



DEPARTMENT OF THE TREASURY

**Testimony of
Juan C. Zarate, Deputy Assistant Secretary
Executive Office for Terrorist Financing & Financial Crimes
U.S. Department of the Treasury**

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Oversight and Investigations
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Chairwoman Kelly, Congressman Gutierrez, and distinguished Members of the Subcommittee on Oversight and Investigations, thank you for inviting me to testify today about the Treasury Department and U.S. government efforts to identify, freeze, and recover Iraqi assets worldwide. Under the President's leadership, this Administration has taken the world-wide lead in trying to locate and recover Iraqi assets for the reconstruction of Iraq and the benefit of the Iraqi people.

As you will hear today, that mission, though daunting and complicated, has achieved successes due to the unprecedented interagency cooperation and coordination of all components of the United States Government. We collectively have made significant progress since Treasury's former General Counsel testified before you on this effort last May, and I am pleased to be here with my colleagues from the Department of State today to update you on some of our activities and achievements. I am especially pleased to have this opportunity share with you the cooperation we have received from our colleagues in other agencies, and the dedication and bravery of our financial investigators and staff in Baghdad, who have placed themselves in harm's way to accomplish this very complex mission.

The Priority of the Iraqi Asset Recovery Mission

It has been a year since the President directed the Department of the Treasury to lead the U.S. Government's efforts to identify, freeze, and repatriate Iraqi assets worldwide. That mission has been and remains a top priority for the Department of the Treasury. It will remain so, even as we grapple with the complexities generated by the transition to a new, independent Government of Iraq.

The U.S. government's task remains clear – to identify and seek repatriation of Iraqi assets located outside Iraq, whether they are official Iraqi assets held in the name of the Iraqi

government, or are part of the assets systematically looted by Saddam Hussein, his regime cronies and their immediate family members. We have and will pursue these assets, even though they have, in many cases, been very well concealed in the international financial system behind a maze of front companies and straw men.

Our efforts are guided by the strong recognition that this mission is critically important, for both old and new reasons:

- Iraqi assets must be recovered so that they can be used for the reconstruction of Iraq and the benefit of the Iraqi people, to whom they rightfully belong. Saddam Hussein, his regime cronies and their immediate families cannot be allowed to get away with plundering the country of Iraq and hiding their ill gotten gains in the international financial system.
- In addition, as events have unfolded, it has become imperative to recover Iraqi assets to prevent them from being used to fund the Iraqi insurgency and to keep them out of the hands of terrorists both within and outside Iraq. We and the international community cannot permit these assets to be used against our troops, coalition partners, and innocent civilians in Iraq, or to support the nefarious activities of terrorists around the world.
- Moreover, the efforts of the international community to identify and repatriate assets stolen by Saddam Hussein and his former regime serve as a strong warning to other tyrants and kleptocrats, who might seek to loot their countries and hide the stolen assets in the international financial system. Lessons learned by the United States and the international community in the hunt for Iraqi assets will serve as a model, both for the U.S. Government and for the international community, on how to respond and identify, trace, freeze, and repatriate national patrimony stolen by corrupt despots in the future.

Important Progress to Date

We have achieved important success in returning assets to the Iraqi people and in unearthing the schemes and networks used by the regime to steal from Iraq:

- Since March 20, 2003, with U.S. leadership, almost \$2 billion of Iraqi assets has been newly identified and frozen outside the U.S. and Iraq;
- Since March 20, 2003, approximately three-quarters of a billion dollars have been transferred by other countries to the Development Fund for Iraq (DFI). In total, the United States, foreign countries, and the Bank for International Settlements have transferred back to Iraq over \$2.5 billion in frozen Iraqi funds;
- Approximately \$1.3 billion in cash and valuables has been recovered in Iraq.
- We continue to identify key individuals and entities whose assets should be frozen. Today, the Department of the Treasury has designated 16 immediate family members of senior officials of the former Iraqi regime pursuant to Executive Order 13315. The

