Testimony of Daniel L. Glaser, Assistant Secretary of Terrorist Financing,
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Oversight of the Office of Terrorism and Financial Intelligence"
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INTRODUCTION

Chairman Neugebauer, Ranking Member Capuano, thank you for inviting me today to testify on our efforts to combat terrorist financing. In the ten years since the tragic attacks of September 11th, 2001, the U.S. Government has made great strides in developing a comprehensive, whole-of-government approach to combating terrorist financing drawing on all tools of national power. Critical to this evolution has been a recognition that the Treasury Department—and the financial tools it wields—is central to our counter-terrorism efforts and, indeed, our national security as a whole.

Like other threats to U.S. and international security, terrorist groups need money to survive. While the cost of an individual terrorist attack is frequently quite low (the terrorist group al-Qa'ida in the Arabian Peninsula recently boasted in its official magazine *Inspire* that its "cargo plot" cost only $4,200), recruiting, training and sustaining operatives, procuring weapons, compensating the families of so-called "martyrs" and garnering support from local populations requires substantial sums. As former, and now deceased, al-Qa'ida-Financial Chief Sa'id Al-Masri aptly put it, "without money, jihad stops." And because money raised by terrorist groups from deep-pocket donors, state sponsors and, increasingly, criminal activity often flows through the international financial system, these financial networks are vulnerable to identification and disruption.

I'd like to talk to you today about the U.S. and international response to this threat. I will describe the development of the USG's comprehensive strategic approach, focusing in particular on the creation of Treasury's Office of Terrorism and Financial Intelligence (TFI) and the increasingly important role of finance ministries in national security. I will discuss our efforts to identify, disrupt and dismantle terrorist financial networks, as well as our work to safeguard the global financial architecture from this threat. Finally, I will address some of the key challenges facing the U.S. and international community.

THE CREATION OF TFI

Early Efforts

Prior to 9/11, the U.S. national security community, still in the shadow of the Cold War, had yet to fully grasp the significance of the terrorist threat. Not surprisingly, terrorist financing was not high on the national security agenda. Charities like the Holy Land Foundation (HLF)—which was designated in December 2001 for providing support to Hamas— raised over $13 million in

2000 and operated openly in the United States with offices in Texas, Illinois, New Jersey and California.

September 11th served as the catalyst for a dramatic paradigm shift in the national security community and an attendant recognition that terrorism was a primary threat to the homeland and our interests abroad. A galvanized interagency quickly identified the importance of attacking the financial infrastructure of terrorism as an effective counter-terrorism strategy. The efforts of U.S. law enforcement are particularly noteworthy. FBI financial investigators, coordinated out of the Terrorism Financing Operations Section (TFOS), marshaled the shared resources of law enforcement, through Joint Terrorism Task Forces (JTTFs) across the country, integrating intelligence through unprecedented cooperation with the CIA. These efforts resulted in a number of successful domestic terrorist financing cases against organizations like the Holy Land Foundation, Al-Barakaat, Global Relief Foundation and Benevolence International.

Treasury, armed with new authorities under Executive Order 13224 to freeze the assets of "Specially Designated Global Terrorists," was an important part of these early efforts. Working in close coordination with law enforcement counterparts, the Office of Foreign Assets Control (OFAC) designated HLF and other entities and associated networks, shutting down critical financial nodes of Al-Qa'ida, Hamas and other foreign terrorist organizations. In part because of these important achievements, in December 2005, the 9/11 Commission's Public Discourse Project awarded its highest grade, an A-, to the U.S. government's efforts to combat terrorist financing. Today, I can confidently say that the U.S. is no longer fertile ground for terrorist fundraising. However, given the notorious resilience of terrorist groups, we remain vigilant against a resurgence of this activity.

TFI and its Strategic Approach

Despite these initial successes, Treasury leadership recognized that the Department's full capabilities were yet to be realized in the absence of a more comprehensive strategic approach and the institutional framework to carry it out. Accordingly, in the wake of the dissolution of Treasury's Office of Enforcement and the establishment of the Department of Homeland Security, the Treasury Department, working with Congress, created the Office of Terrorism and Financial Intelligence (TFI) in 2004. The creation of TFI, the first office of its type in the world, was a revolutionary development in the national security arena. Counterterrorism and security policy have traditionally been the province of foreign affairs, defense, intelligence, and law enforcement officials – not finance officials.

