

**Testimony of Daniel L. Glaser,  
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U.S. Department of the Treasury  
Before the House Committee on Financial Services  
Subcommittee on Oversight and Investigations**

**I. Introduction**

Chairman Moore, Ranking Member Biggert, and distinguished members of the Committee, thank you for the opportunity to appear before you today to talk about the Treasury Department's efforts to protect charities from abuse by terrorist and our extensive outreach efforts to the charitable and Muslim American communities.

Before discussing the substance of our important work related to charities issues, it is important to note at the beginning of my testimony that Treasury's role in combating terrorist financing, as well as its role in the broader U.S counter-terrorism mission, relies heavily upon the strong support of Congress, and the international and private sector communities. Treasury works closely with the law enforcement, regulatory, diplomatic, and intelligence communities within our own government, as well as our international counterparts around the world, state and local governments, and the private sector to contribute to a comprehensive counter-terrorist financing strategy that diminishes the capacity of terrorist organizations and their support networks. I would also like to note the important role that community organizations, especially from those communities that terrorists are most seeking to exploit, play in supporting our efforts to tackle terrorist financing. It is only through these collaborative efforts that we can succeed collectively.

Treasury understands the importance of charitable giving both at home and abroad and seeks to encourage charitable giving while also protecting charities from terrorist abuse or exploitation. Charities have had an immediately beneficial impact on developing communities around the world such as providing aid to areas afflicted by disaster and conflict, and supplying resources to increase access to education and medical services. Charities serve their local communities in the U.S., as well as overseas in relief areas and conflict zones. Charitable giving and voluntarism have a long tradition in the U.S., and our country is a leader in the world year-after-year in charitable donations. This spirit of giving is something that unites Americans of all backgrounds, from diverse religious traditions and ethnic heritages.

However, the sad truth is that terrorist organizations have established and used charities, and have exploited well-intentioned donors. One of the Treasury Department's core missions is to identify, disrupt, and dismantle illicit financial networks that support

terrorists, organized criminals, WMD proliferators, and other threats to national security.<sup>1</sup> We will continue to use every tool at our disposal to stop the flow of illicit money to those who seek to harm our citizens. In regards to charitable organizations, our challenge is to close the avenue of material support to terrorist activities while at the same time supporting avenues that allow for legitimate and well-intentioned donor activity.

Terrorist organizations have abused and exploited charities of all backgrounds. And there is no doubt that terrorist organizations such as al Qaida, Hamas, and Hizbollah have abused and exploited Muslim charities. Though Treasury actions with respect Muslim charities have been relatively infrequent and none have occurred for almost three years, we understand that the important steps that we have taken to target charities that do support terrorist organizations, combined with other successful counter-terrorism efforts across our government, have had the unfortunate and unintended consequence of causing a chilling effect on well-intentioned donor activity within Muslim American communities. President Obama recognized this in his speech in Cairo last year when he said, “in the United States, rules on charitable giving have made it harder for Muslims to fulfill their religious obligation. That's why I'm committed to working with American Muslims to ensure that they can fulfill zakat.” Treasury shares the President’s commitment to working with the Muslim American charitable community to protect their ability to fulfill their religious obligations. This has informed our outreach efforts with the charitable and Muslim American communities over the last few years, which I will discuss in more detail later.

## **II. Combating Terrorist Abuse of Charities**

Charities are an attractive target for terrorist organizations for a variety of reasons, including:

- Charities enjoy the public trust, have access to considerable sources of funds, and are often cash-intensive.
- Some charities have a global presence that provides a framework for national and international operations and financial transactions, often within or near those areas that are most exposed to terrorist activity.
- Depending on the legal form of the charity and the country of origin, charities may often be subject to little or no governmental oversight (for example, registration, record keeping, reporting and monitoring), or few formalities may be required for their creation (for example, there may be no skills or starting capital required, no background checks necessary for employees).

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<sup>1 1</sup> The Department of Justice, the Department of State and many elements of the U.S. Government also share this important mission. This testimony is intended to specifically address Treasury’s mission and authorities.