United States is also submitting these individuals, as well as the identities of 191 Iraqi parastatal (quasi-government) entities, to the United Nations, and requesting that they be listed by the UN 1518 Committee under UNSCR 1483. If adopted by the 1518 Committee, these names will be added to the list of senior Iraqi officials and entities that we previously joined with the UK and France in submitting to the UN for listing under UNSCR 1483;

- In Iraq, our financial investigators have conducted over 80 interviews of key individuals who have information relating to Iraqi assets, ranging from the top ministers of the State Oil Marketing Organization (SOMO), to the laborers who buried Saddam's U.S. currency. Our investigators are finding and interrogating key financial facilitators like accountants and bankers, who have knowledge about the movement of Iraqi assets. Under IRS-CI questioning, these witnesses have identified assets that can be recovered for the DFI, and which we are aggressively pursuing.
- While searching for Iraqi assets abroad, IRS-CI agents determined that the former Iraqi Ambassador to Russia had stolen \$4 million in Iraqi assets that had been entrusted to him. As a result, that amount has been frozen in Russia, and we are working to have it repatriated.
- Working closely with the governments of Liechtenstein, Switzerland, and Jordan, we are taking action to recover one of Saddam's Falcon 50 corporate jets and to uncover a financial network that had been used by the Iraqis to move money and people in the heart of Europe.
- The financial investigation teams have also uncovered important leads for other IRS-CI financial investigations to follow up on in jurisdictions outside of Iraq. We have identified bank accounts and other assets held in over twenty countries, including Switzerland, France, Germany, Liechtenstein, Russia, Spain, Egypt, Thailand, Indonesia, Lebanon, Belarus, Iran, South Korea, Malaysia, Japan, Morocco, Saudi Arabia, UAE, British Virgin Islands, Jordan, Syria and Yemen.
- As a result of interagency cooperation and investigative and other efforts in Baghdad and at Headquarters, the Departments of Treasury and State have provided identifying information on over 570 identified Iraqi bank accounts to 41 countries for review and follow-up. Those accounts were identified as belonging to the Central Bank of Iraq, Rafidain Bank, and Rasheed Bank.

This is but a snapshot of the important work underway to find and return Iraqi funds to the Iraqi people.

Investigation: The Hunt for Assets

Our efforts to identify and recover Iraqi assets target three basic groups of assets:

- Assets frozen in 1990 under UNSCR 661 that are subject to freeze and transfer under UNSCR 1483, as well as additional Iraqi assets covered by 1483;
- Assets that exist in the countries that did business with Iraq either legally or illegally under the UN sanctions regime in place before March 2003 (called “trading states”) — Jordan, Lebanon, Syria, and Turkey;
- Assets looted and hidden outside Iraq by Saddam Hussein and senior members of his former regime, their immediate families, agents, and front companies.

Identifying, tracing, and recovering these funds involve numerous tools -- investigatory, diplomatic, and intelligence. Again, the variety of these tools, and the respective expertise of the different departments and agencies in employing them, requires our close interagency collaboration.

The Investigation

Our “trace and chase” investigatory mission depends primarily on two tools: robust interrogation of individuals who have knowledge of Hussein’s financial web, including key financial figures in Iraq and elsewhere, and vigorous exploitation of documents and other financial records, including bank records and computer databases recovered in Iraq, and around the world. These activities enable us to understand Iraqi fund flows and locate existing assets, so that they can be repatriated.

Since this “trace and chase” mission leads all over the world, our diplomatic outreach has been extensive and worldwide. The Department of State and its embassies play a vital role by helping to secure the cooperation of jurisdictions through which illicit funds have been generated or flowed. This enables us to gain access to, and exploit, financial records to help us uncover the money trail and identify jurisdictions in which illicit assets may still reside, so that they can be returned to the DFI.

Treasury officials also consistently reach out to foreign counterparts, and press them to fulfill their obligations under UNSCR 1483 to identify, freeze, and promptly transfer Iraqi assets to the DFI, and to cooperate with us in our investigations. We have visited countries like Switzerland, Jordan and Lebanon and engaged in productive and intensive discussions with high level government officials, seeking their cooperation in identifying, freezing, and transferring Iraqi assets.