TFI's mission is to marshal the Treasury Department's policy, enforcement, regulatory, and intelligence functions to sever the lines of financial support to international terrorists, WMD proliferators, narcotics traffickers, and other threats to our national security. We seek to meet this responsibility by striving to achieve two overarching goals:

- Identifying, disrupting and dismantling the financial networks that support terrorists, organized criminals, WMD proliferators, and other threats to international security.

- Identifying and closing vulnerabilities in the U.S. and international financial systems that make them susceptible to abuse by terrorists, organized criminals, WMD proliferators, and other threats to international security.

TFI possesses a variety of tools to accomplish these goals. To identify, disrupt, and dismantle illicit financial networks we have a number of targeted financial measures at our disposal, including economic sanctions. We also have newer regulatory authorities such as Section 311 of the USA PATRIOT Act, which allows us, among other things, to deny access to the U.S. financial system to jurisdictions, financial institutions, types of accounts or classes of transactions determined to be of "primary money laundering concern." Leveraging the "soft power" of the Treasury Department, we also share intelligence and engage directly with foreign governments and financial institutions at risk of abuse by illicit financial activity.

To close vulnerabilities in the international financial system, we seek to strengthen financial transparency across the formal financial sector and expand such transparency to the informal sectors such as hawala and other informal remittance systems. This has not been limited to the U.S. financial system, but has included efforts to strengthen global standards and facilitate implementation of effective anti-money laundering regimes in countries around the world. And we have leveraged our expertise, experience and global relationships in combating money laundering to develop and integrate global standards to combat terrorist financing.

Underpinning virtually all of our efforts is a focus on developing financial intelligence, an effort that is embodied in our Office of Intelligence and Analysis (OIA). With the creation of OIA, Treasury became the first finance ministry in the world to develop in-house intelligence and analytic expertise to use this information. As a full member of the Intelligence Community (IC), OIA's ability to work with its IC counterparts to map the financial networks of our terrorist adversaries is what allows us to take action- be it a designation, the identification of a new terrorist financing typology requiring the development of a new multilateral regulatory standard, or a conversation to alert the private sector and government officials in another country to a particular threat.

Financial intelligence also serves a broader purpose in our counter-terrorism efforts. Money trails don't lie, making financial information a uniquely reliable source of intelligence on terrorist networks as a whole. "Following the money" can often yield valuable insights into a terrorist organization and help discover previously unidentified leadership and support nodes.

THE IMPACT OF TFI

In less than eight years, TFI has had a dramatic impact on our national security. Through the use of targeted financial measures, the development of innovative mechanisms for collecting financial intelligence and sustained engagement with key jurisdictions, we have systematically undermined terrorist financial networks across the globe, with notable success against core Al-Qa'ida, our greatest threat. Working through the Financial Action Task Force (FATF), the G7 and the G20, the International Monetary Fund (IMF) and World Bank and other multilateral bodies, we have promoted transparency throughout the international financial system and have integrated robust systemic anti-money laundering/countering the financing of terrorism

(AML/CFT) safeguards into the international financial architecture. This global AML/CFT architecture has enabled us to systematically identify and address terrorist financing and broader illicit financing vulnerabilities in the international financial system on an ongoing basis. I would like to take a moment to discuss some of these successes in more detail.

Developing a Global AML/CFT Framework

The global nature of the terrorist threat and the increasing interdependence of the international financial system require a global approach to combating terrorist financing. TFI has worked with its interagency and international partners to help create a global AML/CFT framework as a foundation for taking action against specific terrorist financing threats and for closing down vulnerabilities that terrorist networks exploit. This framework consists of several intergovernmental organizations that collectively develop, assess and facilitate jurisdictional implementation of measures that are essential to combating various forms of illicit finance, including terrorist financing. Such organizations include:

- ***Financial Action Task Force (FATF) –*** The FATF is the premier international policy-making and standard-setting body in the international effort against terrorist financing, money laundering, and other illicit finance. Established by the G-7 Economic Summit in 1989, the FATF is an intergovernmental body that has grown to include 36[1] members, representing most major financial centers in all parts of the globe. The FATF sets global AML/CFT standards, promotes and assesses compliance with those standards, and, when necessary, promotes compliance through diplomatic pressure and coordination of economic countermeasures through its member governments. Through a combination of technical expertise and political and economic strength, the FATF has been unique among international bodies in its ability to take strong, effective multilateral action to prompt positive change in strengthening jurisdictional AML/CFT regimes worldwide.