- Unlike for-profit organizations, charitable funds are meant to move in one direction only. Accordingly, large purported charitable transfers can move without a corresponding return of value.
- Charities attract large numbers of unwitting donors along with the witting, thus increasing the amount of money available to terrorist organizations.
- The legitimate activities of charities related to terrorist organizations – such as the operation of schools, religious institutions, and hospitals – create fertile recruitment grounds, allowing terrorists to generate support for their causes and to propagate violent and extremist ideologies.
- By providing genuine relief and development services – as nearly all of the charities associated with terrorist organizations do – these charities benefit from public support, generating reluctance by many governments to take enforcement action against them.

Terrorist organizations have taken advantage of these characteristics to infiltrate the charitable sector and exploit charitable funds and operations to cover for or support terrorist activities or agendas. Terrorist organizations have historically used charities in a number of ways. In some cases, charities finance terrorist organizations by diverting funds ostensibly intended for charitable purposes. In other cases, terrorist organizations or individuals sympathetic to them establish charities that provide essential services in order to radicalize communities, build support networks, and provide a recruiting base within vulnerable populations. Such charities are integral components of the terrorist organizations, and vital to their ability to raise funds and legitimize themselves.

There have been many examples around the world of charities that have been integral components of terrorist networks. Examples include: the Revival of the Islamic Heritage Society, which was designated for providing financial and material support to al Qaida; Union of Good, which provides support to Hamas; the Martyrs Foundation, which provides support to Hizbollah; Pakistan-based Jammāt ud Dawa (JUD), which provides support networks to Lashkar E Tayyiba (LT), which was designated by the Department of State; and Tamils Rehabilitation Organization (TRO), which was designated for providing support to the Liberation Tigers of Tamil Eelam (LTTE). JUD and Union of Good are particularly good examples of charities, which provide actual social services to communities, but at the same time are important components of the overall terrorist mission of the organizations they support.

These types of charities have not been limited to organizations located overseas. There have been numerous examples of terrorist organizations raising funds through charities in the United States as well. Through the collective efforts of the U.S. law enforcement community, this type of conduct has become far more difficult. Treasury's primary contribution to these domestic law enforcement efforts has been through the application of our designation authorities under the International Emergency Economic Powers Act (IEEPA). Below, I will describe (1) the legal authorities and criteria for these designations, (2) the processes that were employed, before, during, and after the formal designations and (3) a description of the eight U.S.-based charities that have been designated under this authority,

## 1. Legal Authority for Terrorism Designations: Executive Order 13224

Since 1977, IEEPA has authorized the President to take certain steps to combat threats to the national security, foreign policy or economy of the United States. Under IEEPA, the President may investigate, block assets and prohibit transactions with designated persons. The United States Government has successfully utilized this decades-old authority to confront numerous threats over the years.

Issued on September 23, 2001 under IEEPA and other authorities, E.O. 13224 allows the USG to disrupt the support networks of terrorists and terrorist organizations by authorizing the U.S. Government to designate them and block their assets. Pursuant to this authority, the Secretary of the Treasury, in consultation with the Secretary of State and the Attorney General, may designate individuals and entities that:<sup>2</sup>

- Are "owned or controlled by" or "act for or on behalf of" designated terrorists or terrorist organizations;
- "Assist in, sponsor, or provide financial, material, or technological support"<sup>3</sup> for, or financial or other services to or in support of" acts of terrorism or designated terrorists or terrorist organizations; and
- Are "otherwise associated"<sup>4</sup> with designated terrorists or terrorist organizations.

## 2. The IEEPA Designation Process

### *Pre-Designation Process*

For each Treasury designation, Treasury prepares an evidentiary package or "administrative record," which includes identifiers and the basis for designation, for each potential designee. These administrative records are reviewed by the Departments of the

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<sup>2</sup> IEEPA also provides for authority to designate individuals or entities that pose a significant risk of committing, acts of terrorism that threaten the security of U.S. nationals or the national security, foreign policy, or economy of the United States. Authority to designate under this criterion has been delegated to the State Department.

<sup>3</sup> "Financial, material, or technological support" is defined at 31 CFR 594.317.