We have aggressively pursued our investigation by sending financial investigation teams to numerous jurisdictions to question witnesses and examine documents and other financial records. These forensic teams are composed primarily of IRS-CI agents, with help from the Department of Defense and OFAC, among others. Where a U.S. nexus to the movement of goods and services is detected, we have worked closely with agents from the Department of Homeland Security.

In addition to IRS-CI, other Treasury offices and bureaus — in particular, OFAC and FinCEN, through their unique databases and analytical expertise and capabilities – are actively involved in the Iraqi “trace and chase” effort. FinCEN, Treasury’s Financial Intelligence Unit (FIU), exchanges information relating to financial activities of the former Iraqi regime and helps communicate specific Iraqi asset law enforcement-related inquiries to other countries through the Egmont Group—an international body of over eighty FIUs.

- In one recent example, FinCEN facilitated information exchanges between Liechtenstein’s FIU and other U.S. law enforcement agencies to help us investigate and establish Iraqi ownership of a Falcon 50 jet plane. As a result of FinCEN’s assistance and active intervention by the U.S. embassies in Switzerland and Jordan, Liechtenstein and Jordan, where the plane is physically located at present, have initiated steps to repatriate the plane to Iraq — the disposition requested by the Iraqi Governing Council.

Treasury’s Office of Foreign Asset Control (OFAC), drawing upon more than a decade of enforcing U.S. sanctions on Iraq, provides critical analysis of investigative and intelligence information. Among its activities, it identifies individuals and entities for designation to trigger the freezing and transfer of their assets.

Treasury has also sent an individual from our Terrorist Finance Task Force to be a CPA Financial Advisor. This advisor works full time on Iraqi asset recovery issues and has been invaluable in getting information and facilitating actions in Iraq that are essential to seeking recovery of Iraqi assets in numerous jurisdictions.

Financial Investigation in Iraq

One of the most important recent developments in the investigation has been our ability to place financial investigation teams in Iraq on a long-term basis and to obtain access to key individuals who have knowledge of the flow and location of Iraqi funds. The IRS-CI agents on our financial investigation teams are in Iraq under the auspices of the Defense Department’s DIA Iraq Survey Group (“ISG”), which has been instrumental in getting them into the country and providing full logistical support for the teams while they are there. Our financial investigation teams work closely with the FBI and the intelligence community, as well as with Treasury’s CPA advisors.

IRS-CI agents provide unique financial investigative expertise to identify, interview, and exploit high-value financial targets and relevant documents. The IRS has taken the lead for the actual, on-the-ground investigation.

- Since last May, we have sent three financial investigation teams, composed of three agents each, to Baghdad, on 90 day rotations.
- The financial investigation teams have also uncovered important leads for other IRS-CI financial investigation teams to follow up on in jurisdictions outside of Iraq.

These efforts are ongoing, as the agents on the ground work with the Department of Defense to gain access to key individuals, including bankers, lawyers, and accountants, who helped the regime and its cronies move money within Iraq and abroad.

Financial Investigation “Jump Teams” Operating Outside Iraq

Our financial investigation teams do not just operate in Iraq. To date, we have sent financial investigation “jump” teams to Jordan, Syria, Denmark, Switzerland, and Qatar. We are actively seeking permission from several other countries to send financial investigators to their jurisdictions as well, and are prepared to send teams anywhere in the world to track down Iraqi assets.

So far, our investigators have made significant progress in uncovering accounts and networks abroad. In this effort, they have, among other things:

