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Before the

**HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

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Good morning Madam Chairman and members of the Subcommittee on Oversight and Investigations. On behalf of the Federal Bureau of Investigation (FBI), I would like to express my gratitude to the Subcommittee for affording us the opportunity to participate in this forum and to provide comment to the Subcommittee on the FBI's efforts, in conjunction with other United States Government agencies, to stop terrorist financing and, in particular, how the FBI is contributing to those efforts to disrupt the financial support to the terrorist organization, Hamas.

Since September 11, 2001, the FBI has reallocated substantial resources to protect the American people from another terrorist attack. The FBI's Counterterrorism Division has made significant strides during its reorganization to provide a more centralized, comprehensive and pro-active approach to investigating terrorism-related matters to effectively disrupt and dismantle terrorist organizations before they are able to conduct attacks against citizens of the United States and/or her allies. With the changing nature of terrorism and recent technological innovations, the FBI has been called upon to implement new ways and techniques to identify, prosecute and most importantly prevent future crimes and attacks. The FBI has recognized that terrorists, their networks and support structures require funding in some form to exist and operate. Whether the funding and financial support is minimal or substantial, it leaves a financial trail that can be traced, tracked, and exploited for pro-active and reactive purposes. Being able to identify and track financial transactions and links after a terrorist act has occurred or terrorist activity has been identified represents only a small portion of the mission; the key lies in exploiting financial information in efforts to identify previously unknown terrorist cells, recognize potential terrorist activity/planning, and predict and prevent potential terrorist acts. The FBI bolstered its ability to effectively combat terrorism through the formation of the Terrorist Financing Operations Section (TFOS).

TFOS has developed tactical and strategic, time sensitive, financial investigative methodologies enabling the FBI to be recognized worldwide as the leader in this area. TFOS has evolved into a broader strategy to identify, investigate, prosecute, disrupt and dismantle incrementally all terrorist related financial and fund-raising activities. TFOS was created to take advantage of the FBI's traditional expertise in conducting complex criminal financial investigations in conjunction with advanced technologies and the powerful legislative tools provided in the USA PATRIOT Act. TFOS built upon these established mechanisms by

developing a strong support network within the private financial sector, as well as, furthering cooperation and coordination among law enforcement and intelligence agencies, both domestic and foreign, to form the preeminent terrorist financing investigative operation. In the past several months, TFOS capitalized on its capabilities by conducting real-time financial tracking of a terrorist cell and providing specific and identifiable information to a foreign intelligence agency, which resulted in the prevention of four, potential deadly terrorist attacks.

The TFOS mission includes: conducting full financial analysis of terrorist suspects and their financial support structures in the U.S. and abroad; coordinating joint participation, liaison, and outreach efforts to exploit financial resources of private, government, and foreign entities; utilizing FBI and Legal Attache expertise and relationships to fully develop financial information from foreign law enforcement and private agencies, including the deployment of TFOS personnel abroad; working jointly with the intelligence community to fully exploit intelligence information to further terrorist investigations; working jointly with the law enforcement and regulatory communities; developing predictive models and conducting data mining analysis to allow a proactive approach in identifying previously unknown or "sleeper" terrorist suspects; and providing the financial component to classified counterterrorism investigations in support of the FBI's counterterrorism responsibilities.

The purpose of today's hearing is to address issues regarding the financing of the terrorist organization, Hamas. By way of background, Hamas is one of the Specially Designated Terrorist Organizations listed in the Annex to Executive Order 12947 as a foreign terrorist group engaged in grave acts of violence that disrupt the Middle East Peace Process and constitute an unusual and extraordinary threat to the national security, foreign policy, and economy of the United States.

Hamas is a terrorist organization that espouses an extremist Islamic fundamentalist ideology. Hamas was founded in 1987 in the Gaza Strip and is dedicated to the establishment of an Islamic Palestinian State that encompasses Israel, the West Bank and Gaza. Hamas is a militant Palestinian offshoot of the Muslim Brotherhood which was founded in 1928 to replace secular rulers with an Islamic society.

