30, 2021.

On May 17, 2021, Treasury sanctioned the following Turkey-based money services business (MSB) and three MSB operators pursuant to Executive Order 13224¹ for supporting ISIS:

Alaa Khanfurah

Alaa Khanfurah (Khanfurah) was sanctioned for materially assisting, sponsoring, or providing financial, material, or technological support for, or goods or services to or in support of, ISIS. Throughout 2019 and 2020, Khanfurah’s Turkey-based MSB transferred funds to ISIS members throughout Syria, in part through the direct financial ties Khanfurah maintained with ISIS financial facilitators. This included Khanfurah sending thousands of dollars to an ISIS financial facilitator, as well as indirect money transfers sent through individuals who worked for Khanfurah. In 2017 and 2019, Khanfurah served as a key intermediary in facilitating financial transfers between senior ISIS leaders.

The Al-Fay Company and Idris Ali Awad al-Fay

The Al-Fay Company and Idris Ali Awad al-Fay (Idris al-Fay) were designated for materially assisting, sponsoring, or providing financial, material, or technological support for, or goods or services to or in support of, ISIS. Idris al-Fay, who is currently in Iraqi custody, used the Turkey-based Al-Fay Company to facilitate the global distribution of currency on behalf of ISIS. Al-Fay Company was also used by Idris al-Fay as an intermediary between foreign donors and ISIS, including ISIS members located in the al-Hawl² Internally Displaced Persons camp in northeastern Syria.

¹ Executive Order 13224, “Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism” (September 23, 2001) targets terrorists and those who have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of terrorists.

² Al-Hawl is an Internally Displaced Persons camp in northern Syria housing upwards of 70,000 refugees and holds one of the largest concentration of current and former ISIS members who continue to receive donations from ISIS supporters internationally. The Tawasul hawala in al-Hawl served ISIS members and transferred payments for ISIS from outside Syria.

Idris al-Fay previously held leadership positions in al-Qaeda and ISIS as a judicial officer and emir.³

Ibrahim Ali Awad al-Fay

Ibrahim Ali Awad al-Fay (Ibrahim al-Fay) was designated for owning or controlling, directly or indirectly, the Al-Fay Company. Ibrahim al-Fay, Idris al-Fay's brother, manages the Al-Fay Company in Idris al-Fay's absence. By appropriating funds from international sources through a network of currency exchanges and hawalas,⁴ Idris al-Fay and Ibrahim al-Fay were able to send funds to ISIS elements in Iraq and Syria.

- c. **The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: April 1, 2021 – June 30, 2021.**

No sanctioned individuals or organizations were removed from the sanctions list this reporting period.

Q2. In an unclassified, publicly releasable format, describe what was done this quarter with Coalition partners in Iraq and Syria to disrupt ISIS financial networks.

Treasury told us it continues to work with interagency and Coalition partners, including the Government of Iraq, to prioritize identifying ISIS's financial reserves and financial leaders, disrupting its financial facilitation networks in Iraq, and designating ISIS facilitators, front companies, and fundraisers in Iraq, Syria, Turkey and elsewhere. Treasury also takes a leadership role in the Global Coalition to Defeat ISIS, serving as a co-lead of the Counter ISIS Finance Group (CIFG) along with its counterparts from Italy and Saudi Arabia.

On May 17-18, 2021, Treasury, along with its co-leads, hosted the 14th CIFG meeting, with over 50 member states, observers, and independent experts. The participants received briefings on ISIS financial activities across the globe and efforts to counter them. Specifically, the group focused on ISIS funds transfers to enable the release of its detained operatives and family members, Africa-based

³ An emir is a ruler of a Muslim state, which may be an absolute overlord or a sovereign with constitutionally limited authority.

⁴ Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to, traditional banking or financial channels. The components of a hawala that distinguish it from other remittance systems are trust and the extensive use of connections such as family relationships or regional affiliations.

ISIS branches and networks' use of informal funds transfer mechanisms, ISIS supporters' abuse of the charitable sector and madrassa networks in South and Southeast Asia, and Europe-based ISIS networks that raise and transfer funds online, in some cases via virtual currencies.

Q3. In an unclassified, publicly releasable format, describe ISIS funding in Iraq and Syria, to include what has changed since last quarter, the estimated amount of funds at its disposal, how funds are generated and distributed, and any shortfalls in the amount or distribution of funds this quarter.

Treasury told us ISIS's financial situation remains largely unchanged compared to the previous quarter. ISIS continued to raise funds through extortion of oil smuggling networks in eastern Syria, kidnapping for ransom targeting civilian businesses and populations, looting, extortion and possibly the operation of front companies. ISIS also continued to use networks of couriers to smuggle cash between Iraq and Syria. The group relied on MSBs, including hawalas, throughout Iraq, Syria, and Turkey to transfer funds internationally. ISIS probably has tens of millions of U.S. dollars available in cash reserves dispersed across the region, but Treasury does not know the amount of money ISIS distributed during this quarter.