<sup>4</sup> We note that a federal district court found that designations based on the "otherwise associated with" provision of EO 13224 was unconstitutionally vague on its face and overbroad. *See Humanitarian Law Project v. United States Department of Treasury*, 463 F.Supp.2d 1049, 1070-71 (C.D.Cal., Nov. 21, 2006), revised on reconsideration, *Humanitarian Law Project v. U.S. Dept. of Treasury*, 484 F.Supp.2d 1099, 1104-07 (C.D.Cal., Apr. 20, 2007) (holding that the subsequently issued regulatory definition of "otherwise associated with" supplied by 31 C.F.R. § 594.316 cured the defect and was sufficiently precise to satisfy the Constitution), affirmed on appeal, 578 F.3d 1133 (9th Cir. 2009). Under the regulatory definition, "otherwise associated with" means "[t]o own or control" or "[t]o attempt, or to conspire with one or more persons, to act for or on behalf of or to provide financial, material, or technological support, or financial or other services, to" 31 C.F.R. § 594.316.

Treasury, State, and Justice, including by attorneys from these agencies to ensure that the administrative record is legally sufficient. The record must show that there is a reasonable basis to determine that the target meets the criteria for designation. Treasury also consults with other relevant U.S. Government agencies as appropriate to ensure that proposed designations are consistent with the operational and policy interests of other agencies, as well as with the strategic national security and foreign policy goals of the United States. No designation proceeds absent full consultations with all relevant U.S. Government agencies.

### *Implementation and Effects of Designation*

When the U.S. Government designates an individual or entity, it publishes notice of the designation on its website, adds the name to its List of Specially Designated Nationals and Blocked Persons (SDN List), which is also posted on the Office of Foreign Assets Control's (OFAC) website, and publishes the designation in the *Federal Register*. At the time of designation, OFAC makes a good faith effort to provide a designated party in the United States with an explanation of the effect of the designation, as well as information on procedures to seek a license or challenge the designation. OFAC publicizes designations by RSS feed, email, fax, Fedwire, CHIPS, and publication in the *Federal Register*. The Department of State publishes its designations in the Federal Register and depends on OFAC to inform the banking community of the designation., The U.S. Government generally issues a public release that sets forth the reasons for the designation.

### *Post-Designation*

#### Compliance by U.S. Persons

All U.S. persons have an obligation to identify and block property, including financial property, of individuals and entities appearing on the SDN List. Most large U.S. companies and nearly all U.S. financial institutions have implemented procedures to electronically screen their transactions for references to designated parties. New designations are added to this "interdiction" software to identify transactions in which sanctions targets may have an interest. If a U.S. person identifies an account or transaction containing an interest of an SDN, the transaction/account must be blocked. Any property blocked due to an interest of an SDN must be reported to OFAC within 10 days. Blocked financial property must be kept in interest-bearing accounts. On an ongoing basis, U.S. persons are prohibited from doing business with SDNs, and any property, financial or otherwise, containing an interest of an SDN that comes into the possession of a U.S. person must be blocked.

As of April 2010, the total amount of funds blocked due to an interest of U.S.-based charities collectively, is approximately \$ 3.2 million. As discussed below, these funds have in certain instances been made available to the designated entities through a licensing process to meet expenses such as legal fees. However, because the U.S.

Government does not take title to blocked funds, any question involving the broad redirecting or transferring of such funds raises several complex legal issues. Even putting aside issues of title, any final disposition of such funds would likely need to consider the potential competing claims of such parties as employees, third-party contactors, and terrorist victims who might seek to attach blocked funds pursuant authority granted to them by Congress under the Terrorism Risk Insurance Act (TRIA).

### Licensing

OFAC may use its authority to license certain transactions that otherwise would be prohibited. For example, OFAC regularly issues licenses to permit designated entities to pay legal fees and other basic expenses such as rent, food, and utilities.

### Delisting

Delisting is a mechanism by which targeted sanctions with respect to a designated person, including a designated charitable organization, are lifted. As with the initial designation process, any delisting involves the preparation of an administrative record and inter-agency consultation. To be delisted, designated persons generally must petition the designating agency for delisting and credibly demonstrate that they no longer engage in or plan to engage in the activity for which they were designated and/or that the circumstances resulting in the designation otherwise no longer apply.<sup>5</sup> The designee is typically required to sign an affidavit to that effect.