In late 1987, activist members of the Muslim Brotherhood opted to play a more direct role in the popular uprising, known as the Intifada, than the Muslim Brotherhood leadership would allow. As a result, Sheikh Ahmad Yassin, then head of the Muslim Brotherhood in the Gaza Strip, formed Hamas. In May 1989, Yassin was arrested and in October 1991, he was tried and sentenced to life imprisonment by an Israeli court for Hamas terrorist activities.

In October 1997, following a failed Israeli attempt to kill Khalid Misha'al, another Hamas leader in Amman, Jordan, Yassin was released to the Jordanians and subsequently returned to Gaza. On October 29, 1998, Yassin was placed under house arrest by the Palestinian Authority (PA) following an unsuccessful Hamas suicide attack to blow up a bus full of school children in

Kfar Darom, which resulted in the death of an Israeli soldier. Yassin was released from house arrest two months later, in December 1998.

Hamas is primarily based in the West Bank and Gaza. When Hamas was declared an illegal organization by the Government of Israel (GOI) in 1989, Hamas leaders moved its support structures outside Israel.

Hamas has publicly rejected Yasir Arafat and the PA as the representatives of the Palestinian people. Hamas also announced that it opposes the Palestine National Council's 1988 decision to establish an independent Palestinian state in the West Bank. Since the group's inception, Hamas has forged significant inroads into acceptance by mainstream Palestinians.

The ideology of Hamas is codified in the Hamas covenant. This covenant establishes Hamas' primary goal as the creation of an Islamic State in all of Palestine through "Jihad" (Holy War). Hamas' covenant emphasizes Jihad as the immediate and sole solution to Palestinian problems and regards participation in the armed struggle as the duty of every Muslim. Hamas absolutely rejects any political solution entailing the concession of any part of historic "Palestine."

The primary tenets of Hamas philosophy are opposition to compromise with Israel over creation of a Palestinian State and replacement of the PA as the sole representative of the Palestinian people. To these ends, Hamas pursues a combined program of violence and terror on one hand, and educational, charitable, and social functions on the other. The principal purpose of its armed attacks is to intimidate and coerce the GOI and its civilian population. Its benevolent programs are used to enhance its image and earn goodwill in the Palestinian community.

An interview with a senior Hamas spokesman identifies the influence the political wing of Hamas has over the military wing. In a July 31, 2001, Reuters article, Abdel-Aziz al-Rantissi, a senior Hamas official and spokesman stated, "The (Hamas) political leadership has freed the hand of the brigades to do whatever they want against the brothers of monkeys and pigs." The term "brigades" refers to the group's military wing, Izz el-Din al-Qassam brigades. Rantissi further stated, "I urge all the brigades to chase and target the Israeli political leaders and members of parliament, the killer (Prime Minister Ariel Sharon) and the criminal (Foreign Minister) Shimon Peres." This was believed to be the first public call by Hamas to target Israeli leaders. According to the article, "Hamas' political wing determines overall policy for the movement."

Even after the September 11, 2001 terrorist attacks against the World Trade Center and Pentagon, Hamas' public statements urge support for continued violence against Israel and the United States. In a September 2001 public statement published by Reuters, Rantissi echoed calls by Taliban clerics in Afghanistan, urging "Muslims on Friday to unite against any U.S.

retaliation for the terror attacks in New York and Washington." He went on to say, "It is impossible for Muslims to stand handcuffed and blindfolded while other Muslims, their brothers, are being attacked. The Muslim world should stand up against the American threats which are fed by the Jews. To the best of our knowledge, Hamas has thus far refrained from intentionally attacking U.S. persons or installations.

Through its acts of violence, Hamas has established itself as one of the primary Palestinian terrorist organizations continuing the "armed struggle" against Israel. These terrorist attacks target not only military targets, but civilian ones as well. According to the State Department, during 2002 alone, more than 370 persons, including 10 U.S. citizens, were killed in Israel, the West Bank and the Gaza Strip by acts of terrorism. These casualties have continued to mount, including during the past two weeks, when a Hamas terrorist attack killed two U.S. citizens and wounded one.

