



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

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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 Fourth
Quarter Fiscal Year 2022

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, operatives, financiers, and associated organizations around the world. These efforts resulted in Treasury designating 109 ISIS-associated individuals and organizations since 2014.

b. Details on individuals and organizations sanctioned for providing support to ISIS during the reporting period: July 1, 2022 – September 30, 2022.

Treasury told us it did not sanction any individuals or organizations for providing support to ISIS this reporting period.

The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: July 1, 2022 – September 30, 2022.

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 ISIS's financial facilitation networks in the Middle East. In addition, Treasury is working to designate ISIS facilitators, front companies, and fundraisers in various countries. Treasury also takes a leadership role in the Global Coalition to Defeat ISIS, serving as a co-lead of the Counter ISIS Finance Group along with its counterparts from Italy and Saudi Arabia.

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 since 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, extortion, looting, and the possible operation of front companies. The group relied on money services businesses, including hawalas,¹ throughout Iraq, Syria, and Turkey, to transfer funds internationally. ISIS probably

¹ 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 hawala that distinguish it from other remittance systems are trust and the extensive use of connections such as family relationships or regional affiliations.

has tens of millions of U.S. dollars available in cash reserves dispersed across the region.

Q4. In an unclassified, publicly releasable format, describe ISIS-core's² methods and 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 money services businesses, including hawalas, to move funds in and out of Iraq and Syria, often relying on ISIS facilitators in Turkey and in other financial centers. ISIS also continued to use networks of couriers to smuggle cash between Iraq and Syria. In addition, ISIS supporters also use virtual currencies and online fundraising platforms to transfer funds, including to internally displaced persons camps. The group's supporters gathered and sent funds to intermediaries in Turkey who then smuggled the cash into Syria or sent the funds to hawalas operating in the camps.

Q5. In an unclassified, publicly releasable format, describe the methodology ISIS uses to transmit and distribute funds into and out of al-Hawl³ and other camps, as well as Syrian Democratic Forces detention facilities holding ISIS detainees. Include any changes to estimates of funds transmitted, particularly to residents in al-Hawl.

Treasury told us ISIS supporters use a combination of cash, hawalas, virtual currencies, and online fundraising platforms to transfer funds, including to individuals in al-Hawl. The group's supporters have gathered and sent funds to intermediaries in Turkey who smuggle the cash into Syria or send the funds to hawalas operating in the camp. In al-Hawl, ISIS supporters have received up to \$20,000 per month via the hawala system; the majority of these transfers originated outside Syria or passed through neighboring countries, such as Turkey. There have been no changes to estimates of the funds transmitted to al-Hawl and other camps.

² 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-Khorasan and ISIS-Philippines.

³ Al-Hawl is an internally displaced persons camp in northern Syria housing upwards of 70,000 refugees. It holds one of the largest concentrations of current and former ISIS members who continue to receive donations from ISIS supporters internationally.

Q6. In an unclassified, publicly releasable format, describe Treasury's actions to unfreeze Afghan government assets held in U.S. bank accounts, to include Da Afghanistan Bank's (DAB) assets inside the United States. Additionally, describe Treasury's role in transferring \$3.5 billion to Afghans in the form of humanitarian aid.

Executive Order (EO) 14064⁴ blocks⁵ roughly \$7 billion in DAB assets held in the United States.⁶ The Administration seeks to facilitate access to \$3.5 billion of those assets for the benefit of the Afghan people, while leaving in place more than \$3.5 billion in light of ongoing litigation by U.S. victims of terrorism and their relatives.

Treasury told us the transfer of funds from DAB's accounts in the United States for the benefit of the Afghan people will be a multi-step process. Treasury also told us none of these funds will go to the Taliban, which remains subject to U.S. sanctions. Treasury is currently working with third parties to finalize the creation of a trust fund that will direct resources to implementing parties and multilateral organizations that have significant experience in delivering effective aid to Afghanistan while minimizing potential touchpoints with the Taliban and maintaining appropriate controls to prevent diversion and illicit activity.

⁴ EO 14064, "Protecting Certain Property of Da Afghanistan Bank for the Benefit of the People of Afghanistan," (February 11, 2022) was issued as part of the U.S. Government's ongoing efforts to address the humanitarian and economic crisis in Afghanistan.

⁵ Blocking (also known as freezing) assets is a way of controlling targeted property and immediately imposes an across-the-board prohibition against transfers or dealings of any kind with regard to the property. EO 14064 also requires U.S. financial institutions to transfer the blocked property into a consolidated account held at the Federal Reserve Bank of New York.

⁶ The White House Briefing Room, "FACT SHEET: Executive Order to Preserve Certain Afghanistan Central Bank Assets for the People of Afghanistan" (February 11, 2022).

Q7. In an unclassified, publicly releasable format, describe Treasury's role in (1) issuance of licenses⁷ to facilitate the continued delivery of humanitarian assistance to Afghanistan; and (2) placing Taliban officials on the Specially Designated Nationals list, and its impact on Treasury's ongoing sanctions against the Taliban regime.

Treasury's Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals.

Treasury told us OFAC has issued seven Afghanistan-related general licenses⁸ to authorize certain transactions involving the Taliban, the Haqqani Network,⁹ and, in the case of General License No. 20, blocked individuals who are in leadership roles of governing institutions in Afghanistan. General License No. 20 authorizes certain transactions involving Afghanistan or governing institutions in Afghanistan, subject to strict conditions. These transactions include humanitarian assistance as well as other commercial activity in or involving Afghanistan.

Treasury told us it does not comment on ongoing sanctions investigations.

⁷ A license is an authorization from OFAC to engage in a transaction(s) that otherwise would be prohibited. There are two types of licenses: general licenses and specific licenses. General licenses allow all U.S. persons to engage in the activity described in the general license without needing to apply for a specific license. A specific license is a written document issued to a particular person or entity, authorizing a particular transaction in response to a written application.

⁸ OFAC General Licenses No. 14, "Authorizing Humanitarian Activities in Afghanistan" (September 24, 2021); No. 15, "Transactions Related to the Exportation or Re-exportation of Agricultural Commodities, Medicine, Medical Devices, Replacement Parts and Components, or Software Updates in Afghanistan" (September 24, 2021); No. 16, "Authorizing Noncommercial, Personal Remittances to Afghanistan" (December 10, 2021); No. 17, "Authorizing Official Business of the United States Government" (December 22, 2021); No. 18, "Authorizing Official Activities of Certain International Organizations and Other International Entities" (December 22, 2021); No. 19, "Authorizing Certain Transactions in Support of Nongovernmental Organizations' Activities in Afghanistan" (December 22, 2021); and No. 20, "Authorizing Transactions Involving Afghanistan or Governing Institutions in Afghanistan" (February 25, 2022).

⁹ The Haqqani Network is a Sunni Islamist militant organization primarily based in North Waziristan, Pakistan. It conducts cross-border operations into eastern Afghanistan and Kabul.