- Conducted more than 100 interviews of individuals worldwide — high/mid and lower level individuals who might have knowledge of the whereabouts of regime assets. These interviews include high-value witnesses with direct knowledge of flows of funds;
- Identified assets and bank accounts held in over twenty countries, including Switzerland, France, Germany, Lichtenstein, Russia, Spain, Egypt, Thailand, Indonesia, Lebanon, Belarus, Iran, South Korea, Malaysia, Japan, Morocco, Saudi Arabia, UAE, British Virgin Islands, Jordan, Syria, and Yemen.
- Identified over 1600 Iraqi-controlled accounts in eight banks in Jordan, obtained and reviewed account statements relating to these accounts, and identified front companies with accounts in Jordan. These accounts were frozen by the Jordanians and will be reviewed by CI agents and Iraqis to determine the validity of claims filed against these monies.
- In Syria, identified the flow of over \$3 billion through Syria while the Iraqi-Syria trading protocol was in effect, estimated that about \$1 billion was in the trade account at the outset of Operation Iraqi Freedom, and identified over \$200 million remaining in Syrian bank accounts;
- Discovered that large amounts of money were routinely shipped via diplomatic pouches, to be stored for operational funding of all Iraqi embassies. This information has led to a plan to help the Iraqi Foreign Ministry conduct audits of Iraqi missions abroad. IRS-CI agents will participate in the audits of certain high-interest embassies;
- Identified Iraqi oil trade accounts in Turkey that may contain substantial amounts of Iraqi assets;
- As a result of interagency investigative and other efforts in Baghdad and at Discovered \$4 million in Iraqi assets being held in a Russian bank by the former Saddam-regime Iraqi Ambassador to Russia. The agents thoroughly documented the witness accounts

and presented the information to an Iraqi court, which ordered that the money be seized and transferred to the DFI. The Department of State and CPA Advisors have been providing assistance to Iraqi officials, who are seeking transfer of these funds by Russia, which has cooperated with us in freezing the funds.

Headquarters, the Departments of Treasury and State have sent identifying information concerning more than 570 identified Iraqi bank accounts, belonging to the central Bank of Iraq, Rafidain Bank, Rasheed Bank, to 41 countries for review and follow-up. Acting on these referrals of information, countries have identified accounts and funds, and have either repatriated funds to the DFI, or are taking appropriate steps to do so.

Insurgency Finance Task Force in Iraq

In addition to fielding our own forensic investigation teams dedicated to identifying, tracing, and recovering Iraqi assets located outside Iraq, we have sent an IRS-CI investigatory agent to participate with the FBI and others in the recently-formed Defense Joint Interagency Task Force on the Iraqi Insurgency, operated by CJTF-7, the Coalition Command Authority in Iraq. The financial component of this Task Force has been tasked to identify and recover funds that could be used to fuel the Iraqi Insurgency and attack our troops, our Coalition partners, CPA Advisors, Iraqi officials and police, and innocent Iraqi civilians. We anticipate adding two additional IRS-CI agents to the Insurgency Task Force in the next two months, which will bring the total number of IRS-CI agents participating since the onset of the financial investigation in Iraq to twelve.

The participation of IRS forensic investigators on the Insurgency Task Force provides a valuable opportunity to coordinate our asset hunt with the overlapping insurgency finance investigation. Finding and recovering Iraqi assets, both inside and outside Iraq, is instrumental in keeping this money from being used for nefarious purposes, whether by Iraqi insurgents, terrorists or other criminals.

Methods of Raising and Moving Money by the Hussein Regime

The Hussein regime used a variety of ways to enrich itself with pleasure palaces and armaments at the expense of the Iraqi people. Our work has helped crystallize how this was done and provides leads for possibly finding and returning some of those funds to the Iraqi people.

Uncovering Hussein-Era Smuggling, Kickback, and Skimming Schemes

Our financial investigation and analysis has helped us develop a better understanding of some of the schemes that Saddam Hussein and his regime used to raise and launder illicit assets, in violation of the UN's Iraqi sanctions regime.

While we do not know the full universe of Iraqi assets amassed by Saddam Hussein and the former government of Iraq in violation of UN sanctions, our financial investigation and analysis to date indicate that the former regime generated significant revenues from a complex web of financial activities. These activities included kickbacks and skimming funds from the UN-

authorized Oil For Food (OFF) program, as well as oil smuggling outside the OFF program. A May 2002 GAO report “conservatively” estimates that from 1997 to 2001, the Hussein regime obtained \$6.6 billion from oil smuggling and kickbacks from UN-sanctioned oil sales alone.

Let me describe three of these schemes in greater detail.

