



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: 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 First Quarter Fiscal Year 2019

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: Provide a publicly releasable update on Treasury's efforts which occurred in Quarter 1 (October 1 – December 31) in support of the Defeat ISIS Integrated Strategic Plan. Specifically, provide an overview and detailed description of activities in which Treasury was able to disrupt ISIS's sources of revenue and prevent its access to the international financial system. If this information is not publicly releasable, provide in a classified (no higher than Secret) format.

Treasury, in conjunction with other U.S. Government departments and agencies, continues to use a range of tools to prevent ISIS from generating revenue and to protect the U.S. and international financial systems from exploitation by ISIS. An example from FY 2019 Quarter 1 of U.S. interagency coordination and bilateral cooperation is the designation of and associated military operations against Afaq Dubai, an Iraq-based money services business (MSB). Treasury closely coordinated this action with Combined Joint Task Force-Operation Inherent Resolve (CJTF-OIR). CJTF-OIR assisted Iraqi Special Operation Forces and Kurdish Counterterrorism Forces to carry out joint operations in Baghdad and Erbil,

Iraq from October 7-9, 2018. This interagency and bilateral cooperation resulted in at least 10 arrests of members of an ISIS financial network in Iraq. Coordinated actions such as those conducted by the Department of Defense and Treasury against Afaq Dubai disrupt and curtail ISIS's logistical infrastructure, and its ability to generate, store, and use funds for recruiting and paying its fighters and its operations.

Q2: In a publicly releasable format, provide information on individuals and organizations sanctioned for providing support to ISIS as follows:

- a. Details on individuals and organizations sanctioned for providing support to ISIS during this reporting period (October 1 - December 31).** On October 17, 2018, Treasury imposed sanctions on Afaq Dubai, an Iraq-based MSB for moving money for ISIS. Afaq Dubai is part of ISIS's financial network that includes an array of other MSBs, hawalas, and financial facilitators in the Middle East that we continue to investigate and target.
- b. The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list this reporting period (October 1 - December 31).** No sanctioned individuals or organizations were removed from the sanctions list this reporting period (October 1-December 31).

Q3: Provide a publicly releasable update on the actions Treasury has taken this reporting period (October 1 – December 31) to defeat ISIS's efforts to move funds out of Iraq and Syria, to include the use of informal money transfers such as hawalas. Please provide specific examples of activities that were conducted in Iraq (to include efforts with the Central Bank of Iraq). If this information is not publicly releasable, provide in a classified (no higher than Secret) format.

On October 17, Treasury imposed sanctions on Afaq Dubai, a MSB that is a part of ISIS's financial network that includes other MSBs, hawalas, and financial facilitators in the Middle East. This designation is a continuation of Treasury's ongoing efforts to shut down these individuals and entities that move money for ISIS.

Q4: Provide a publicly releasable update on the efforts taken by the Office of Technical Assistance (OTA) during this reporting period (October 1 – December 31) 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.

OTA did not provide technical assistance to the Iraqi government during this timeframe. Between November 11 and 15, OTA did conduct a program review of its efforts to-date¹ to support the Iraqi government in the development of its anti-money laundering and countering the financing of terrorism (AML/CFT) regime and to assess prospects for expansion of those efforts into 2019.

Q5: Provide a publicly releasable update on Treasury's efforts this reporting period (October 1 – December 31) to assist regional partners in the Middle East in strengthening their banking institutions to prevent money laundering and terrorist financing. Specifically, include information on the activities (and results or outcomes) of the Counter ISIS Finance Group (CIFG) which Treasury co-chairs with the Department of State. If this information is not publicly releasable, provide in a classified (no higher than Secret) format.

The United States co-chairs, along with Saudi Arabia and Italy, the CIFG, a working group of the Defeat ISIS Coalition which convenes 52 members and observers to share information and coordinate multilateral actions that target ISIS's global financial networks. The CIFG continues to grow in numbers; Cameroon and Philippines joined as new members and Kazakhstan joined as an observer. Treasury intends to hold the next CIFG meeting in March 2019.

Treasury officials attended the 28th Middle East and North Africa Financial Task Force (MENAFATF) Plenary hosted in Beirut, Lebanon on November 26-29, 2018. During this meeting, the Plenary adopted a MENAFATF and Asia/Pacific Group on Money Laundering (APG) joint typologies project on terrorist financing use of social media that outlined techniques used by terrorist groups, to include ISIS, to leverage social media for fundraising campaigns.

Q6: Provide a publicly releasable description of the use of cryptocurrencies by ISIS (and their supporters) to transfer and store funds. If ISIS or their supporters are using cryptocurrencies, describe how Treasury is responding and any results achieved by these actions.