  TFI manages the FATF program for the U.S. government and heads the interagency U.S. delegation to the FATF. The U.S. delegation to the FATF includes the Departments of State, Justice, and Homeland Security; the Federal Reserve Board; the Securities and Exchange Commission; other federal financial regulatory agencies; and federal law enforcement agencies.

- ***FATF-Style Regional Bodies (FSRBs) –*** Through the FATF, TFI and its interagency and international partners have also supported the creation and development of eight independent FSRBs that serve as leaders in their respective regions for advancing AML/CFT policy, including by conducting periodic compliance assessments of member jurisdictions against the FATF's AML/CFT standards. In conjunction with the FATF, these bodies are intended

[1] FATF members include Argentina; Australia; Austria; Belgium; Brazil; Canada; Denmark; European Commission; Finland; France; Germany; Greece; Gulf Cooperation Council; Hong Kong, China; Iceland; India; Ireland; Italy; Japan; Luxembourg; Mexico; Kingdom of the Netherlands; New Zealand; Norway; People's Republic of China; Portugal; Russian Federation; Singapore; South Africa; South Korea; Spain; Sweden; Switzerland; Turkey; United Kingdom; and the United States.

to establish a global framework for ensuring the adoption and implementation of the FATF standards.

- ***Group of 20* –** The Group of 20 (G-20) Ministers have endorsed the important work of the FATF in combating money laundering and terrorist financing, most recently by calling for the FATF to publicly identify countries of concern for money laundering and terrorist financing. TFI works with AML/CFT experts in the G-20 countries to adequately respond to the G-20 calls and facilitate multilateral action in protecting the international financial system from abuse by illicit actors.

- ***United Nations*** **–** The UN Security Council has emerged as the backbone of the global counter-terrorist financing effort over the past 10 years. UN Security Council Resolution (UNSCR) 1267 and its successor resolutions, overseen by the UN 1267 Committee, have created the only binding international legal obligation for member states to freeze the "economic resources" (i.e. funds and other property) of, and prohibit dealings with, designated individuals and entities affiliated with al-Qa'ida. We have worked closely with the State Department to submit new al-Qa'ida fundraisers, facilitators, and fronts to the UN for designation and to ensure full member state implementation of UNSCR 1267 obligations. Due to this outreach and broad international acceptance of the UN mandate, this effort has been remarkably successful with designated terrorists finding it very difficult to continue operations after they have been designated, although there are, of course, notable exceptions.

  We have been less successful, however, in promoting compliance with UNSCR 1373, another, equally important though less visible, sanctions regime. The direct response to September 11th, UNSCR 1373 obligates UN member states to develop appropriate national authorities and procedures to implement targeted economic sanctions against all individuals and entities that engage in or support terrorist activities. UNSCR 1373 therefore goes beyond the reactive obligation to block the property of, and prohibit dealings with, UNSCR 1267-listed terrorists. Instead, it requires member states to implement sanctions against any person or entity involved in terrorist activity proactively, regardless of whether specifically designated at the UN. In other words, it requires countries to develop national sanctions programs similar to what we have developed in the U.S. The failure of countries around the world to develop such programs stands as one of our biggest terrorism financing challenges going forward and highlights the need for finance ministries worldwide to play a more active role in national security.

- ***International Financial Institutions*** **–** The World Bank and International Monetary Fund (IMF) have become strong partners of the FATF and U.S. Treasury Department in assessing global compliance with international AML/CFT standards, and providing high-quality technical assistance. In 2001, the World Bank and IMF officially recognized the FATF Recommendations as one of the 12 Key International Standards and Codes. Since then, the FATF, the World Bank and IMF worked together to develop a joint standardized methodology for assessing countries against the FATF Recommendations. Today, all formal World Bank and IMF Financial Sector Assessment Programs (FSAPs) must contain a full AML/CFT component and the World Bank, IMF, and the FATF are coordinating to ensure that virtually every country in the world is subject to an AML/CFT assessment using the joint methodology.