Unauthorized Surcharge on OFF Oil Sales

In response to Iraq’s invasion of Kuwait in August, 1990, the United Nations Security Council imposed sanctions on Iraq that prohibited virtually all commercial transactions with Iraq and required Member States to freeze Iraqi assets. In 1995, building upon previous humanitarian exceptions to the UN sanctions regime, the Security Council further responded to the plight of the Iraqi people by creating the OFF program, which authorized Iraq to sell oil under UN supervision and use the proceeds to purchase goods for the humanitarian needs of Iraqi citizens.

The Hussein regime abused this program to generate illicit revenues by instituting a surcharge scheme on OFF oil sales, beginning in the late 1990s. Pursuant to this scheme, Iraq would charge an extra 10 to 35 cents per barrel “surcharge” on Iraqi oil sales transacted under the OFF program. The size of the “surcharge” varied with the oil shipment’s destination. After this became known in late 2000, the U.S. and UK thwarted further surcharges by requiring “retroactive pricing” of Iraqi oil, ensuring that the actual price paid was close to market price. Before the surcharges ended, however, money reportedly was accumulated at Iraqi embassies or deposited into bank accounts in various jurisdictions, and later withdrawn in the form of cash. This cash was then transported back to Iraq and reportedly deposited into the Central Bank of Iraq. Some of the cash generated by this kickback scheme was not repatriated to Iraq, but instead was used to buy military equipment and other goods prohibited by international sanctions, without the knowledge of the UN.

After Sale Service Fee Scheme

The “after sale service fee” scheme involved kickbacks generated from Iraqi purchases of goods authorized under the OFF program. Under the OFF program, proceeds from official OFF Iraqi oil sales were deposited in a designated UN account, to be used for humanitarian purposes, such as purchasing food and medical supplies for the Iraqi people. To circumvent the restrictions on purchases and generate additional illicit revenue, the Iraqi government ordered each of its ministries to institute a 10% kickback scheme. Vendors selling goods to the Iraqi government were required to inflate the contractual purchase price by 10% and kick back the excess charge to the Iraqi government. Thus, a vendor would submit records to the UN indicating that it was selling \$110 worth of goods to Iraq, when in fact the vendor was selling only \$100 worth of goods, and was returning the additional \$10 to Iraq as a kickback. The illicit funds generated by this scheme reportedly were handled similarly to the oil price surcharges, and were either repatriated as cash to Iraq or used to buy goods in violation of UN sanctions. After Iraqi ministries began cooperating with the CPA, a process was instituted to renegotiate these contracts, with a view of eliminating kickbacks.

Trade Protocol Funds and Front Companies

A third scheme involved the sale of oil in violation of UN sanctions under “trade protocols” with neighboring countries. Beginning in the early 1990s, the former Iraqi government entered into signed official agreements with Jordan, Turkey, and Syria to sell Iraqi oil to each of these countries outside the OFF Program and precursor international sanctions. In each country, the proceeds of the oil sales were split between a trade account and a cash account. Most of the funds (60%-75%) were placed in the “trade account.”

Under the trade protocols, the Iraqi government was required to use the money in the trade account to purchase goods from vendors and businesses in the particular protocol-partner country. The money from the cash account (25%-40% of oil sale proceeds) in each of the protocol countries was transferred to bank accounts in Jordan and Lebanon -- usually through bank accounts set up in the names of front companies or individuals, to further disguise the scheme and the movement of the funds. Eventually, the cash account funds generated under all of the protocols were deposited in bank accounts controlled by the Central Bank of Iraq, Rasheed Bank, or Rafidain Bank. After this, the money was withdrawn in the form of cash and transported back to Iraq. When the money reached Baghdad, it was deposited into the vault at the Central Bank of Iraq.

We are using the information about the oil smuggling, kickback, and skimming schemes developed by our investigation to better identify and trace Iraqi assets in several jurisdictions. For example, in one neighbouring country, we have examined 68 accounts of 16 front companies involved in the trade protocol skimming scheme, and are seeking to trace the flow of this money.

Understanding these enrichment schemes used by the Hussein regime to enrich itself provides not only leads, but also a clear case study as to how a notorious regime will go about abusing the goodwill of the international community to enrich and embolden itself.

