



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 Second 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. 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 (by Treasury, not cumulative with State) for providing support to ISIS since 2014.

Treasury continues to use the full range of its authorities to aggressively target ISIS leaders and operatives around the world. These efforts have resulted in the U.S. designating 69 ISIS-associated individuals since 2014.

b. Details on individuals and organizations sanctioned for providing support to ISIS during this reporting period and the reporting period: October 1 – March 31.

On October 17, 2018, Treasury imposed sanctions on Afaq Dubai, an Iraq-based money service business (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.

c. The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: October 1 – March 31.

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

Q2: Provide a publicly releasable update on Treasury's efforts which occurred in Quarters 1 and 2 (October 1 – March 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.

On October 17, Treasury imposed sanctions on Afaq Dubai. This designation is a continuation of Treasury's ongoing efforts to shut down these individuals and entities that move money for ISIS.

Q3: Provide a publicly releasable update on the actions Treasury has taken the reporting period: October 1 – March 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.

Concurrent with Treasury's designation of Afaq Dubai, Treasury Attaché in Baghdad worked closely with the Central Bank of Iraq (CBI) to coordinate the issuance of CBI circulars calling on banks to end any existing relationships with the MSB network.

Q4: Provide a publicly releasable update on the efforts taken by the Office of Technical Assistance (OTA) during the reporting period: October 1 – March 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. If this information is not publicly releasable, provide in a classified (no higher than Secret) format.

From November 11 to 15, OTA conducted a program review of technical assistance to the Iraqi government, in support of the development of its anti-money laundering/countering the financing of terrorism (AML/CFT) regime. The program review concluded that the assistance to the Iraqi Government's Anti-Money Laundering and Countering Financing of Terrorism Office (AMLCFTO), which functions as the financial intelligence unit, progressed well in 2018 and expanded staff understanding of their core functions. The inclusion of other AML/CFT stakeholders, such as the CBI, fostered a better understanding of their respective roles. OTA is working with The Department of State Bureau of Counter Terrorism to extend the project for an additional 2 years to continue to work on development of the core functions of the AMLCFTO. Assuming the project is extended, OTA will also seek to expand its engagement to focus on money laundering case development, including support to Iraqi law enforcement and prosecutorial authorities.

For the period of January 28 – February 6, 2019, OTA provided technical assistance to the AMLCFTO analysts to improve their analytical capacity through workshops on common money laundering typologies and specific topics requested by the AMLCFTO Director. CBI examiners also attended some of the workshops. The joint training sessions with the AMLCFTO analysts and CBI examiners have built relationships to exchange information for suspicious transaction report analysis. OTA also held meetings with the AMLCFTO Director and his staff concerning suspicious transaction report problems; financial intelligence unit reorganization; designated non-financial businesses and professions regulation and examination procedures; and Iraq's national risk assessment.

Q5: Provide a publicly releasable update on Treasury's efforts the reporting period: October 1 – March 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 Counter ISIS Finance Group (CIFG), a working group of the Defeat ISIS Coalition, which convenes 53 members and observers to share information and coordinate multilateral actions that target ISIS's global financial networks, and allows these nations to protect their financial systems from abuse by ISIS. The CIFG will hold its next meeting in Manama, Bahrain on April 16-17, 2019. Topics of discussion will include updates from Gulf partners on strengthening their AML/CFT regimes to prevent ISIS financing, as well as a

focused discussion on money services business sector risk assessment, oversight, and enforcement actions against ISIS.

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

Q6: Provide a publicly releasable response about the potential use by ISIS of cryptocurrencies to transfer and store funds. If cryptocurrencies are being used by ISIS, identify what actions Treasury is taken to limit their ability to use cryptocurrencies

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 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,¹ Office of Foreign Assets Control (OFAC) and Financial Crimes Enforcement Network (FinCEN) authorities apply and OFAC and FinCEN compliance obligations are the same.

¹ Fiat currency is government-issued currency that is not backed by a physical commodity, such as gold or silver. The value of fiat currency is derived from the relationship between supply and demand and the stability of the issuing government, rather than the worth of a commodity backing it. Most modern paper currencies are fiat currencies.