

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority and Minority Staff

Date: April 17, 2015

Subject: April 22, 2015, Task Force to Investigate Terrorism Financing Hearing Entitled “A Survey of Global Terrorism and Terrorist Financing”

The Task Force to Investigate Terrorism Financing will hold a hearing entitled “A Survey of Global Terrorism and Terrorist Financing” at 10:00 a.m. on Wednesday, April 22, 2015, in Room 210 of the Capitol Visitor Center. This will be a one-panel hearing with the following witnesses:

- Juan C. Zarate, Senior Adviser, Center for Strategic and International Studies; Chairman and Senior Counselor, Center on Sanctions and Illicit Finance at the Foundation for Defense of Democracies
- Dr. Jonathan Schanzer, Vice President for Research, Foundation for Defense of Democracies
- Seth G. Jones, Director, International Security and Defense Policy Center, RAND Corporation

Executive Summary

The threat of terrorism is continually evolving, with an increasing number of groups around the world threatening the United States and its allies. Many of these groups are utilizing diverse methods to generate and move funds to support their activities and organizations. This hearing will focus on the major terror groups currently operating across the globe to obtain an overview of the terrorist threat and methods of terror financing.

Headquartered in Syria, the Islamic State (also known as ISIL, ISIS, IS, and Daesh) has become one of the world's most violent and dangerous terror groups. The group is also exceedingly well-financed relative to other terrorist organizations. In 2014, the Islamic State generated approximately \$1 million per day. These funds were raised predominantly through the sale of oil smuggled into Syria and Turkey. The group has also utilized other funding streams to include taxation and extortion, the sale of antiquities, and kidnapping for ransom.

In Africa, Islamist extremist groups Boko Haram and Al-Shabaab both seek to create an Islamic state in Nigeria and Somalia respectively. Primarily through the kidnapping and extortion of local Nigerians and foreigners, Boko Haram is estimated to have an annual net revenue of \$10 million. With thousands of fighters under its control, it is believed to be the largest jihadi group to pledge allegiance to the Islamic State. Al-Shabaab has also utilized kidnapping and extortion in addition to relying heavily on its illicit charcoal and sugar trade to generate revenue. In 2012, Al-Shabaab aligned itself with al-Qaeda when it pledged its loyalty to the group.

Based in Lebanon, the Shiite Muslim terror group Hezbollah has been linked with South American drug trafficking organizations operating out of the tri-border region. This criminal partnership has generated millions of dollars in revenue for the group to fund their operations in the Middle East. Further, there is a growing concern that terrorist groups could use Latin American criminal organizations to infiltrate the United States.

In Europe, the al-Qaeda affiliate, al-Qaeda in the Arabian Peninsula (AQAP), actively trained and funded French citizens to perpetrate the January 9, 2015, attack against *Charlie Hebdo*, a Paris-based satirical newsweekly that had published cartoon depictions of the Prophet Muhammad.

Although no terrorist organization has successfully carried out a direct terrorist attack since 9/11, the rise in violence by home-grown Islamic extremists and the growing threat from abroad make it crucial for the federal government to use every tool at its disposal to stop and destroy the terror threat.

An Overview of Terror Groups and Terrorist Financing by Region

The Middle East

The Islamic State (ISIL) – Iraq¹

Background

The Islamic State organization is the successor to al-Qaeda in Iraq (AQI). Established in 2004, AQI pledged loyalty to al-Qaeda and targeted U.S. and coalition forces in Iraq. In 2006, AQI changed its name to the Islamic State of Iraq (ISI). Following the outbreak of unrest in Syria in 2011, ISI leader Abu Bakr al Baghdadi tasked Muhammad al Jawlani with establishing Al Nusrah Front (ANF) in Syria to fight the Asad government.² ISI provided Jawlani with funding, manpower, and guidance, although ANF did not publicly acknowledge its ties to al-Qaeda. In April 2013, Baghdadi unilaterally announced a merger of ISI and ANF, under the name Islamic State in Iraq and the Levant (ISIL or ISIS). ANF and al-Qaeda leadership both rejected the merger, and al-Qaeda leader Ayman al Zawahiri ordered Baghdadi to confine his operations to Iraq. Baghdadi refused, and ISI began fighting in Syria under the name ISIL, eventually coming into direct confrontation with ANF and other Syrian opposition forces. In February 2014, Zawahiri publicly severed ties with ISIL, citing the group's brutal tactics, infighting with other Sunni groups, and refusal to cede Syria operations to ANF. In June 2014 Baghdadi declared the establishment of an Islamic caliphate and changed ISIL's name to the Islamic State.

