



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: Operation Inherent Resolve - Summary of Work Performed by
the Department of the Treasury and Office of Inspector
General Related to Terrorist Financing, ISIS, and Anti-Money
Laundering for Fourth Quarter Fiscal Year 2018

This summary provides an update on the Department of the Treasury (Treasury) programs to combat terrorist financing and specific examples of activities to disrupt the Islamic State of Iraq and Syria's (ISIS) financing, and work performed by Treasury Office of Inspector General (OIG) to review these programs. Per your request, we have provided this information in a question and answer format to help streamline the information.

Q1: For FY 2018, provide a publicly releasable summary of Treasury's most notable interagency efforts in support of the Defeat ISIS Integrated Strategic Plan. Include an overview/description of these activities, identify the agencies involved in these efforts, and describe the specific outcomes achieved or benefits derived from these inter-agency efforts. This information will be used to gain a better understanding of where and how the whole of government approach to the Defeat ISIS campaign is working and provide better-informed questions for future reporting.

Treasury's dual-pronged strategy to counter ISIS's finances is to 1) disrupt its sources of revenue and 2) prevent its access to the international financial system. Treasury applies this strategy in Iraq, Syria, and wherever ISIS branches and persons exist or may emerge. Treasury has worked and will continue to build on its partnerships with the Government of Iraq and other key regional allies – notably Jordan, Saudi Arabia, and the United Arab Emirates – to deny ISIS access to the regional and international financial systems. Treasury regularly provides information on ISIS financing to regional

partners to identify and disrupt these financial facilitation networks and to develop opportunities for coordinated bilateral or multilateral action.

The U.S. Government and our Coalition partners¹ continued to make progress disrupting ISIS's finances over the last quarter, although ISIS continues to adapt and find new ways to raise and transfer funds. As ISIS has transitioned into an underground insurgency in much of the territory it used to hold in Iraq and Syria, it has adopted a variety of less visible methods of raising and transferring funds, including through informal financial channels, regular commercial enterprises in which it invested while it held territory, and extortion.

The Office of Terrorism and Financial Intelligence (TFI) performed and/or contributed to the following activities such as congressional/public hearings, inter-agency coordination efforts, etc. associated with combating terrorist financing:

- Treasury attended all National Security Council led interagency sub-Policy Coordination Committee, Policy Coordination Committee, Deputies' Committee, and Principals' Committee meetings on D-ISIS, Syria, and Iraq and contributed relevant updates on Treasury's counter ISIS financing efforts, regional engagement, and upcoming sanctions.
- Treasury contributed to meetings of the Executive Implementation Group (EIG), which are led by the D-ISIS task forces at the Departments of State and Defense, by providing regular updates on Treasury's counter ISIS finance efforts, regional engagement with key partners, and intelligence briefings on ISIS's global financial facilitation networks. At EIG meetings, Treasury informs the U.S. interagency of any updates to the Treasury Department's priorities, initiatives to identify and disrupt ISIS financial facilitation networks, and upcoming sanctions actions.

Q2: In a publicly releasable format, provide FY 2018 appropriated and FY 2019 requested funds in support of defeat ISIS programs. If available, specify by country or region (specifically relevant to our reporting in Afghanistan, Iraq, Syria, and Africa). If this information is not available by country or region for the appropriated and/or requested amounts, please provide the documentation for your Agency's budget submission for FY 2018 and FY 2019.

¹ Seventy-nine coalition partners, including governments and institutions, have committed themselves to the goals of eliminating the threat posed by ISIS and have already contributed in various capacities to the effort to combat ISIS in Iraq and the surrounding region.

