



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

August 17, 2023

OIG-CA-23-043

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 the Third  
Quarter Fiscal Year 2023

This summary provides an update on the Department of the Treasury's (Treasury) programs to combat terrorist financing and money laundering. Per your request, we provided this information in a question and answer format to help streamline the information.

**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 have resulted in Treasury designating 136 ISIS-associated individuals and entities since 2014.

- b. **Details on individuals and organizations sanctioned for providing support to ISIS in the reporting period: April 1, 2023 – June 30, 2023.**

No individuals or organizations were sanctioned during this reporting period.

- c. The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: April 1, 2023 – June 30, 2023.**

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 and disrupting its 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.

On June 7, 2023, Treasury co-led a Counter ISIS Finance Group meeting with over 40 Coalition members and observers, including Iraqi partners, to exchange information on ISIS financing activities and efforts to counter them across Asia and Africa.<sup>1</sup>

**Q3. In an unclassified, publicly releasable format, describe ISIS funding in Iraq and Syria, to include what 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. Include the methods ISIS uses to transfer funds into and distribute funds within Iraq and Syria.**

Treasury told us ISIS Core's<sup>2</sup> revenue is declining, as the group lost millions of dollars due to pressure from Coalition forces in the Middle East. Law enforcement efforts also have disrupted financial support to ISIS members in Syria and Iraq. On January 5, 2023, joint U.S.-Turkish sanctions took effect against a Türkiye-based ISIS

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<sup>1</sup> For additional information, see Treasury's press release, "Counter ISIS Finance Group Leaders Issue Joint Statement" (June 16, 2023).

<sup>2</sup> 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.

financing network that helped dismantle an ISIS mechanism used to transfer hundreds of thousands of dollars for its activities.<sup>3</sup> Due to counterterrorism efforts, ISIS Core is unable to meet its financial obligations, particularly payments to family members of deceased and imprisoned ISIS personnel; these potentially constitute the group's largest expense. Moreover, ISIS Core has had to pay its leaders sporadically, probably several hundred dollars a month, while skipping payments to fighters. ISIS has probably done so intentionally in order to extend the duration of its limited financing.

Despite leadership losses and financial disruptions, ISIS continues to draw from millions of dollars in cash reserves it held as of late 2022. ISIS engages in extortion, kidnapping for ransom, and soliciting donations via online platforms. The cash reserves are buried in physical caches and are dug up and smuggled through Iraq and Syria. In both countries, the cash enters the hawala system<sup>4</sup> and can be distributed via transfers in permissive jurisdictions. The hawala networks used by ISIS in Iraq and Syria have company branches and affiliates in multiple countries; these include poorly regulated informal financial sectors where ISIS potentially exploits lax identification requirements to withdraw cash. Additionally, ISIS is increasingly using virtual assets for international fund transfers. These transfer methods allow ISIS leadership to support militant operations, recruit and maintain a loyal cadre of supporters, and secure the release of its members from detention.

ISIS relied on regional offices of its General Directorate of Provinces<sup>5</sup> to provide funding and operational guidance to ISIS branches and networks around the world. General Directorate of Provinces' Bilad al-Rafidayn Office financed families and relatives of ISIS prisoners and martyrs; al-Furqan Office is responsible for West Africa and the Sahel; Dhu al-Nurayn Office oversees North Africa and Sudan; al-Karrar Office covers East, Central, and Southern Africa, as well as Yemen; and al-Siddiq Office is responsible for South, Central, and Southeast Asia. ISIS continues sending funds globally to operationally capable

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<sup>3</sup> For additional information, see Treasury's press release, "The United States and Türkiye Take Joint Action to Disrupt ISIS Financing" (January 5, 2023).

<sup>4</sup> The hawala system is a widely used form of Informal Value Transfer Systems, a term used to describe those money or value transfer systems that operate informally to transfer money as a business.

<sup>5</sup> The General Directorate of Provinces is a series of regional offices established by ISIS to sustain the group's global capability and reputation following the defeat of the territorial caliphate.

branches, while ISIS leaders in Iraq and Syria have increasingly emphasized to their subordinates the importance of fundraising.<sup>6</sup>

**Q4. In an unclassified, publicly releasable format, provide an update on any changes to methods ISIS uses to transmit and distribute funds into and out of al-Hol,<sup>7</sup> other camps, and Syrian Democratic Forces (SDF)<sup>8</sup> detention facilities holding ISIS detainees. Include any changes to estimates of funds transmitted, particularly to residents in al-Hol.**

Treasury told us ISIS supporters use a combination of cash, the hawala system, virtual currencies, and online fundraising platforms to transfer funds, including to individuals in al-Hol. ISIS supporters have gathered and sent funds to intermediaries in Türkiye, who smuggle the cash into Syria or send the funds to hawala dealers operating in the camp. In al-Hol, ISIS supporters have received up to \$20,000 per month via the hawala system. The majority of those funds transfers originated outside Syria or passed through neighboring countries, such as Türkiye.

**Q5. In an unclassified, publicly releasable format, provide an unclassified description of the size and scale of the Captagon<sup>9</sup> production and trafficking enterprise in Syria and the region, and its links to the regime of Syrian President Bashar al-Assad (al-Assad). Include family members and associates of al-Assad who are involved, who has been sanctioned, and the value of the production and trade of Captagon to al-Assad and the Syrian economy.**

Treasury told us the Syrian regime and its allies have increasingly embraced the production and trafficking of Captagon to generate hard currency, estimated by some to be in the billions of dollars.