Headquartered in the eastern Syrian city of Raqqa, the Islamic State operates primarily in northeastern Syria and northwestern Iraq. Through an extended military campaign against both government and opposition forces, the group gradually gained control over a roughly contiguous area along the Tigris and Euphrates rivers spanning hundreds of miles. In February 2015 congressional testimony, U.S. Director for National Intelligence James Clapper reconfirmed the intelligence community's estimate that the Islamic State can muster "somewhere in the range between 20,000 and 32,000 fighters" but noted that there has been "substantial attrition" and the group has been turning to conscription in some areas. IS militants in 2014 beheaded three Americans captured in Syria; a fourth U.S. citizen was also killed while held by the group. The Islamic State has encouraged followers to conduct lone-wolf attacks in Europe and the United States.

The Islamic State's Sources of Revenue

According to congressional testimony by Patrick Johnston of the RAND Corporation in late 2014, the key difference between the financial activities of the Islamic State's

¹ The section entitled "The Islamic State (ISIL) - Iraq" is derived nearly verbatim from Carla E. Humud et. al, "Islamic State Financing and U.S. Policy Approaches," *CRS Report R43980* (April 10, 2015), available at <http://www.crs.gov/pdfloader/R43980>.

² *Id.* see fn. 3, "Senior Administration Officials on Terrorist Designations of the al-Nusrah Front as an Alias for al-Qaeda in Iraq," Special Briefing via teleconference, December 11, 2012.

predecessors and its current financial profile is not the types of revenue sources, but the scale of activities.³ Between August 2008 and January 2009, ISI's master financial ledgers in Mosul reportedly showed the group generating slightly less than \$1 million in fundraising per month. In 2014, the Islamic State was able to generate the same amount—or more—per *day*. The Islamic State is also believed to be the richest terrorist organization in history, controlling vast amounts of territory, including oil fields and refineries, in both Syria and Iraq.⁴ This section surveys specific IS revenue sources, some of which were initially cultivated by AQI and ISI.

Syrian Oil and the Islamic State

Much of the physical and economic damage to the Syrian oil sector took place between March 2011 and June 2014, when IS forces expanded their control of oil-producing regions in northeast Syria. Selling IS oil is technically difficult because the group has no traditional export facilities or access to the open market. As a result, the group must ship its oil by truck to the Turkish border where oil brokers and traders buy the oil and make cash payments, or payments in kind of petroleum products. Because the Syrian government considers IS oil to be stolen contraband and because international sanctions limit the markets the oil can legally enter, IS oil trades at a steeply discounted price. It has been reported that IS oil might have been selling for as little as \$18 per barrel at the Turkish border, when Brent, a world price reference crude oil was selling for about \$107 per barrel.⁵

Iraqi Oil and the Islamic State

The Islamic State has been in control of a number of relatively small oil fields in northern Iraq, selling volumes of oil through Turkey in essentially the same manner as their sales of Syrian oil. While IS forces are not in control of a modern operating oil refinery, the group has refined oil in crude, small, mobile refineries with capacities of about 300 to 500 barrels per day of petroleum products. Petroleum products may also be easier to sell to Turkish brokers because they can enter retail markets directly, avoiding the documentation attendant with processing at a legitimate refinery.

Antiquities

Some analysts believe that the second largest source of revenue for the Islamic State

³ Patrick B. Johnston (RAND Corporation), testimony on “Countering ISIL’s Financing” before the U.S. House Committee on Financial Services, November 13, 2014.

⁴ See e.g., Martin Chulov, “How an arrest in Iraq revealed ISIS’s \$2 billion jihadist network,” *The Guardian* (June 15, 2014); Helen Lock, “How ISIS became the wealthiest terror group in history,” *The Independent* (September 15, 2014), available at <http://www.independent.co.uk/news/world/middle-east/how-isis-became-the-wealthiest-terror-group-in-history-9732750.html>; Shawna Ohm, “ISIS: World’s scariest terrorist group also the richest,” *Yahoo Finance* (August 12, 2014), available at <http://finance.yahoo.com/news/isis-the-world-s-richest-terrorist-organization--knights-151427465.html>.