### Judicial Review

All final agency actions taken by OFAC are subject to judicial review in U.S. courts under the Administrative Procedure Act. Designees can and do avail themselves of the U.S. judicial system to challenge their designations. As noted above, Congress enacted IEEPA in 1977, and it has been challenged in court periodically since that time across a wide range of sanctions programs. Treasury actions under IEEPA have been challenged repeatedly, and courts consistently have upheld both the Constitutional underpinnings of our authorities and our application of them.

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<sup>5</sup> For example, in November 2009, OFAC delisted Patricia Rosa Vinck, Barakaat International, and Barakaat International Foundation, having found that Vinck and the two entities no longer presented a significant threat of supporting terrorism. Vinck, Barakaat International, and Barakaat International Foundation were all designated by the Treasury Department under E.O 13224 and by the U.N. 1267 Committee. The Barakaat organizations were part of a financial conglomerate operating in 40 countries around the world that facilitated the financing and operations of al Qaida and other terrorist organizations. Vinck served as secretary of GRF's Belgium offices and facilitated its activities [in support of terrorism.] Following U.S. and U.N. designations, Vinck ceased her activities on behalf of GRF, and the two Barakaat entities are no longer operating. OFAC's delisting action was taken in conjunction with a removal of the three names from the United Nations 1267 Sanctions Committee Consolidated List of individuals and entities subject to U.N. sanctions measures.

### 3. Designations of U.S.-based Charities

Since 2001, Treasury has designated the following eight domestic charities under Executive Order (E.O.) 13224.<sup>6</sup> As noted above, as of April 2010, the total amount of funds blocked due to an interest of these charities, is approximately \$3.2 million.

- Holy Land Foundation: The Holy Land Foundation for Relief and Development (HLF) was designated on Dec. 2, 2001 and May 21, 2002 as a charity that provided millions of dollars of material and logistical support to Hamas. HLF, originally known as the Occupied Land Fund, was established in California in 1989 as a tax-exempt charity. HLF supported Hamas activities through direct fund transfers to its offices in the West Bank and Gaza that are affiliated with Hamas and transfers of funds to Islamic charity committees ("zakat committees") and other charitable organizations that are part of Hamas or controlled by Hamas members.
- Global Relief Foundation: The Global Relief Foundation (GRF) was designated on Oct. 18, 2002 providing for support for and assistance to Usama bin Laden (UBL), al Qaida, and other known terrorist groups.
- Benevolence International Foundation: Benevolence International Foundation (BIF-USA) was designated on Nov. 19, 2002 after its CEO was indicted by the Justice Department for operating BIF as a racketeering enterprise and providing material support to terrorist organizations, including al Qaida. BIF was incorporated in Illinois in 1992 and was a U.S., tax-exempt, not-for-profit organization whose stated purpose was to conduct humanitarian relief projects throughout the world.
- Al Haramain Foundation—U.S. Branch: Al Haramain Foundation—US Branch (AHF) was designated on Sept. 9, 2004 by the United States and the UN 1267 Sanctions Committee because of AHF's support for al Qaida. Individuals associated with the branch tried to conceal the movement of funds intended for Chechnya by omitting them from tax returns and mischaracterizing their use, which they claimed was for the purchase of a prayer house in Springfield, Missouri.
- Islamic African Relief Agency: Islamic African Relief Agency (IARA) was designated on Oct 13, 2004 for providing direct financial support for Usama Bin Ladin (UBL) and al Qaeda's precursor, Maktab Al-Khidamat (MK). IARA, MK and UBL commingled funds and cooperated closely in the raising and expenditure

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<sup>6</sup> In addition to these designations of U.S.-based charities, OFAC in 2006 exercised its statutory authority to blocked pending investigation (BPI) the assets of KindHearts for Charitable Humanitarian Development, Inc ("Kindhearts"), an NGO operating out of Toledo, Ohio, based on evidence that the charity was providing financial support to Hamas. Kindhearts challenged this action and litigation is ongoing. BPIs are distinct from designation. They have been used effectively to prevent asset flight and support key enforcement investigations.

of funds. IARA engaged in a joint program with an institute controlled by UBL that was involved in providing assistance to Taliban fighters. As of early 2003, information available to the U.S. showed that IARA was also responsible for moving funds to the Palestinian territories for use in terrorist activities, notably serving as a conduit to Hamas in one Western European country. IARA is headquartered in Khartoum, Sudan and had maintained over 40 offices throughout the world, including one in Columbia, Missouri.