Front Companies

We know that the Hussein regime relied on front companies that it secretly owned or controlled to engage in illegal commerce and to move funds outside of the gaze of the international community. The assets of front companies are subject to freezing and transfer to DFI under UNSCR 1483, Paragraph 23. Our investigation has identified front companies involved in transactions under the trade protocols, as well as other commercial activities. For example, we have identified a front company, registered in Liechtenstein, which the Liechtenstein government has liquidated and is investigating. This was the company used to conceal Iraqi ownership of the regime’s Falcon 50 jet plane.

Designations under the United Nations Regime

Designations are an important tool in our Iraqi asset investigation. To facilitate international cooperation with our own investigatory efforts to identify Iraqi assets located in other countries, and to prod the international community to identify, freeze, and transfer Iraqi assets in their

jurisdictions, we have listed entities and individuals covered by the freeze and transfer requirements of UNSCR 1483.

As I mentioned earlier, today the Department of the Treasury has designated 16 immediate family members of senior officials of the former Iraqi regime pursuant to Executive Order 13315. The United States also is submitting the names of these individuals, as well as of 191 Iraqi parastatal (quasi-government) entities, to the United Nations, with the request that they be listed by the 1518 Committee under UNSCR 1483. If adopted by the 1518 Committee, these names will be added to the list of senior Iraqi officials and entities that we previously joined with the UK and France in submitting to the UN for listing under UNSCR 1483.

We hope that these designations will spur other countries to undertake independent investigations, publish similar listings, and return Iraqi funds to the DFI.

I would like to emphasize that the United States strongly believes that while U.N. listing is helpful, UNSCR 1483 requires member states to freeze and transfer all covered assets, independent of whether they have been identified by the UN. European and other governments have stated that they have been hampered in implementing UNSCR 1483, which calls for the identification of Iraqi-related accounts and blocking and return of assets, because under their domestic laws, nations cannot freeze assets in the absence of a specific listing of individuals and entities at the United Nations. We therefore will continue to submit names to the UN for listing as a way of helping other countries fulfill their obligations to identify, freeze, and transfer Iraqi assets. Today's listing is not intended to be exhaustive, and we will continue to identify individuals and entities for designation and UN listing.

In identifying the 16 individuals and 191 entities for designation today, the Treasury Department worked in close consultation with the U.S. Department of State as well as the Department of Justice and other parts of the government.

I should also like to point out the central role that Treasury's Office of Foreign Asset Control plays in the Iraqi designation process. OFAC has responsibility for implementing Executive Order 13315 of August 28, 2003, which blocks the property of the former Iraqi regime, its senior officials, and their family members. OFAC develops the lists of individuals and entities for designation and submission to the UN. By identifying and publicly designating such officials, family members, and instrumentalities, OFAC triggers the freezing of former Iraqi leadership assets in U.S. jurisdiction, and enables the Secretary of the Treasury to transfer the assets to the DFI.

We will continue to examine all available information to identify other individuals and entities for designation under EO 13315 and UNSCR 1483. We will continue to spearhead the interagency efforts to develop additional candidates for U.S. designation and nomination to the UN, and we expect to be able to announce further designations in coming weeks.

International Cooperation and Challenges

We have made significant progress in identifying, freezing, and transferring Iraqi assets to the DFI, largely with the help of allies abroad, but there is still much to do. As indicated above, since March 20, 2003, almost \$2 billion of Iraqi assets has been newly identified and frozen outside the United States and Iraq. The United States has led the effort to prompt the identification and return of frozen Iraqi funds around the world, resulting in approximately three-quarters of a billion dollars being transferred by other countries to the DFI. Ten foreign countries are confirmed to have transferred amounts into the DFI, and more have pledged to do so. For example, Japan transferred \$98.1 million; the United Kingdom transferred \$182 million; Jordan transferred \$235 million; and Tunisia transferred \$8 million.

With the help of other countries, we continue to uncover accounts and identify numerous companies and individuals who were part of the regime's financial web. This is a daily and ongoing effort, and is resulting in greater understandings that will help us trace the flow of funds, hopefully to their current locations.