⁵ See Ma’ad Fayad, *ISIS in Control of 60 Percent of Syrian Oil*, ASHARQ AL-AWSAT, July 11, 2014, available at <http://www.aawsat.net/2014/07/article/55334174>.

is the sale of antiquities looted from areas under the group's control.⁶ This includes items stolen from museums, storage depots, or private collections, as well as those newly excavated from among the hundreds of archeological sites in the area. One archeologist from the Iraqi government's Department of Antiquities stated that a third of Iraq's archaeological sites are now under IS control.⁷ Items from these sites are sold in neighboring states or smuggled into Europe. Some U.S. estimates have placed the total volume of illicit trade at more than \$100 million a year.⁸

Taxes, Extortion, and Asset Seizure

In a February 2015 report, the Financial Action Task Force (FATF), an international body focused on combatting money laundering and terrorism financing, found that the Islamic State finances itself largely through extortion rackets in its areas of operation. The report notes, "while ISIL frames its activities as 'taxation' or 'charitable giving,' it in fact runs a sophisticated protection racket where involuntary 'donations' purchase momentary safety or temporary continuity of business."⁹ Another study estimates that the Islamic State generates up to \$360 million per year through taxation and extortion.¹⁰

The U.S. Treasury Department estimates that the Islamic State in 2014 gained access to at least a half billion dollars in cash by seizing control of state-owned bank branches in the Iraqi provinces of Ninevah, Al-Anbar, Salah Din, and Kirkuk.¹¹ The Islamic State approached private Iraqi banks differently, choosing instead to levy a tax of 5% on all customer cash withdrawals.¹²

Kidnapping for Ransom¹³

The Islamic State has generated significant income through the use of kidnapping for ransom. The United Nations estimates that the Islamic State collected \$35-\$45 million

⁶ See, e.g., Testimony of Matthew Levitt, Director of the Stein Program on Counterterrorism and Intelligence, Washington Institute for Near East Policy, *Terrorist Financing and the Islamic State: Hearing before the H. Comm. on Financial Services*, 113th Cong. (Nov. 13, 2014).

⁷ Janine Di Giovanni, Leah McGrath Goodman, and Damien Sharkov, "How Does ISIS Fund Its Reign of Terror?," *Newsweek* (November 6, 2014), available at <http://www.newsweek.com/2014/11/14/how-does-isis-fund-its-reign-terror-282607.html>.

⁸ Joe Parkinson, Ayla Albayrak and Duncan Mavin, "Syrian 'Monuments Men' Race to Protect Antiquities as Looting Bankrolls Terror," *The Wall Street Journal* (February 10, 2015), available at <http://www.wsj.com/articles/syrian-monuments-men-race-to-protect-antiquities-as-looting-bankrolls-terror-1423615241>.

⁹ FATF Report, *Financing of the Terrorist Organization Islamic State in Iraq and the Levant (ISIL)*, February 2015.

¹⁰ Jean-Charles Brisard and Damien Martinez, *Islamic State: The Economy-Based Terrorist Funding*, October 2014.

¹¹ Jennifer L. Fowler, Deputy Assistant Secretary of Terrorist Financing and Financial Crimes, Treasury Department. Statement submitted for the conference, "Taking the Fight to ISIL: Operationalizing CT Lines of Effort Against the Islamic State Group," Washington Institute for Near East Policy, February 2, 2015.

¹² FATF Report, *supra* note 8.

¹³ While it is U.S. policy to not pay concessions to individuals or groups holding official or private U.S. citizens hostage, other countries are not similarly constrained. See U.S. Department of State Foreign Affairs Manual, 7 FAM 1823 (July 26, 2006); Greg Botelho, "Q&A: ISIS Threat to Japan Sheds Light on Harsh Realities of Kidnappings, Ransom," *CNN* (January 20, 2015), available at <http://www.cnn.com/2015/01/20/world/ransom-hostages/>.

in ransom fees in 2014 alone—a higher annual yield than both al-Qaeda in the Arabian Peninsula (an estimated \$20 million in ransom between 2011 and 2013) and al-Qaeda in the Islamic Maghreb (an estimated \$75 million since 2010).¹⁴ A 2014 U.N. report on the Islamic State and the al-Qaeda-affiliated Nusra Front states that the victims are mostly local residents, but also include a smaller number of foreign aid workers and journalists. However, the report also assesses that the group’s high level of fundraising from kidnappings for ransom is not likely to be sustainable.