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<sup>6</sup> For additional information, see Treasury's "Fact Sheet: Countering ISIS Financing" (June 16, 2023).

<sup>7</sup> Al-Hol (or al-Hawl) is an internally displaced person's 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.

<sup>8</sup> The SDF is a multi-ethnic coalition of Kurdish, Arabic, and Christian fighters, created in 2015 with U.S. support. Operating in the local Autonomous Administration in North and East Syria, the SDF established itself as the West's main partner in the fight against ISIS.

<sup>9</sup> Captagon was the brand name of a stimulant first produced in Germany in the 1960s to help treat attention deficit disorder, narcolepsy, and other conditions. The counterfeit version is thought to be made of a mix of fenethylamine, caffeine, and other fillers; it generates focus and staves off sleep and hunger. In 1981, the U.S. government declared Captagon a Schedule I controlled substance, having no accepted medical use and a high potential for abuse, and manufacturing of the drug stopped in the 1980s.

On March 28, 2023, Treasury’s Office of Foreign Assets Control (OFAC) designated six individuals located in Syria and Lebanon, including associates of the al-Assad regime, for their participation in the production and export of Captagon from Syria.<sup>10</sup> These designations included two al-Assad family members and were done under counterterrorism authorities (Executive Order (EO) 13224),<sup>11</sup> the Syria sanctions program (EOs 13572<sup>12</sup> and 13582),<sup>13</sup> and the Caesar Syria Civilian Protection Act of 2019.<sup>14</sup>

**Q6. In an unclassified, publicly releasable format, provide an update on any actions taken this quarter with regard to the unfreezing of Afghan Central Bank assets held in the United States and the implementation of these funds for humanitarian aid for the Afghan people.**

Treasury told us the Board of Trustees of the Fund for the Afghan People (Afghan Fund)<sup>15</sup> met for the second time on February 16, 2023. The Board took additional steps to operationalize the Afghan Fund. The Board agreed to seek external funding to cover the Afghan Fund's operational expenses, while deciding to allocate a specific portion of the annual interest earned towards essential operational costs. The Board agreed that this decision will help ensure the Afghan Fund’s assets are maintained and administered according to best practices, in keeping with the goal of protecting and persevering the assets on behalf of Afghanistan’s people. The Board also discussed

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<sup>10</sup> For additional information see, Treasury’s press release, “Treasury Sanctions Syrian Regime and Lebanese Actors Involved in Illicit Drug Production and Trafficking” (March 28, 2023).

<sup>11</sup> EO 13224, “Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism” (Sep. 23, 2001), provides a means by which to disrupt the financial support network for terrorists and terrorist organizations.

<sup>12</sup> EO 13572, “Blocking Property of Certain Persons With Respect to Human Rights Abuses in Syria” (Apr. 29, 2011), blocks property of Syrian officials and others responsible for the commission of human rights abuses, including those related to the repression of the Syrian people.

<sup>13</sup> EO 13582, “Blocking Property of the Government of Syria and Prohibiting Certain Transactions with Respect to Syria” (Aug. 18, 2011), was issued as part of the U.S. government’s ongoing effort to prohibit financial, material, or technological support to the Government of Syria.

<sup>14</sup> The Caesar Syria Civilian Protection Act of 2019 (Dec 20, 2019) gives the U.S. government the authority to sanction business, individuals, and other governments who provide support to the Syrian government.

<sup>15</sup> The United States, through Treasury and the State Department, and in coordination with international partners, announced the establishment of the Afghan Fund on September 14, 2022. The Afghan Fund will protect, preserve, and make targeted disbursements of its \$3.5 billion in assets to help provide greater stability to the Afghan economy to benefit the people of Afghanistan.

the necessary steps to disburse funds as well as potential options for achieving monetary stability through these disbursements.

Treasury also told us that robust safeguards have been established to prevent the funds that may be disbursed from the Afghan Fund from being used for illicit activity. In the second meeting, the Board of Trustees agreed on additional steps to continue to safeguard the Afghan Fund's assets for Afghanistan's people, including hiring a compliance services provider.

**Q7. In an unclassified, publicly releasable format, describe any changes this quarter to (1) licenses<sup>16</sup> designed to facilitate the continued delivery of humanitarian assistance to Afghanistan, (2) the designation of Taliban and/or Haqqani<sup>17</sup> officials as Specially Designated Nationals, and (3) the overall sanctions regime against the Taliban.**

Treasury told us that OFAC personnel did not issue any new general licenses this quarter to facilitate the continued delivery of humanitarian assistance to Afghanistan. Treasury also told us no Taliban and/or Haqqani officials were designated as Specially Designated Nationals this quarter and that the Taliban remains designated as a Specially Designated Global Terrorist under EO 13224. The Haqqani Network remains designated as a Specially Designated Global Terrorist under EO 13224 and a Foreign Terrorist Organization under section 219 of the Immigration and Nationality Act.<sup>18</sup>

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<sup>16</sup> 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.

<sup>17</sup> 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.

<sup>18</sup> 8 U.S.C. 1189, *Designation of foreign terrorist organizations*.