Working to Close Vulnerabilities in the Informal Sectors

One of Treasury's core missions is to safeguard the domestic and international financial system from abuse by identifying and closing vulnerabilities that terrorist organizations, WMD proliferators, drug kingpins, and other criminals and their illicit networks exploit. This strategic approach safeguards the financial system from terrorism and other abuse by promoting transparency, particularly across higher risk elements of the financial system, which I will describe in greater detail below. Transparency in the financial system is necessary in allowing financial institutions, law enforcement, regulatory authorities, and others to identify sources of illicit finance and those individuals and entities that comprise illicit finance networks.

Since its inception, TFI has been a leader in identifying and working to mitigate these key systemic vulnerabilities. Cooperating with interagency and international partners, we have developed strategies to combat the risks posed by the abuse of hawalas and other informal value transfer systems, charities, cash couriers, new payment methods and other areas of concern. Below, I set forth a brief summary of how we have addressed these issues.

> ***Hawala:*** The Treasury Department has long-recognized the vulnerability of informal value transfer systems to illicit finance. Treasury has worked to address the vulnerabilities presented by informal value transfers through a four-pronged approach: targeted financial sanctions and enforcement actions; systemic regulation; outreach; and international engagement. Both domestically and internationally, our goals are the same: to bring hawalas into the formal financial system and to hold illicit actors to account. The international component of our strategy includes standard setting through FATF. One of the FATF's Special Recommendations is dedicated exclusively to informal value transfer systems. It calls upon member states to license and register hawalas, while putting effective civil, criminal, and administrative sanctions in place for hawalas that fail to do so. Another core component is targeted sanctions on such illicit actors as the New Ansari Network, a major money laundering vehicle for Afghan narcotics trafficking organizations, which OFAC designated in February 2011 under its counter-narcotics authorities.
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> Domestically, hawalas, like other money services businesses, are required to register with the Financial Crimes Enforcement Network (FinCEN), a bureau within the Treasury Department. We have worked to establish a transparent financial system with appropriate AML/CFT requirements on informal financial service providers. Where these requirements are not observed, it is important that we act. To date, FinCEN has taken civil enforcement actions against four unregistered money transmitters. Treasury is also working to ensure that our domestic regulatory regime is as robust as possible. We are engaging in rulemaking to impose cross-border reporting requirements on all cross-border wire transfers above one thousand dollars for all money transmitters. This will enhance our understanding of cross-border money flows through the industry and inform our outreach, enforcement and regulatory compliance efforts.

- ***Charities*****:** Protecting charities from terrorist abuse is a critical component of the domestic and global fight against terrorism. Charities provide essential services, comfort, and hope to those in need around the world. Unfortunately, terrorists have exploited the charitable sector to raise and move funds, provide logistical support, encourage radicalization and terrorist recruitment, or otherwise support terrorist organizations and operations. This abuse threatens to undermine donor confidence and jeopardizes the integrity of the charitable sector, whose services are indispensable to the world community. TFI works to protect the charitable sector through a multi-prong approach that includes: targeted investigations and enforcement actions to disrupt charities associated with terrorist organizations; private sector outreach to inform the public of terrorist abuse of the charitable sector, provide guidance on ways to mitigate against such abuse, and explain government actions, such as OFAC designations; and international engagement to help develop and promote international standards related to protecting charities from terrorist abuse, working with countries to implement such standards, and specific engagement with countries of concern or vulnerable to abuse. Through active engagement, governments and the private sector can identify terrorist financing risks, clarify obligations and best practices, facilitate compliance with relevant laws, and help promote charitable giving while reducing the threats of terrorist abuse.

- ***Cash Movements*****:** The physical movement of cash within jurisdictions and cash smuggling across borders are consistently used to move the proceeds of crime and play a significant role in the financing of terrorism. Criminals and terrorists seek to move funds in a form that is both familiar and comfortable. The use of cash is attractive to criminals mainly because of its anonymity and lack of audit trail. Terrorists are looking for the same flexibility when moving funds. By using cash, terrorists are able to stay close to their money without having to place those funds into the financial sector, which automatically creates some form of audit trail.

  We have worked with the FATF to create standards that are designed to detect and prevent the illicit cross-border transportation of cash and bearer negotiable instruments. The FATF has also produced guidance which includes a list of red flag indicators that could be used to detect cash couriers and asks countries to consider not issuing large denomination bank notes. The FATF has also created standards on the reporting of large-value cash transactions and has recognized the benefits and usefulness these reports present to law enforcement.