External Support

The Islamic State receives financial support from individuals in Gulf State and European countries, but observers generally agree that these amounts are modest in comparison to what the group generates internally. Analysts estimate that the Islamic State in 2013-14 accumulated up to \$40 million from donors in Saudi Arabia, Qatar, and Kuwait. While the United States has worked with partner states in the Gulf to pass legislation curbing the flow of funds to the areas, implementation remains irregular. In October 2014, David Cohen, then-Under Secretary of the Treasury for Terrorism and Financial Intelligence, stated that Kuwait and Qatar were still “permissive jurisdictions” for terrorism financing.¹⁵

Africa

Boko Haram (Nigeria)

Background

Boko Haram was founded in 2002 in Maiduguri, Nigeria, by cleric Mohammed Yusuf.¹⁶ Loosely translated from the region’s Hausa language, Boko Haram means “Western education is forbidden.”¹⁷ The group’s official name is Jama’atu Ahlis Sunna Lidda’awati wal-Jihad, which in Arabic means “People Committed to the Propagation of the Prophet’s Teachings and Jihad.”¹⁸ The group seeks to establish an Islamic state in Nigeria, including the implementation of Sharia criminal courts across the country.¹⁹ Boko Haram has attacked Nigeria’s police and army, politicians, schools, religious buildings, public institutions, and civilians with increasing regularity since 2009.²⁰ More than ten thousand

¹⁴ Statement by Ms. Yotsana Lalji, 1267 Al-Qaida Monitoring Team, November 24, 2014. Some of these figures appear to be based on estimates from unnamed Member States (see S/2014/770, paras.50-51 at http://www.un.org/ga/search/view_doc.asp?symbol=S/2014/770). Other estimates are higher—see, for example, “Paying Ransoms, Europe Bankrolls Qaeda Terror,” *New York Times*, July 29, 2014.

¹⁵ Remarks by Treasury Under Secretary for Terrorism and Financial Intelligence David Cohen at the Carnegie Endowment for International Peace, “Attacking ISIL’s Financial Foundation,” October 23, 2014.

¹⁶ Mohammed Aly Sergie, “Boko Haram,” *Council on Foreign Relations Backgrounders* (March 13, 2015), available at <http://www.cfr.org/nigeria/boko-haram/p25739>.

¹⁷ Farouk Chothia, “Who Are Nigeria’s Boko Haram Islamists?” *BBC News* (January 21, 2015), available at <http://www.bbc.com/news/world-africa-13809501>.

¹⁸ *Id.*

¹⁹ Sergie, *supra* note 16.

²⁰ *Id.*

people have been killed in Boko Haram-related violence, and 1.5 million have been displaced.²¹ Some experts view the group as an armed revolt against government corruption, abusive security forces, and widening regional economic disparity.²² The U.S. State Department designated Boko Haram as a “Foreign Terrorist Organization” on November 13, 2013.²³

At its inception, the group did not intend to overthrow the Nigerian government. This changed in July 2009 when Boko Haram members refused to obey a law requiring motorcycle riders to wear helmets because in their view doing so would be un-Islamic.²⁴ The arrest of several of its members incited a riot with Nigerian police resulting in 800 deaths.²⁵ Yusuf was subsequently arrested and shot and killed outside police headquarters.²⁶ After Abubakar Shekau, Yusuf’s former second-in-command, assumed the leadership of Boko Haram, the group’s activities turned increasingly violent.²⁷ Under Shekau, Boko Haram has engaged in terrorist tactics that have included a suicide attack on a United Nations building in Abuja in 2011, the killings of dozens of students, the burning of villages, establishing ties to regional terror groups, and the abduction of over 200 schoolgirls in April 2014.²⁸ On March 7, 2015, Shekau pledged allegiance to ISIL.²⁹ Five days later, ISIL accepted the pledge via audiotape and described it as an expansion of the group’s caliphate to West Africa.³⁰

How Boko Haram is Funded

To fund its operations, Boko Haram deploys a system of couriers to move cash inside Nigeria and across the border from neighboring African states.³¹ Boko Haram’s annual net income has been estimated at \$10 million.³² These funds have been raised primarily through kidnapping and extortion.³³ Some U.S. officials have estimated that the group was paid as much as \$1 million for the release of a wealthy Nigerian.³⁴ Foreigners

²¹ *Id.*

²² *Id.*

²³ See Media Note, Office of the Spokesperson, Terrorist Designations of Boko Haram and Ansaru (November 13, 2013), <http://www.state.gov/r/pa/prs/ps/2013/11/217509.htm>.