Even willing countries, however, face challenges to freezing and repatriating Iraqi assets:

- First, the lack of a defined government agency in most countries that administers sanctions in a focused, long term manner has led to less organized efforts in these countries. In addition, a poor accounting of what Iraqi assets existed in countries around the world and the shifting nature of some of those accounts presented problems of accounting at the outset of our global efforts. These factors, in combination in certain instances with less developed financial systems, makes locating and securing assets more problematic than in the U.S.
- Countries have legal problems with taking title to property and immediately repatriating it to Iraq. The mechanism and obligation established in UNSCR 1483 to dealing with Iraqi assets represents a novel, aggressive approach to immediate repatriation of assets under international law. As a result, some countries are in the process of examining what legal measures exist or need to be created within their domestic systems to enable them to comply fully with the requirements of 1483. Other countries are determining what processes need to be put in place to transfer Iraqi assets. We are working with governments around the world and the Iraqis to find legally viable ways to transfer funds to the DFI.
- Finally, in some jurisdictions, the existence of extensive third party claims on Iraqi money has complicated asset recovery. Under UNSCR 1483, countries are obligated to return the funds unless such funds are themselves the subject of a lien or judgment that predated the Resolution. While this novel legal mechanism is intended to forestall adjudication of unperfected legal claims until a later date, some countries have insisted on addressing what we consider to be unperfected commercial and other claims against Iraqi funds in their banking systems as a condition of transferring assets to the DFI. We have been working with the Iraqis and various countries to try to resolve these issues and maximize the amount of money transferred to the DFI.

As with all of these efforts, international outreach and diplomatic troubleshooting are ongoing throughout the world. We are continuing to work with our partners abroad to obtain the return of previously identified Iraqi funds and to identify suspect Iraqi accounts.

Interagency Cooperation

The hunt for Iraqi assets will be a long-term effort. It requires dogged investigation, including interrogations, witness interviews, and document exploitation, as well as intensive diplomatic efforts worldwide and vigorous intelligence work. I cannot emphasize strongly enough that the progress we are making is the result of coordinated efforts by the Departments of State, Defense, Justice, Treasury, Homeland Security, and the intelligence community.

The complex challenge of uncovering the trail of Iraqi assets demands that all relevant government agencies work together in a comprehensive and coordinated manner, and share and enhance information obtained from whatever source. That is precisely what we have been doing, and will continue to do.

In particular, we have established two interagency mechanisms that serve as a model for interagency coordination — the Iraqi Asset Working Group and the DIAC Fusion Center.

Iraqi Asset Working Group

The interagency Iraqi Asset Working Group (IAWG), which I chair, includes Treasury components -- my Office (the Executive Office for Terrorist Financing and Financial Crime), IRS-CI, OFAC, and FinCEN; the Departments of State, including USUN; Justice, including the FBI; Defense; Homeland Security; the intelligence community and the NSC, as well as Treasury's Coalition Provisional Authority (CPA) Advisors. The Iraqi Asset Working Group brings the unique expertise of each of these agencies and departments to bear on the hunt for Iraqi assets. The group meets at least weekly, and oversees and coordinates the U.S. Government's international search for Iraqi assets.

Among other things, we set priorities for the international forensic investigations, direct financial investigation teams to various jurisdictions, set priorities for diplomatic outreach, discuss and analyze possible UN and domestic designations under EO 13315 and UNSCR 1483 of Iraq-related individuals and entities, review progress, and help coordinate activities among CPA and Iraqi officials to facilitate action by the Iraqis to transfer assets to the DFI. The IAWG has proven to be an efficient and highly-effective means for handling issues as they arise. It allows us to closely monitor investigative and diplomatic developments, track our progress, and determine our next steps by group consensus. And of course, it provides an ideal mechanism for efficiently sharing relevant information across the U.S. Government.

In addition to our weekly meetings, the inter-agency group communicates extensively and intensively on a daily basis. We draft and clear papers and cables together, target assets and jurisdictions for investigation, work on getting investigation teams required military training and deployed, share intelligence, diplomatic, and investigatory information, and otherwise conduct the business of the group in a detailed and collegial way.