At present, the use of convertible virtual currencies (such as bitcoin) for terrorist financing or fundraising purposes appears to be less common than other financial mechanisms. Treasury has observed attempts by ISIS to raise money through the use of virtual currency as well as limited instances of

¹ OTA's review found that its efforts are improving the operational effectiveness of Iraq's AML/CFT office, which functions as Iraq's financial intelligence unit. OTA's efforts are also aiding in establishing effective financial sector supervision by the Central Bank of Iraq.

transfers using virtual currency; however, at this time Treasury does not believe that it is a significant source of the group's revenue or a critical channel for moving funds. Regardless of whether a transaction is denominated in a digital currency or traditional fiat currency, Office of Foreign Assets Control (OFAC) and Financial Crimes Enforcement Network (FinCEN) authorities apply and OFAC and FinCEN compliance obligations are the same.

Q7: In a publicly releasable response, provide a description of U.S. Treasury programs and activities to counter terrorist financing (e.g. sanctions, financial investigations) in Afghanistan, to include the role of the Treasury Attaché at US Embassy Kabul.

Treasury uses all available tools to counter terrorist financing in Afghanistan. On October 23, 2018, OFAC designated nine Taliban and Iranian Islamic Revolutionary Guards Corps – Qods Force (IRGC-QF) individuals under EO 13224. Treasury took this action with the other six member nations of the Terrorist Financing Targeting Center (TFTC) to expose and disrupt Taliban actors and their Iranian sponsors that seek to undermine the security of the Afghan Government. The TFTC Member States including, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, and the United Arab Emirates, designated nine individuals associated with the Taliban, including those facilitating Iranian support to bolster the terrorist group.

Specifically, Treasury, together with TFTC Gulf partners, designated Mohammad Ebrahim Owhadi (also known as Jalal Vahedi), Esma'il Razavi, Abdullah Samad Farouqi, Mohammad Daoud Muzzamil, Abdul Rahim Manan, Abdul Aziz (also known as Aziz Shah Zamani), Sadr Ibrahim, and Hafiz Majid pursuant to Executive Order 13224, which targets terrorists and those providing support to terrorists or acts of terrorism. In addition, TFTC Member States also designated Naim Barich, who is managing the Taliban's relationship with Iran. Naim Barich was previously designated by the United States under the Foreign Narcotics Kingpin Designation Act on November 15, 2012.

These designations support the Administration's South Asia Strategy by exposing and disrupting actors seeking to undermine the Afghan government, and disrupting terrorist safe havens in South Asia. We will continue to actively target those providing financial support to the Taliban until there is a negotiated peace settlement. The inclusion of IRGC-QF members supporting Taliban elements in this action highlights the scope of the Iranian regime's malign activities and regionally destabilizing behavior, and furthers the U.S. maximum pressure campaign against Iran.

The Treasury's Financial Attaché at U.S. Embassy Kabul serves as a liaison to other forward-deployed interagency and military counterparts at the Embassy and Resolute Support to counter terrorist financing. The Attaché participates in various interagency and U.S. Government fora on counter terrorist financing, such as the joint Embassy and Resolution Support Counter Threat Financing Steering Committee. Additionally, the Attaché liaises with relevant Afghan ministries such as the Afghan Central Bank (Da Afghanistan Bank, DAB) and its financial intelligence unit, Financial Transactions and Reports Analysis Center of Afghanistan, the Afghan National Security Council, and the Ministry of Finance on counter terrorist financing issues.

Q8: In a publicly releasable response, describe any significant improvements in Afghanistan's capacity to counter money laundering and terrorist financing since the 2011 Financial Action Task Force (FATF) Mutual Evaluation of Afghanistan.

As the FATF stated publicly in 2017, since June 2012, when Afghanistan made a high-level political commitment to work with the FATF and the APG to address its strategic AML/CFT deficiencies, Afghanistan has substantially addressed its action plan at a technical level. Specifically, Afghanistan (1) introduced mechanisms for policy and operational level coordination on AML/CFT; (2) adequately criminalized money laundering and terrorist financing; (3) established provisions for freezing and asset confiscation; (4) established a targeted financial sanctions framework to implement United Nations Security Council Resolutions 1267 and its successor resolutions; (5) established a supervisory and oversight system; (6) improved the legal status and resources of the financial intelligence unit; (7) and started developing a cross-border currency declaration system. The United States participated in the FATF's onsite visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously publicly identified by the FATF. When the FATF removed Afghanistan from its public identification and monitoring process in June 2017, Afghanistan committed to continuing working with APG as it continues to address the full range of AML/CFT issues identified in its APG mutual evaluation report, in particular, fully implementing the cross-border regulations at its official land border crossing points.