The United States designated Hamas a specially designated terrorist organization on January 25, 1995. This designation made it a violation of the International Emergency Economic Powers Act (IEEPA) to conduct any financial or business transaction with Hamas. On August 22, 2003, in the wake of Hamas' claim of responsibility for the August 19, 2003 suicide bombing attack in Jerusalem, which killed twenty persons, including four U.S. citizens, the U. S. Department of Treasury's Office of Foreign Asset Control, designated the following Hamas leaders as "specially designated global terrorists"; Sheikh Ahmad Yassin, Khalid Misha'al, Abd Al-Aziz al-Rantissi, Imad Khalil Al-Alami, Usama Hamdan and Mousa Abu Marzouk. Mousa Abu Marzouk, a senior Hamas political leader had been previously designated as a terrorist by the Department of Treasury in August, 1995 and was subsequently deported from the United States. These designations make it illegal to conduct any transactions with these individuals. Furthermore, based on the designations, the United States government will seek to freeze all U.S. assets of these Hamas leaders. The following four organizations, based mainly in Europe and the West Bank, were similarly designated as supporters of terrorism; Comite de Bienfaisance et de Secours aux Palestiniens, Palestinian Association of Austria (PVOE), Palestinian Relief and Development Fund (Interpal) and Sanibil Association for Relief and Development.

The U.S. Government estimates that Hamas' annual budget is at least \$50 million. The majority of these funds are generated by the contributions of Non Government Organizations (NGOs), state sponsors and wealthy individuals. While most of these funds may be used to support the social programs espoused by Hamas, any contribution to Hamas, for any purpose, frees up other funds for its planned violence. The leaders of Hamas have taken advantage of donations made to NGOs and charities, which may appeal for the need to support orphans and widows, as well as, build schools and hospitals, but are actually "fronts" for Hamas and use a portion of these contributions to support the terrorist organization's military wing. Many donors believe that their charitable contributions were fulfilling one of their tenets of Islam (Zakat), but have unwittingly supported terrorist attacks through payments made to the NGOs and charities, which are actually Hamas "front" companies. Others have contributed financial assistance because they sympathized with the Palestinian people, who have suffered socio-economic hardships, as a result of the past three years increased violent conflict. These charities are an

easy target for fraud, as certain funds, which were originally provided for charitable purposes find their way to supporting Hamas' military wing and ultimately are the source for terrorist attacks.

The United States Government designated all facets of Hamas as a terrorist organization, since it was impossible to differentiate between money Hamas was utilizing for social reform and funds which supported terrorist attacks. The European Union (EU) had until recently only designated Hamas' military wing as a terrorist organization. However, through evidence and intelligence provided by the U.S. government, the EU has taken steps to restrict all branches of Hamas and may move to block funding to its political bureau, fund-raising charities and other social welfare programs. The EU's recent decision has the potential to further disrupt Hamas' funding methods by eliminating its prior strategy of using NGOs and charities as "front" companies to generate financing for its terrorist attacks.

The FBI's program on attacking Hamas elements in the United States has been to focus on disrupting and dismantling the funding networks which support Hamas. In the United States, the majority of Hamas' financial support is generated through the fund-raising efforts of various NGOs. In December, 2001, based on the initiative of an FBI investigation, the Department of Treasury designated the Holy Land Foundation for Relief and Development (HLFRD) as a Specially Designated Terrorist Organization, freezing the assets of HLFRD and making it illegal to conduct transactions with the organization. The FBI was an intricate contributor to the evidence which identified HLFRD as the lead fund-raising source for Hamas in the United States. In 2000, HLFRD had raised approximately \$13 million dollars. The results of the Department of Treasury's designation of HLFRD and the subsequent freezing of its assets delivered a significant blow to the fund-raising efforts of Hamas in the United States. Presently, the FBI is focused on identifying NGOs, which seek to replace HLFRD's position as the major financier of Hamas in the U.S. To date, no NGOs exist which compare with the fund-raising capabilities exhibited by HLFRD. The FBI is also investigating smaller Hamas financing efforts being conducted by criminal enterprises in the U.S., which have shown either associations with known Hamas members or sympathies toward its ideology. These investigations have uncovered a myriad of criminal activities used to generate funds, a portion of which is then forwarded to NGOs associated with Hamas. Some of the suggested criminal activity include, but are not limited to, drug trafficking, credit card fraud, counterfeit products, fraudulent documents, cigarette tax fraud and stolen infant formula.