Financial Component at DIAC Fusion Center

In addition to the Iraqi Asset Working Group, Treasury and the Defense Department have established a financial intelligence and investigation component at the Fusion Center at the Defense Intelligence Analysis Center at Bolling Air Force Base. The financial component is staffed primarily by IRS-CI agents, and operates under the auspices of the Iraq Survey Group. The Fusion Center receives intelligence information and investigative leads obtained in Iraq and other foreign jurisdictions. This information is centralized, analyzed, and shared with all relevant intelligence and law enforcement entities. Leads are then sent back to the field, to trace and recover Iraqi assets worldwide. Where appropriate, we provide leads to foreign governments for follow-up and freezing of hidden Iraqi assets.

This approach is designed to produce new leads on an ongoing, interagency basis, and is helping us to pierce the complex layers of transactions involved in the international flow of Iraqi assets over time. This synergy between the intelligence functions, the Department of Defense, and the Treasury components has led to concrete results in the field.

The Way Forward in Iraq and Abroad

Given the approaching June 30th handover of authority to the Iraqis, we are working to develop a transition plan with the interagency community, the CPA, and the Iraqis that will identify the roles in this effort of both the U.S. Government and the Iraqis after that date. These roles must necessarily reflect continuing U.S. involvement. As long as U.S. military and civilian personnel are in Iraq and under threat from terrorists and insurgents, we must aggressively attack the financial underpinnings of that insurgency.

We are also focused on setting Iraq on the right path to deal with the issues of financial integrity and oversight. Our experience around the world on issues related to money laundering and terrorist financing teaches us that Iraq must develop the strongest possible financial infrastructure -- both formal and informal -- as quickly as possible. We know that this requires robust anti-money laundering and anti-terrorist financing laws and regulations. All components of the Treasury Department are working with the Departments of Justice and State, the Federal Reserve, the CPA and Iraqi Governing Council and Ministries to put in place mechanisms to protect the Iraqi financial system, including charities, money exchangers and hawaladars, bulk cash couriers, money remitters, and the banking industry itself, from abuse by financial criminals and terrorists.

This entire endeavor has taught us some important lessons and is sending a clear message around the world. First, these efforts provide a model for U.S. interagency cooperation. The use of all of the expertise and tools available to the U.S. government is critical when dealing with complicated matters such as this. Second, we have set a template for launching aggressive international investigations to respond to requests by other countries, or by the international community as a whole, to find and repatriate assets stolen by foreign officials and placed in the international financial system. This effort, in combination with other steps we have taken in this arena, such as the conclusion of the negotiations of the UN Anti-Corruption Convention, will strengthen international mechanisms to locate, seize and return assets stolen by kleptocrats. In

addition, Treasury has issued a regulation implementing Section 312 of the USA PATRIOT Act, which requires U.S. financial institutions to guard against accepting the proceeds of foreign corruption from kleptocrats, their families, and other associated “politically exposed persons” in the first place.

We are not alone in pursuing this type of regulatory requirement. In Switzerland, for example, recent amendments to Swiss anti-money laundering laws and regulations are designed to enhance protections against accepting the proceeds of foreign corruption from politically exposed persons. Additionally, the Financial Action Task Force, as well as groups of private financial institutions, has addressed the need for financial institutions to guard against accepting funds looted by other countries’ political figures.

The Department of the Treasury is in the process of using these important international steps and the model of the Iraqi asset hunt to broaden efforts to recover funds looted by other despots – as in the case of Charles Taylor. The lessons we have learned, and will continue to learn as the hunt proceeds, are valuable. And we are eager to continue to put them to good use.

All of this sends a clear message to the tyrants of the world. We will find your money and will return it to the people from whom you’ve stolen it.

Conclusion

Every day, we are learning more about the maze of Hussein’s money trails, and every day, we take concerted efforts to get other countries to identify Iraqi assets, and transfer the funds that they have already frozen. The investigation, especially as it turns increasingly to the hidden, unofficial assets, is a time-consuming, laborious, and potentially dangerous task. This is a process that, by its very nature, will take time. We owe a debt of gratitude to the civilians — especially the IRS-CI agents in Baghdad – and our troops on the ground in Baghdad, who are engaged in these worthy and important efforts. We appreciate the support of Congress in these efforts and look forward to working with you to find and repatriate Iraq’s money.