Q4. In an unclassified, publicly releasable format, describe ISIS-core's⁵ ability to move funds into and out of Syria and Iraq.

Treasury told us ISIS's financial situation remains largely unchanged compared to the previous quarter. ISIS continued to use MSBs, including hawalas, to move funds in and out of Iraq and Syria, often relying on ISIS facilitators in Turkey and in other financial centers. In addition, ISIS supporters relied on virtual currencies and online fundraising platforms. ISIS also relies on traditional methods of transferring funds into Iraq and Syria. ISIS members in Iraq transferred funds to ISIS members in northeastern Syria, including in Internally Displaced Persons camps, such as al-Hawl. The group often gathered and sent funds to intermediaries in Turkey who smuggle the cash into Syria or sent the funds to hawalas operating in the camp.

⁵ ISIS-core refers to the main portion of ISIS in Iraq and Syria, along with the key leaders of the global organization. The term is mainly used to differentiate the main ISIS leadership from the regional ISIS affiliates, such as ISIS-K in the Khorasan region and ISIS-P in the Philippines.

Q5. In an unclassified, publicly releasable format describe ISIS / ISIS Khorasan (ISIS-K)⁶ funding in Afghanistan, the estimated amount of funds at their disposal, and how funds are generated and distributed.

Treasury told us ISIS-K primarily raises funds through local donations, taxation, extortion, and some financial support from ISIS-core. According to Treasury, ISIS-K retains at least some financial reserves and relies on hawalas, particularly in Kabul and Jalalabad, to transfer funds.

Q6. In an unclassified, publicly releasable format describe al-Qaeda funding in Afghanistan, the estimated amount of funds at their disposal, and how funds are generated and distributed. In Q1, FY21 Treasury OIG's response to this question was, "Treasury told us, as of 2020, al-Qaeda is gaining strength in Afghanistan while continuing to operate with the Taliban under the Taliban's protection. Define "strength" in the context of the response that "al-Qaeda is gaining strength" in 2020. Provide an updated assessment covering the time period April 1, 2021 to June 30, 2021. Describe the methodology, confidence level and source of this assessment.

Treasury told us it has no additional information to provide that covers the April 2021-June 2021 time period. Treasury told us it did not have any additional unclassified information regarding the Q1, FY21 response.

Q7. In an unclassified, publicly releasable format describe ISIS-core's (based in Iraq and Syria) ability to move funds into and out of Afghanistan.

Treasury told us ISIS-core used hawala networks to transfer funds from overseas.

Q8. In an unclassified, publicly releasable format describe al-Qaeda's ability to move funds into and out of Afghanistan.

Treasury told us elements of al-Qaeda, including affiliate al-Qaeda in the Indian Subcontinent (AQIS),⁷ and terrorist groups targeting Pakistan, such as Tehrik-e Taliban Pakistan (TTP),⁸ continue to use the

⁶ ISIS-K is ISIS's province in the Khorasan region, which historically encompasses parts of modern day Iran, central Asia, Afghanistan, and Pakistan. ISIS announced its expansion into the Khorasan region in 2015.

⁷ AQIS is an Al-Qaeda affiliate primarily in Afghanistan with elements operating in Bangladesh, India, and Pakistan.

⁸ TTP is an alliance of militant networks formed in 2007 to unify opposition against the Pakistan military. TTP historically maintained close ties to senior al-Qaeda leaders, including al-Qaeda's former head of operations for Pakistan.

Afghanistan-Pakistan border region as a safe haven. AQIS likely receives funding from al-Qaeda senior leadership.

Q9. In an unclassified, publicly releasable format describe any known financial relationships between the Taliban and ISIS and its affiliates or between the Taliban and al-Qaeda and its affiliates.

Treasury told us that the Taliban do not have any known financial relationships with ISIS and its affiliates.

Q10. In an unclassified, publicly releasable format describe what changes, if any, have been observed in financial relationships between the Taliban and terrorist organizations since February 29, 2020. Treasury OIG's Q1 response was, "Treasury told us as of May 2020, the Taliban and al-Qaeda maintained a strong relationship and continued to meet regularly." Define "strong relationship" in this context. Provide an updated assessment covering the time period April 1, 2021 - June 30, 2021. Describe the methodology, confidence level, and source of this assessment.

Treasury told us it has no additional information to provide that covers the April 2021-June 2021 time period. Treasury told us it did not have any additional unclassified information regarding the Q1, FY21 response.