Treasury does not have funds budgeted specifically in support of defeat ISIS programs. TFI is the office in Treasury that develops and implements U.S. government strategies to combat terrorist financing domestically and internationally, the National Money Laundering Strategy, and other policies and programs to fight financial crimes. As such, we listed TFI’s FY 2018 budget and 2019 budget request² below and summarized TFI programs with a role in support of Defeat ISIS programs for which TFI requested fund increases. The budget also includes programs in support of other national security challenges. TFI uses regulatory tools that address major national security challenges. These challenges are not exclusive to combatting ISIS, but also North Korea, Iran, Syria, Venezuela, Russia, Sudan, al-Qai’da, Hizbollah, and others.

TFI FY 2018 and FY 2019 Budgets:

Resource Level	FY 2018 Annualized Continuing Resolution	FY 2019 Request
Appropriated Resources	\$122,165,000	\$159,000,000
Other Resources	\$8,000,000	\$8,000,000
Budget Activity Total	\$130,165,000	\$167,000,000

Source: *Department of the Treasury Office of Terrorism and Financial Intelligence Congressional Budget Justification and Annual Performance Report and Plan FY19*

Below is a summary of TFI’s FY 2019 requested fund increases in support of programs related to the defeat of ISIS:

- Terrorist Financing Targeting Center (TFTC) – TFI requested an additional \$12,392,000 and 15 full time equivalents (FTE) for the TFTC. The TFTC’s efforts support the Administration’s priorities to fight terrorism in new and innovative ways through a multilateral initiative that will dramatically increase the ability to curb terrorist financing.
- Iran/Syria Sanctions – TFI requested an additional \$1,565,000 and 4 FTEs in support of the Iran/Syria sanctions program. This request would provide dedicated resources needed to maintain pressure on Syria.

² This budget request supports three of the four components within TFI that exercise Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) authorities and responsibilities. The fourth component, Financial Crimes Enforcement Network, reports directly to the Under Secretary for TFI but is budgeted separately as a bureau within the Treasury.

- Financial Action Task Force (FATF) – TFI requested an additional \$1,788,000 with no increase in FTEs for its role in FATF. FATF is the global standard-setting body for AML/CFT. TFI’s Office of Terrorist Financing and Financial Crimes (TFFC) was asked to assume presidency of the FATF in 2019 on behalf of the United States.
- TFFC – TFI requested an additional \$530,000 and 2 FTEs for the purpose of developing and building global capacity to combat terrorist financing in the international arena.

Q3: In a publicly releasable format, provide information on individuals and organizations sanctioned for providing support to ISIS as follows:

- a. The cumulative number of individuals and organizations sanctioned for providing support to ISIS since 2014.** Since 2014, Treasury has designated 68 ISIS-affiliated individuals and entities.
- b. Details on individuals and organizations sanctioned for providing support to ISIS during this reporting period (July 1 – September 30).** Treasury’s ISIS-related designations from July 1- September 30 are listed below:
 - i. August 24, 2018, Treasury Press Release, *Treasury Sanctions Three ISIS Recruiters from Southeast Asia***
 - 1. Mohamad Rafi Udin (Udin):** As of November 2017, Udin was believed to be the most senior Malaysian ISIS leader in Syria. Udin originally traveled to Syria in 2014 and appeared alongside Faiz and Kiram in an official ISIS propaganda video where he perpetrates a terrorist act on behalf of ISIS, namely the beheading of a prisoner held by ISIS. In the video, Udin calls for individuals to pledge allegiance to ISIS leader Abu Bakr al-Baghdadi and called for individuals in the Philippines to join together under the command of now deceased Isnilon Hapilon (Hapilon). OFAC designated Hapilon on November 30, 2005 pursuant to E.O. 13224 for his role in the Abu Sayyaf Group, which itself was listed in the Annex to E.O. 13224. Udin has also urged ISIS sympathizers to conduct terrorist attacks.
 - 2. Mohammad Karim Yusop Faiz (Faiz):** In June 2016, Faiz, an Indonesian national, appeared in an ISIS propaganda video where, on behalf of ISIS, he took part in the execution of a prisoner held by ISIS and pledged allegiance to Abu Bakr al-Baghdadi as well as urged

individuals in Southeast Asia to join ISIS's network in the Philippines under the command of Hapilon.