- ***New Payment Methods*****:** The emergence of new payment methods in recent years has helped many people at home and abroad participate in the formal financial system for the first time, which helps us in the fight against money laundering and the financing of terrorism. Prepaid cards, mobile payments, and funds transfers via the Internet can bring added transparency to the financial system when they replace cash and transactions made through unlicensed service providers. However, new payment technologies can also create new vulnerabilities if these payment tools are not adequately covered by anti-money laundering and counter-terrorist financing regulations. To address that, we are working domestically and through the FATF to ensure that our safeguards keep pace with payment system innovations. Providers of prepaid access are currently required to register with FinCEN as money services businesses. Moreover, earlier this summer, FinCEN issued a final rule applying customer identification, recordkeeping, and reporting obligations to providers and sellers of prepaid access.

Targeted Action and Diplomatic Engagement

For decades, economic sanctions have been one of our most powerful tools to disrupt illicit financial networks and apply economic pressure on our adversaries. Combining this time-tested approach with sustained diplomatic outreach, TFI has enjoyed significant success in freezing terrorist groups out of the international financial system and encouraging foreign counterparts to take parallel action.

Our engagement with Saudi Arabia, one of the countries most central to our global counter-terrorism efforts, is a prominent example of this successful approach. A country of great wealth struggling with religious extremism, Saudi Arabia has historically served as and remains a primary source of funds for al-Qa'ida and its adherents. To address this threat, we have employed targeted sanctions and continuous diplomatic engagement and intelligence sharing with impressive results. While our partnership with Saudi Arabia on combating terrorist financing has not always been excellent, over the years it has grown increasingly strong and vibrant.

One of our most significant actions was a series of U.S. and UN designations of the Al-Haramain Islamic Foundation, a Saudi-based charity that provided significant financial support to al-Qa'ida. Saudi Arabia's support for these actions, including joint sponsorship of the UN designation of Al-Haramain's branch network, was an important early step by Saudi Arabia. Even more significant were the additional steps Saudi Arabia took to combat the abuse of its charitable sector by enhancing financial controls on charitable financial flows to ensure that funds intended for humanitarian purposes do not benefit extremist groups or support terrorist activity.

Over the years, we sought to build on these steps and have consistently encouraged Saudi Arabia to bolster its efforts to identify and take proactive steps against domestic terrorist financing networks rather than approach the problem in a reactive manner. We have done this by, among other things, institutionalizing our counter-terrorist financing relationship through establishing a Treasury attaché office at the U.S. Embassy in Riyadh.

In recent years, we have seen the beginnings of a shift in Saudi Arabia's own internal calculus regarding the terrorist threat stemming from a number of internal terrorist attacks—including one against Saudi Arabia's senior counter-terrorism official. Today, Saudi Arabia is moving in the right direction. In May 2010, the Council of Senior Ulema, the highest religious authority in Saudi Arabia, issued a key religious ruling (fatwa) against terrorist financing. The fatwa has the force of law in Saudi Arabia, and is emblematic of the Saudi political will to address terrorist financing concerns. Moving forward, it will be important to continue to build on this relationship, and to encourage other countries in the region—in particular Qatar and Kuwait—to follow Saudi Arabia's lead in its efforts against terrorist financing.

Our efforts to attack Hamas financial support networks have also evolved over the years and have included a combination of targeted financial action and increasingly close partnerships with foreign counterparts. While Hamas today derives most of its financial support from Iranian state sponsorship and from its control over Gaza, for most of its history it was dependent on a vast network of charities for sustenance. A critical part of our early efforts to target this infrastructure was the shuttering of Hamas-affiliated U.S. charities, such as the Holy Land Foundation, and our designation of its European network in 2003. This sprawling network, comprised of a number of charities including the Comité de Bienfaisance et de Secours aux Palestiniens (CBSP-France), the Association de Secours Palestinien (ASP-Switzerland), the Palestinian Relief and Development Fund (Interpal-UK), the Palestinian Association in Austria (PVOE-Austria) and the Sanabil Association for Relief and Development (Lebanon), falls under an umbrella organization known as the "Union of Good," which was also designated by the U.S. in 2008. Unfortunately, despite these designations and years of information sharing and diplomatic outreach, European governments have failed to take adequate steps to remove these organizations from Hamas' international network. We continue to work closely with our colleagues at the State Department, in particular Coordinator for Counterterrorism Ambassador Daniel Benjamin, to press our European partners to dry up Europe-based financial support to Hamas.