Although the majority of these matters are on-going investigations, I would like to point out some of the successes that the FBI has enjoyed recently regarding Hamas and other terrorist organizations investigations, as well as, update the status of cases alluded to during former Deputy Assistant Attorney General Alice Fisher's March 11, 2003 testimony to this Subcommittee.

On four separate occasions, the FBI has received financial information, from a foreign intelligence agency, which was related to the funding of a pending terrorist attack. The FBI exploited an established source in the private financial sector to conduct real-time

tracking of the subject financial transactions. The FBI provided the foreign intelligence agency with specific and identifiable information regarding the parties involved in the financial transactions, as well as, the locations and times where the transactions occurred. Based on this information, the foreign intelligence agency was able to locate the members of terrorist cells and prevent them from conducting their intended terrorist attacks.

In January, 2003, German law enforcement authorities, who had been working closely with the FBI, arrested Mohammed Al Hasan Al-Moayad, a Yemeni national, for purposes of his extradition to the U.S. to face charges of conspiring to provide material support to Al Qaeda and Hamas and to have boasted that he had provided over \$20 million to Usama Bin Laden. The U.S. investigation indicates that Al-Moayad had participated in several fund-raising events at the Al Farouq Mosque in Brooklyn, NY. Al-Moayad was arrested during a meeting in Germany, where he believed that he was to receive a large financial contribution, which he advised a source would be used to support mujahideen fighters of Al Qaeda and Hamas. One of Al-Moayad's associates, also wanted in the U.S., was arrested at the same time. In addition, other associates in New York were arrested on charges of violating bank reporting requirements by structuring over \$300,000.00 in several bank accounts in the United States. The extradition proceedings against Al-Moayad are pending in Germany.

In December, 2002, a federal grand jury in Dallas returned an indictment against a senior leader of Hamas, Mousa Abu Marzouk, for conspiring to violate U.S. laws that prohibit dealing in terrorist funds. Also charged and arrested by the FBI were Ghassan Elashi, the chairman of the Holy Land Foundation for Relief and Development. Elashi and four of his brothers, all of whom are employees of the Richardson, Texas, based InfoCom Corporation, were charged with selling computers and computer parts to Libya and Syria, both designated state sponsors of terrorism. The indictment alleged that the Elashi brothers disguised capital investment from Marzouk, a specially designated terrorist for his admitted leadership role with Hamas, for their telecommunications company, InfoCom. The indictment and subsequent arrests have disrupted a U.S.-based business, which was conducting its activities with a known Hamas leader and state sponsors of terrorism in violation of U.S. laws.

In October, 2002, the FBI and other U.S. government agencies assisted German authorities in identifying and taking legal action against Hamas in Germany. Through the efforts of the FBI, including TFOS, exchanges with Germany led to the closure of the Al-Aqsa Foundation in Germany, a suspected Hamas fund-raising organization.

The FBI coordinated with the Office of Foreign Asset Control (OFAC) to justify the blocking of Holy Land Foundation for Relief and Development (HLFRD) assets and the closing of its U.S. offices, shutting down Hamas' largest fund-raising entity in the U.S. The HLFRD had been linked to the funding of Hamas terrorist activities, and in 2000, HLFRD raised \$13 million dollars.