In 2014, Faiz traveled to Syria to join ISIS. Previously, Faiz was imprisoned in the Philippines for nine years on charges of illegal possession of explosives and weapons.

3. **Muhammed Reza Lahaman Kiram (Kiram):** As of January 2017, Kiram, a Philippine national, was fighting for ISIS in Syria. In June 2016, Kiram appeared alongside Faiz and Udin in an ISIS propaganda video, where on behalf of ISIS, the three took part in the beheading of three prisoners held by ISIS.

Kiram was a member of a Philippines-based militant group that pledged alliance to ISIS. Kiram was seen training the group's recruits in 2014, before travelling to Syria with his wife and daughter in 2015. Philippine police believe he was responsible for the Zamboanga, Philippines bus bombing in 2012.

ii. September 7, 2018, Treasury Press Release, Treasury Sanctions East African Facilitator of Intricate ISIS Financial Network

1. **Waleed Ahmed Zein (Zein)** Zein served as an important ISIS financial facilitator in East Africa in recent years. He established an intricate ISIS financial facilitation network spanning Europe, the Middle East, the Americas and Eastern Africa. Between 2017 and early 2018, Zein moved over \$150,000 through his complex network. He deposited large sums of money into a personal account, claiming that the money came from a vehicle and spare auto parts company owned by a family member.

Zein also used an associate to conduct similar transactions including receiving money from around the world, primarily via hawala systems. Funds were then sent to ISIS fighters in Syria, Libya, and Central Africa. Zein and his associates received instructions, money, and account information from an intermediary in an attempt to evade police surveillance. Zein was ultimately arrested by Kenyan security services in July 2018.

iii. September 19, 2018, Treasury Press Release, *Treasury Sanctions Key ISIS Financial Facilitators*

1. **Eddie Aleong (Aleong):** Aleong was designated for assisting in, sponsoring, or providing financial, material, or technological support for, or financial or other services to or in support of ISIS.

As of March 2018, Trinidad-based Aleong facilitated money transfers to ISIS members in ISIS-controlled territory. As of January 2017, a Trinidadian ISIS supporter possibly planned to work with Eddie Aleong, to transfer funds to Emraan Ali, who would then provide the funds to Trinidadian ISIS fighters in Syria.

2. **Emraan Ali (Ali):** Ali was designated for acting for or on behalf of ISIS. Syria-based, dual U.S. and Trinidadian national, Ali has been involved in money transfers from Trinidad and Tobago to Syria in support of ISIS. As of January 2017, Ali would receive and provide funds to Trinidadian ISIS fighters. For several years, a number of citizens of Trinidad and Tobago in Syria received money transfers through Ali. In the summer of 2015, Ali lived at an ISIS guest house in Syria and had been assigned to Raqqah, Syria.

- c. **The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list this reporting period (July 1 – September 30).** No ISIS-affiliated individuals or entities have been removed between July 1 and September 30.

Q4: Provide a publicly releasable summary of the actions Treasury has taken to defeat ISIS's efforts to move funds out of Iraq and Syria, to include the use of informal money transfers such as hawalas in order to shift funds. If this information is not publicly releasable, provide in a classified (no higher than Secret) format.

Treasury has taken steps to limit ISIS's ability to access the regional and international financial systems. Treasury has worked closely with the Government of Iraq, in particular the Central Bank of Iraq (CBI), to strengthen its supervision of the Iraqi financial system to protect it against exploitation by illicit actors such as ISIS. Treasury has supported the development of Iraq's AML/CFT regime and worked closely with the CBI to implement a

program that identifies ISIS-linked money exchange and transfer companies to ensure that they are cut off from the Iraqi financial system.