We have, however, enjoyed strong partnerships with the Palestinian Authority and Palestinian Monetary Authority. I have met with Palestinian leaders regularly over the past several years both in Ramallah and in Washington and have found them consistently responsive to U.S. concerns over terrorist organizations' penetration into Palestinian financial institutions and non-governmental organizations (NGOs). They have been proactive in promoting AML/CFT reform through the passage of an anti-money laundering law and the creation of a financial intelligence unit. Moving forward, it will be important for the Palestinian Authority to continue to remain vigilant to the threat posed by Hamas and other terrorist financial networks, and in particular by Hamas-affiliated charities operating in the West Bank. In 2008, we established an attaché office at the Consulate General in Jerusalem to enhance our ability to cooperate with the Palestinian Authority on these and other matters.

Unfortunately, we do not always have strong local partners to support our counter-terrorism efforts. In the case of Iran and its support for a diverse array of designated terrorist groups including Hamas, Hezbollah, the Taliban and, alarmingly, al-Qa'ida, unilateral action has often been our only recourse. Hezbollah, Iran's primary terrorist proxy and foothold in the Arab world, has long been a focus of our attention.

As a global organization with unparalleled financial and commercial resources—former Deputy Secretary of State Richard Armitage famously called the group the "A Team" of terrorists—Hezbollah has necessitated a global response. Accordingly, we have pursued a dual track approach of financial pressure against both the center and periphery of this far-flung network. In

Lebanon, we have designated Hezbollah leadership as well as core business enterprises it uses to either move funds or secure community support, such as the construction firms Jihad al-Bina (2007) and the Waad Project (2009), or for fundraising, recruitment and propaganda purposes, such as the television station Al-Manar (2006). In parallel, we have sought to expose and isolate Hezbollah's networks in Latin America, where we have designated fourteen Hezbollah individuals and entities, and in Africa, where over the past two years we have targeted Hezbollah commercial networks with tentacles in Cote D'Ivoire, Sierra Leone, The Gambia, the Democratic Republic of the Congo and Angola.

We have not forgotten, however, that the real power behind Hezbollah lies in Tehran. As members of Congress already know, exposing and isolating Iran's worldwide illicit financial network has been a top priority for the Treasury Department over the last several years. While much of our focus has been on targeting key nodes in the Iranian proliferation program, we have also brought sustained pressure to bear against Iranian state sponsorship of terrorism. In 2007, for example, we designated the state-owned Iranian Bank Saderat, which transferred over $50 million to Hezbollah from 2001 to 2006, and the primary architect of Iranian terrorism, the Iranian Revolutionary Guards Corps-Quds Force (IRGC-QF). Since that time, we have targeted a number of IRGC-QF leaders and fronts and will continue to keep up the pressure.

Among our most important acts against Iranian state sponsorship occurred just two months ago when we, for the first time ever, exposed Iran's secret agreement with al-Qa'ida members, which allows al-Qa'ida to funnel funds and operatives through Iranian territory. This revelation was made available as part of the designation of Yasin al-Suri, a key Iran-based al-Qa'ida facilitator, and a number of his associates.

Promoting Novel Counter-Illicit Financing Partnerships

Recognizing that a comprehensive counter-terrorist financing strategy requires a whole-of-government effort, TFI has pioneered a number of novel interagency mechanisms for collecting, analyzing, and ultimately acting on, financial intelligence. Most notable has been our work with the Department of Defense and other partners such as the Drug Enforcement Administration (DEA) to develop "Threat Finance Cells." Our first such effort began in 2005 when the Treasury and Defense Departments established a Baghdad-based interagency intelligence unit, known as the Iraq Threat Finance Cell (ITFC). The mission of this unit was to enhance the collection, analysis, and dissemination of timely and relevant financial intelligence to combat the terrorist and insurgent groups operating in the Iraq theaters. The ITFC made significant contributions to our war fighters. Senior U.S and Coalition military commanders came to rely heavily on the cell's strategic and tactical analysis to help combat the Iraqi insurgency and disrupt terrorist, insurgent, and militia financial networks.