The offices of the Benevolence International Foundation (BIF), a U.S.-based charity, were shut down and its assets and records blocked following an investigation which determined that the charity was being used to funnel money to Al Qaeda. In February 2003, Enaam Arnaout, the head of BIF, pled guilty to racketeering conspiracy, admitting he fraudulently obtained charitable donations in order to provide financial assistance to persons engaged in violent activities overseas. Arnaout was recently sentenced to eleven years in prison.

A criminal case against Sami Al Arian, the alleged U.S. leader of the Palestinian Islamic Jihad (PIJ), and the World Islamic Studies Enterprise has forced the closure of several front companies suspected of funneling money to support PIJ operations against Israel. In August 2002, the investigation led to the deportation of Mazen Al-Najjar, the brother-in-law of Sami Al Arian and a known PIJ member. In February, 2003, following a 50-count indictment for RICO and Material Support of terrorism violations, the FBI arrested Al-Arian and three other U.S.-based members of PIJ, including Sameeh Hammoudeh, Hatim Naji Fariz, and Ghassan Ballout. The FBI also executed seven search warrants associated with this action.

The FBI has utilized the legislative tools provided in the USA PATRIOT Act to further its terrorist financing investigations. Some examples of how TFOS has used the provisions in the USA PATRIOT Act are: to obtain foreign bank account information by issuing an administrative subpoena on a foreign bank's U.S. correspondent bank; corroborated financial data obtained through criminal investigative techniques with intelligence sources; and provided grand jury material to a foreign intelligence agency. All of these techniques have significantly assisted ongoing terrorism investigations and would not have been possible, but for the enactment of the USA PATRIOT Act.

These successes were the result of coordination, cooperation and intelligence sharing between both U.S. and foreign law enforcement and intelligence agencies. The critical importance of domestic and international inter-agency cooperation, coordination and information sharing cannot be understated. Terrorism represents a global problem. The solution is grounded in what would have been considered prior to 9/11, unprecedented international cooperation and coordination. The threat it poses must always be considered imminent. In addition to considerable financial investigative expertise, addressing terrorism and the finances that support and propagate it requires the ability to both implement proactive and preventive approaches to disrupt and dismantle as well as the ability to conduct highly reactive immediate response financial investigations to address potential imminent threats. The FBI understands that combating terrorist financing is a mission, which it can not accomplish on its own. Through TFOS, the FBI has succeeded in building strong working relationships with all U.S. government law enforcement and intelligence agencies who are fighting the war on terror. TFOS is both an operational and coordinating entity with pro-active and reactive responsibilities. As a coordinating entity, TFOS is responsible for ensuring that a unified approach is pursued in investigating terrorist financing networks. TFOS achieves this directive by: 1) coordinating the financial aspects of FBI Field Office and Legat terrorism investigations; 2) establishing overall

initiatives, policy and guidance on terrorist financing matters; 3) participating in the National Security Council's Policy Coordinating Committee (PCC) on Terrorist Financing; 4) coordinating national liaison with the financial services sector; 5) cooperating in and coordinating criminal terrorist financing investigations with the Department of Justice; and 6) providing support and training to Field Offices to include the designated Terrorism Financing Coordinator (TFC).

Recently, the Department of Justice (DOJ) and the Department of Homeland Security (DHS), executed a Memorandum of Agreement (MOA), which provided for a centralized coordination among U.S. governmental agencies investigating terrorist financing matters. The MOA addresses the importance of waging a seamless, coordinated campaign against terrorist sources of financing. It was signed by Attorney General Ashcroft and Homeland Security Secretary Ridge on May 13, 2003. Prior to this agreement, both the DOJ and DHS had separate terrorist financing task forces. Under DOJ, the FBI had the TFOS, which was discussed earlier. The DHS had the Bureau of Immigration and Customs Enforcement (ICE) led Operation Green Quest (OGQ).

Pursuant to the MOA, OGQ ceased to exist as a program name as of June 30, 2003. Accordingly, the FBI was designated to lead terrorist financing investigations and operations. It was agreed that DHS would focus its activities on protecting the integrity of U.S. financial infrastructures. To that extent, the DHS implemented the ICE led Operation Cornerstone. Operation Cornerstone will identify vulnerabilities in financial systems through which criminals launder their illicit proceeds, bring the criminals to justice and work to eliminate the vulnerabilities.