Q5: Describe any efforts the Office of Technical Assistance (OTA), has undertaken during this reporting period (July 1 – September 30) to assist the Iraqi government in strengthening its banking system in order to prevent money laundering and terrorist financing using Iraqi financial institutions. Additionally, describe the specific outcomes or effects achieved by these efforts. If this information is not publicly releasable, provide in a classified (no higher than Secret) format.

OTA supports the Government of Iraq (GOI) to resolve impediments to effective implementation of AML/CFT regime. The OTA program consists of multi-week engagements on a quarterly basis during which time subject matter experts provide targeted training and mentorship to working level practitioners and supervisors. Capacity building activities are focused on improving the operational effectiveness of the GOI financial intelligence unit (FIU) and establishing effective financial sector supervision by the CBI, with an emphasis on the formal banking sector as a first priority.

Specific outcomes and impacts between July 1 and September 30, 2018 include the following:

- FIU counterparts have worked with OTA to create an interim Microsoft Access database to store and analyze reporting data, while a more sophisticated database is procured. In the past three months, counterparts have continued to upload financial intelligence reporting to the interim database and, with OTA guidance, are testing and enhancing its functionality.
- FIU and CBI bank supervision staff members have completed OTA facilitated financial analytic techniques training and are beginning to apply the lessons learned. OTA is providing on-the-job mentoring to FIU analysts, in particular, in the areas of 1) duties and responsibilities of intelligence analysts; 2) suspicious transaction report targeting and strategic analysis; 3) additional domestic and international sources of financial intelligence information; and 4) development by the FIU of domestic and international relationships.

Q6: Describe any efforts Treasury has undertaken during this reporting period (July 1 – September 30) to assist regional partners in the Middle East in strengthening their banking institutions to prevent money laundering and terrorist financing. Additionally, describe the specific outcomes or effects achieved by these efforts. If this information is not publicly releasable, provide in a classified (no higher than Secret) format.

Treasury works closely with a broad range of regional partners to strengthen their AML/CFT regimes and improve their ability to protect their respective financial systems from abuse by terrorists. As noted, Treasury works extremely close with Iraq to protect its financial system from exploitation by ISIS and other illicit actors. Treasury works with countries in which ISIS branches operate, such as Libya, Egypt, Afghanistan, Nigeria, and Yemen, to identify vulnerabilities in their financial systems and provide guidance and support to address those deficiencies. Treasury also works with other regional partners such as Jordan, Lebanon, Saudi Arabia, the United Arab Emirates, Qatar, and Kuwait to strengthen their ability to deny illicit actors access to their respective financial systems.

The Treasury and the State Department co-chair the Coalition's Counter ISIS Finance Group (CIFG), a working group of the D-ISIS Coalition, along with Saudi Arabia and Italy, which convenes 50 members and observers to share information and coordinate multilateral actions that target ISIS's global financial networks. The last CIFG meetings took place in Amman, Jordan in February 2018 and Warsaw, Poland in September 2018.

The CIFG focuses on identifying and disrupting ISIS's ability to generate revenue and access the regional and international financial systems. The CIFG has facilitated unprecedented multilateral information sharing on ISIS's global financial activity, deepened the Coalition's understanding of ISIS's finances' effect on the group's operations, and member states have co-sponsored the designation of ISIS financiers and their money transfer companies to the United Nations Security Council 1267 Sanctions List.³ In addition, the CIFG has helped to coordinate the provision of AML/CFT technical assistance to the Government of Iraq to support its efforts to protect the Iraqi financial system from terrorist abuse. As ISIS adapts in response to its territorial losses in Iraq and Syria, the CIFG will adapt with it, focusing on ISIS financing of its branches and leveraging its collaboration with like-minded multilateral organizations and encouraging members to take more concrete actions against ISIS financing.

³ Pursuant to the United Nations Security Council resolution 1267, the Security Council maintains a sanctions list of individuals and entities associated with Al-Qaida or ISIS.