- Goodwill Charitable Organizations: The Goodwill Charitable Organization (GCO) was designated on July 24, 2007 for providing financial support to Hizbollah directly and through the Martyrs Foundation in Lebanon. GCO was established as a fundraising office in Dearborn, Michigan by the Martyrs Foundation, which is a Hizbollah front organization that reports directly to the leadership of the Martyrs Foundation in Lebanon. Hizbollah recruited GCO leaders and had maintained close contact with GCO representatives in the United States.
- Tamils Rehabilitation Organization: Tamils Rehabilitation Organization (TRO) was designated on Nov 15, 2007 for serving as a front to facilitate fundraising and procurement for the designated terrorist group Liberation Tigers of Tamil Eelam (LTTE). In the United States, TRO had raised funds on behalf of the LTTE through a network of individual representatives. TRO had also facilitated LTTE procurement operations in U.S., including the purchase of munitions, equipment, communication devices, and other technology for the LTTE. TRO's efforts worldwide reportedly had allowed the LTTE to use humanitarian aid, which TRO collected from the international community after the December 2004 tsunami, to launch new campaigns to strengthen LTTE's military capacity.
- Tamil Foundation: US-based Tamil Foundation was designated on Feb. 11, 2009 for serving as a front to facilitate fundraising for LTTE. Over the course of many years, the Tamil Foundation, based in Cumberland, Maryland, and the TRO had co-mingled funds and carried out coordinated financial actions.

### **III. Treasury Outreach, Guidance, and Partnerships with the Charitable Sector**

As President Obama has recognized, the ongoing terrorist threat and our enforcement actions have created an unintended chilling effect, particularly in Muslim communities, on charitable giving. This is especially true with respect to charitable interests in servicing vulnerable and needy populations abroad in areas where terrorist organizations are most active.

Overcoming these challenges requires a strong partnership with the charitable sector and a shared commitment by other elements of the national security and development communities. This realization, together with the underlying need to protect charities



from terrorist abuse, frames Treasury's efforts to (1) conduct outreach, (2) issue guidance, and (3) develop a partnership with the charitable sector.

## **1. Conducting Outreach**

Treasury's outreach to the charitable sector and Muslim American communities generally consists of an ongoing discussion relating to the following four fundamental themes:

(i) *The USG recognizes and strongly supports the essential role of charitable giving in Muslim, American and global society.* Almsgiving is an important expression of religious faith for Muslims throughout the world. Charity is one of the pillars of Islam, pursuant to which observant Muslim men and women have a duty to give a certain percentage of their earnings to specified recipients (Zakat), as well provide alms throughout the year (Sadaqah). Such giving builds local communities, and also links these communities to the other parts of the world. Charitable giving and philanthropy are core American values and integral parts of American culture and society. As an example, in recent years the American people have donated more than \$200 billion annually to charitable causes, including to Muslim populations such as those affected by the 2004 tsunami in Indonesia and Southeast Asia and the 2005 earthquake in Pakistan.

(ii) *Terrorist organizations continue to effectively exploit charities to finance their operations and to cultivate broader support from vulnerable populations.* Terrorist organizations devote considerable resources, time and attention to developing charitable, social and welfare services as a key means of cultivating support. It must be understood that charities providing social services to legitimate communities may nevertheless be operating on behalf of terrorist organizations, and that the provision of such services does not excuse such support.

(iii) *U.S. Government efforts to combat terrorism are not intended to single out any specific community.* Our outreach must demonstrate that Treasury and broader U.S. actions to combat terrorist exploitation of the charitable sector do not seek to target Muslims or Muslim charities. As I stated earlier, while terrorist organizations such as al Qaida, Hamas, and Hizbollah have exploited Muslim charities, it is worth recognizing that over the years terrorists have exploited charities of many backgrounds.

(iv) *The U.S. Government and the charitable sector must work together to promote safe and effective charitable activity and to protect the sector from terrorist exploitation.* Such collaboration is needed not only to develop effective and practical safeguards to assist charities in protecting against terrorist exploitation, but also to identify or develop ways in which charities can assist vulnerable populations in areas where terrorist organizations operate. Treasury has expended considerable efforts to work with the charitable sector to advance both of these objectives.