The success of this initiative led to the creation of the Afghanistan Threat Finance Cell (ATFC) in Afghanistan in 2008. The ATFC was initially modeled after the Iraq Threat Finance Cell, and is led by a director from the Drug Enforcement Administration with two co-deputy directors, one each from the Department of the Treasury and the Department of Defense. The ATFC now comprises approximately fifty-eight intelligence analysts, special agents, and other personnel drawn from the Intelligence Community, federal law enforcement, other partner agencies, and every branch of the military.

The ATFC team provides threat finance expertise and actionable intelligence to U.S. civilian and military leaders. ATFC personnel are embedded with military commands across Afghanistan to improve the targeting of the insurgents' financial structure. Specially-vetted Afghan authorities have also partnered with the ATFC on raids of hawalas suspected of illicit financial activities, including insurgent finance, narcotics trafficking, and corruption. This cooperation has resulted in the collection of tens of thousands of financial documents. The ATFC also works closely with these Afghan authorities to improve their capacity to operate independently in the future.

CONCLUSION

TFI's story has been a success, but the terrorist financing tale is far from over and challenges remain. We are, as Secretary of Defense Panetta has said, within reach of achieving our core goal of defeating al-Qa'ida, the only international terrorist group to successfully conduct an attack on U.S. soil. With Usama Bin Ladin's death, al-Qa'ida has lost a charismatic leader capable of raising funds and inspiring recruits. Already in difficult financial straits due to diminished access to its traditional donor base in the Gulf, in particular Saudi Arabia and the UAE, al-Qa'ida will come under increasing financial pressure.

But other pillars of financial and logistical support remain. As our recent designation of six members of an Iran-based al-Qa'ida financial facilitation networks demonstrates, Iran has emerged as a vital facilitation conduit for al-Qa'ida. Its provision of safe havens to al-Qa'ida is offering much needed breathing space for the group. Two members of this network are located in Kuwait and Qatar, underscoring the need for these jurisdictions to do more to crack down on domestic terrorist financiers and facilitators. The designation of now-deceased Atiyah Abd al-Rahman, al-Qaida's former overall commander in Pakistan's tribal areas, is another reminder of the permissive operating environment al-Qa'ida enjoys in Pakistan.

Even as we make progress against core al-Qa'ida we are finding that, with the rise of al-Qa'ida affiliates, the terrorist financing threat has metastasized and, in some ways, become more intractable. Today, al-Qa'ida in the Arabian Peninsula (AQAP) and al-Qa'ida in the Islamic Maghreb (AQIM) are among the most dangerous and operationally active terrorist groups. These affiliates rely on non-traditional sources of funding, including criminal activity and, most notably, kidnapping-for-ransom. Still other groups such as Al-Shabaab and Hamas, which physically control territory, can tax ports, businesses and local populations for revenue. Attacking financial flows that largely avoid the financial system (e.g., kidnapping-for-ransom) or are internally derived (e.g., internal taxation) will require novel approaches and new partnerships.

Above all, we must maintain our commitment to defeating terrorists and illicit finance networks in the post-Bin Ladin era. Our work is not done—in fact, in many ways, it has just begun. Terrorist groups and other transnational threats will continue to adapt to our measures. As we squeeze them out of the formal financial system, they turn to informal mechanisms such as hawalas and cash couriers. As we dry up funding in the Gulf, they turn to criminal activities for sustenance.

Going forward, we must continue to work with our interagency partners and the private sector to ensure that we are collecting, sharing and applying useful financial information to combat terrorism and other threats. We must also work with our interagency partners and the private sector to advance the effectiveness and efficiency of our financial actions, including our systemic regulatory efforts and our targeted and economic financial measures, in preventing terrorist activity and in disrupting these threats. We must also continue to work with our international counterparts to develop and share meaningful financial information and to achieve broader multilateral capability and support for our financial actions.

Today the United States is one of the few countries that implements a counter-terrorism sanctions regime fully compliant with UNSCR 1373. Accordingly, we must press international partners to bolster- and in some cases establish-their own sanctions regimes. And we must adjust the development and application of our financial tools as terrorists and other threats adapt their financing methods. With the comprehensive strategic approach that I have outlined here today, we will move forward to attack these challenges.

Chairman Neugebauer, Ranking Member Capuano, thank you for the opportunity to testify, and I would be happy to answer any questions you may have.