The majority of the former OGQ case inventory was criminal cases, with no nexus to terrorism. These cases were converted from OGQ to Operation Cornerstone. Those cases that had a nexus to terrorism that were investigated by the former OGQ are currently being assessed for transition to the appropriate FBI Joint Terrorism Task Force (JTTF). Ongoing and future Operation Cornerstone investigations that develop links to terrorism will be referred to the FBI through TFOS. ICE and TFOS have created a joint-vetting process to coordinate investigative initiatives that will enable ICE to identify financial systemic vulnerabilities and which will enable TFOS to identify ties to terrorism and terrorist financing. In addition, an ICE agent was assigned to TFOS as a Deputy Section Chief, and investigators from ICE will be represented on the JTTFs.

In addition to the cooperation amongst U.S. law enforcement and intelligence agencies, TFOS has enjoyed unprecedented successes with its foreign counterparts. The FBI recognized the vital necessity for cooperation with its foreign counterparts and has taken a leadership role within the international community to coordinate efforts to combat terrorist financing. For the past year, members of TFOS have traveled to countries in the Middle East, South America, Asia, Africa and Europe and provided training for our foreign partners as part of an outreach initiative. Because of TFOS' recognized expertise, both domestically and internationally, in the area of terrorist financing investigations, many of our international partners have patterned similar investigative units based on the methodologies and mechanisms successfully used by TFOS.

The National Security Council formalized the Policy Coordinating Committee (PCC) on Terrorist Financing at the end of 2001. Treasury chairs the PCC and representatives from the Central Intelligence Agency, the Department of Defense, the Department of Justice, the Federal Bureau of Investigation, the Department of Homeland Security, the National Security Council and the State Department attend meetings. An element of the PCC is the State Department-led coalition building initiative.

The PCC meets on a regular basis to coordinate the United States government's campaign against terrorist financing. The meeting generally focuses on ensuring that all relevant components of the federal government are acting in a coordinated and effective manner to combat terrorist financing.

Since September 11, 2001, TFOS has received consistent cooperation with the private financial sector. TFOS recognized the immediacy of the threats that terrorist attacks present and through its liaison efforts, developed a 24/7 contact list within the financial community. This allows TFOS to respond to emergency situations when a time urgent response is required to receive information. TFOS has sponsored and participated in a series of conferences and roundtable discussions with representatives from the financial services industry. These outreach efforts have allowed the FBI to educate the private financial sector on our investigative methods and establish data sharing and acquisition protocols necessary to combat terrorist financing and prevent future attacks. This initiative has allowed the FBI to take into consideration constitutional privacy concerns while continuing to build a strong support network from the financial sector.

The amount of funds generated and laundered both domestically and internationally in support of terrorist activities is difficult to determine. Currently, no verifiable or hard numbers exist which adequately quantify these funds. Intelligence and evidence derived from past and current investigations and seizures give us some idea of the situation, but the full scope of this problem is still unknown. However, many agencies and governments are coming to realize the critical need to cut off and deny terrorists and their support networks access to the funds necessary to carry out acts of aggression.

The FBI fully recognizes the fact that terrorist financing, including that of Hamas, cannot be completely eradicated. However, the importance of terrorist financing investigations must not be minimized. These investigations have disrupted, diminished and prevented terrorist attacks by cutting off the financial lifeblood of these organizations. The FBI has taken a methodical and incremental approach in developing financial investigative techniques. By exploiting vulnerabilities to funding flows of terrorist networks and operatives all levels of terrorist operations have been adversely impacted. One needs to look no further than the fact that the methodologies and mechanisms employed by TFOS have recently prevented four separate terrorist attacks from occurring to demonstrate the significance of these types of investigations. The FBI appreciates the opportunity to work with this Subcommittee to ensure that law enforcement efforts can be most effective. I thank you for inviting the FBI to appear today and welcome any questions you may have.