To promote these fundamental themes of our outreach to the charitable sector and donor communities, Treasury frequently meets and collaborates on projects with specific communities and organizations, such as the Arab- and Muslim American communities, as

well as representatives from the broader charitable sector. Treasury also participates in interagency outreach events with the Department of Homeland Security (DHS), the Department of Justice (DOJ), and FBI headquarters and field offices, including bi-monthly DOJ Civil Liberties Division outreach events with the Arab, Sikh and Muslim communities.

## **2. Developing and Issuing Guidance**

A significant portion of Treasury's outreach is devoted to the development of guidance to assist the charitable sector in adopting protective measures against terrorist abuse of charities. Over the past several years, Treasury has developed, issued, promoted and updated various documents to assist the charitable sector in this effort. Such documents include:<sup>7</sup>

- A Summary of Charitable Organizations Designated Under Executive Order 13224 and Executive Order 12947 and Foreign Terrorist Organizations Appearing as Potential Fundraising Front Organizations;
- Additional Background Information on Designated Charities;
- Background Information on Certain FTOs with Aliases Appearing as Potential Fundraising Front Organizations;
- An OFAC Risk Matrix for the charitable sector;
- The U.S. Department of the Treasury Anti-Terrorist Financing Guidelines: Voluntary Best Practices For U.S.-Based Charities
- A Response to Comments Submitted on the U.S. Department of the Treasury Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities;
- A Counter-Terrorist Referral Form for Charities;
- Typologies and Open Source Reporting On Terrorist Abuse of Charitable Operations in Post-Earthquake Pakistan and India; and

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<sup>7</sup> These documents and additional information to assist charities in protecting against terrorist exploitation are available on the Treasury website at <http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml/>.

- A Response to Inquiries from Arab American and Muslim American Communities for Guidance on Charitable Best Practices.

The importance of Treasury's efforts to develop guidance for the charitable sector in combating terrorist exploitation is heightened by the fact that, unlike financial institutions, there is no regulatory regime or supervisory mechanism to specifically address terrorist abuse of charity. The obligation on charities, as with all U.S. persons, is simply to comply with the law. We are not suggesting the establishment of such a regulatory regime, but this means that our efforts to develop and issue guidance materials represent our primary means of assisting the charitable sector in developing and implementing effective safeguards against terrorist abuse. We will continue to provide additional products and information that can help charities address the threat of terrorist exploitation while promoting their charitable mission.

*Treasury's Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities*

Much of Treasury's time and attention in issuing guidance has focused on developing and updating measures and best practices to protect charities from terrorist abuse in Treasury's *Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities* ("Guidelines"). Over the past several years, the Guidelines have been developed in close consultation with the charitable and Muslim American communities, and have been critical in raising awareness of these issues and promoting the adoption of effective safeguards for charities in the United States and abroad.

Treasury initially released the Guidelines in November 2002 in direct response to requests from the Arab and Muslim American communities for policies and practices to protect against potential terrorist abuse and to assist in compliance with new terrorist financing authorities, including Executive Order 13224. Treasury then solicited feedback from the charitable sector, which indicated that the Guidelines could be substantially improved to assist in identifying reasonable yet effective measures to protect against terrorist abuse. In December 2005, based on extensive review and comment by public and private sector interested parties, Treasury revised and released amended Guidelines in draft form for further public comment. Based on the comments received, Treasury further amended the Guidelines to improve their utility to the charitable sector in adopting practices that can better protect it from terrorist exploitation.

Treasury issued the Guidelines as voluntary best practices, and they are not intended create any new legal requirements. They are intended to provide guidance on fundamental principles of good charitable practice; governance, accountability and transparency; financial accountability and transparency; programmatic verification; and anti-terrorist financing best practices. They are risk-based, reflecting Treasury's recognition that a "one-size-fits-all" approach is untenable and inappropriate due to the diversity of the charitable sector and its operations, and they acknowledge that certain exigent circumstances (such as catastrophic disasters) may make application of best practices difficult. The Guidelines also include an annex that chronicles the nature of

terrorist abuse of charities. Moreover, the Guidelines are not an exhaustive or exclusive set of best practices, and Treasury recognizes that many charities, through their extensive experience and expertise in delivering international aid, have already developed effective internal controls and practices that lessen the risk of terrorist financing or abuse.

The initial development and subsequent evolution of the Guidelines launched a strong and ongoing dialogue with the charitable sector. This dialogue has led to a greater awareness of the risks of terrorist abuse in the charitable sector, and as a result, charities have adopted more proactive approaches to protect their assets and the integrity of their operations.

Treasury is committed to continuing to update, amend and improve the Guidelines to make them more useful to the charitable sector, but Treasury does not agree that revoking the Guidelines would be beneficial. The Guidelines serve as one of the only vehicles for assisting charities in responding to the real threat of terrorist abuse of the sector. They are for this reason important, and we will continue to work with interested parties in the charitable sector to amend and improve the Guidelines, as we have done in the past.

Over the past year, Treasury has held substantial discussions with various elements of the charitable sector and Arab and Muslim American communities to identify concerns with the Guidelines and ways that Treasury could improve their utility in protecting and promoting charitable giving. Based on these discussions, Treasury is currently pursuing a number of actions to amend the Guidelines and issue additional information to assist the charitable sector, including by developing the following materials:

- A comprehensive document of answers to frequently asked questions (FAQs) by the charitable sector and donors;
- A summary of U.S. counter-terrorist financing laws and regulations that impact charities;
- An explanation of sanctions laws and regulations, including the importance and objectives of sanctions, the designation process, and the variety of due process protections provided in our domestic sanctions regime;
- Updates to annex of the Guidelines to help clarify the current risk and type of exploitation of charities by specific terrorist organizations in certain high risk regions; and
- A reference list to existing non-profit good governance best practices;

### **3. Developing a Strategic Partnership with the Charitable Sector**

The final component of Treasury's engagement with the charitable sector and Arab and Muslim American communities to combat terrorist exploitation of charities involves developing a strategic partnership. Such a partnership is necessary to both protect charity from terrorist abuse and promote charitable assistance in high risk regions where terrorist organizations operate. Neither the government nor the charitable sector, acting alone, can adequately address these objectives. The expertise, access, and resources of both government and the charitable sector are required to advance these shared interests.

Over the past several years, Treasury has led much discussion – both within the government and with key stakeholders in the charitable sector and Arab and Muslim communities – of how collaboration might best be achieved to protect and promote charitable activity in places where terrorist organizations are particularly active. These discussions have focused on the development of targeted alternative relief mechanisms. The development of such mechanisms could enable legitimate donor communities to support vulnerable populations that currently rely on terrorist groups for social services and could also be helpful in continuing to provide charitable services to vulnerable populations in the context of designating charities associated with terrorist organizations that had previously serviced such populations. The alternative relief concept is intended to provide a safe and effective way for individuals to contribute assistance into critical regions where aid is desperately needed, but where terrorist organizations largely control relief and distribution networks.

The concept of developing alternative relief mechanisms to provide safe and effective ways of servicing vulnerable populations that largely rely on terrorist organizations for assistance is compelling. It is also extraordinarily difficult to put into practice, and will require a strong partnership among elements of the national security, development, and charitable communities. One example of such a mechanism was a pilot project to establish an alternative relief mechanism for the Palestinian Territories. Launched in August 2008, the American Charities for Palestine (ACP) raised funds from U.S. donors to be delivered through channels approved by the U.S. Agency for International Development (USAID), in consultation with U.S. counter-terrorism authorities. There is clearly more work to be done in developing mechanisms such as this one and allowing them to reach their full potential.

#### **IV. Conclusion**

The Treasury Department has been charged by Congress and the President with a solemn responsibility to help identify, disrupt, and dismantle the networks that support terrorist organizations that threaten the lives of American citizens and the security of our nation. We are committed to employing all legitimate tools and authorities to meet this responsibility. And as President Obama said in Cairo, we firmly support the ability of Muslim Americans to fulfill their religious obligations through charitable giving. Moreover, we understand that there should be no contradiction between these twin goals—the involvement of the charitable and Muslim American communities is necessary in the struggle to combat abuse of the charitable sector by terrorist organizations. The Treasury Department has therefore sought to forge a partnership with

the charitable and Muslim American communities regarding the threats we face and the actions we are taking to combat these threats. We look forward to the continued development of this partnership.

Thank you for the opportunity to speak with you today. I would now be happy to answer any questions that you may have.