²⁴ John Ford, “The Origins of Boko Haram,” *The National Interest* (June 6, 2014), available at <http://nationalinterest.org/feature/the-origins-boko-haram-10609?page=2>.

²⁵ *Id.*

²⁶ Sergie, *supra* note 16.

²⁷ Ford, *supra* note 25.

²⁸ Sergie, *supra* note 16.

²⁹ Rukmini Callimachi, “Boko Haram Generates Uncertainty With Pledge of Allegiance to Islamic State,” *The New York Times* (March 7, 2015), available at <http://www.nytimes.com/2015/03/08/world/africa/boko-haram-is-said-to-pledge-allegiance-to-islamic-state.html>.

³⁰ “IS Welcomes Boko Haram Allegiance,” *AFP* (March 12, 2015), available at <http://news.yahoo.com/accepts-allegiance-nigeria-jihadists-boko-haram-201513146.html>.

³¹ Phil Stewart and Lesley Wroughton, “How Boko Haram is Beating U.S. Efforts to Choke Its Financing,” *Reuters* (July 1, 2014), available at <http://www.reuters.com/article/2014/07/01/us-usa-nigeria-bokoharam-insight-idUSKBN0F636920140701>.

³² Farouk, Chothia, “Boko Haram Crisis: How Have Nigeria’s Militants Become So Strong?,” *BBC News* (January 26, 2015), available at <http://www.bbc.com/news/world-africa-30933860>.

³³ *Id.*

³⁴ *Id.*

have fetched higher ransoms – in February 2013, Boko Haram was paid \$3 million for the release of a French family of seven kidnapped in northern Cameroon.³⁵

The group has also smuggled drugs to raise funds. In 2012, the Drug Enforcement Administration indicated that the group was becoming increasingly involved in cocaine trafficking to raise money for its activities, or was being bankrolled by the traffickers in exchange for support.³⁶

The U.S. Treasury Department also has evidence that al-Qaeda has financially supported Boko Haram.³⁷ The amount of this support, however, is dwarfed by the millions of dollars the group makes through its kidnapping and ransom activities. One U.S. estimate of financial transfers from AQIM was in the low hundreds of thousands of dollars.³⁸

Al-Shabaab (Somalia)

Background

Al-Shabaab (“the Youth” in Arabic) is an Islamist extremist group bent on the creation of a fundamentalist Islamic state in Somalia. Its origins date back to the political upheaval that took place after the overthrow of the military dictator Mohammed Siad Barre in 1991.³⁹ Starting in the late 1990s, as part of local efforts, neighborhood Sharia courts were established to instill law and order.⁴⁰ The courts soon became power centers with their own militias and religious ideologies.⁴¹ In mid-2004, 11 of the courts merged to form the Islamic Courts Union (ICU) led by Sheikh Ahmed.⁴² In June 2006, the ICU defeated the warlords who controlled Mogadishu for the past decade and began to impose a degree of order.⁴³ With Al-Shabaab acting as its youth militia, fundamentalist elements of the ICU used this opportunity to impose their version of strict Islamic law.⁴⁴

At the request of Somalia’s transitional government, Ethiopia invaded Somalia in December 2006 and ousted the ICU from Mogadishu.⁴⁵ Al-Shabaab retreated to the south of the country where it began organizing guerilla assaults on Ethiopian forces.⁴⁶ Rob Wise, a counterterrorism expert at the Center for Strategic and International Studies, believes that the Ethiopian occupation of Somalia is responsible for “transforming [Al-Shabaab]

³⁵ Chothia, *supra* note 17.

³⁶ Ntaryike Divine, Jr., “Drug Trafficking Rising in Central Africa, Warns Interpol,” *Voice of America* (September 8, 2012), available at <http://www.voanews.com/content/drug-trafficking-rising-in-central-africa-warns-interpol/1504026.html>.

³⁷ Stewart and Wroughton, *supra* note 31.

³⁸ *Id.*

³⁹ Rob Wise, “Al Shabaab,” *AQAM Future Studies Project Case Study Series* (July 2011), available at http://csis.org/files/publication/110715_Wise_AlShabaab_AQAM%20Futures%20Case%20Study_WEB.pdf.

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ Jonathan Masters and Mohammed Aly Sergie, “Al-Shabab,” *Council on Foreign Relations Backgrounders* (March 5, 2015), available at <http://www.cfr.org/somalia/al-shabab/p18650>.

⁴⁶ *Id.*

from a small, relatively unimportant part of a more moderate Islamic movement into the most powerful and radical armed faction in the country.”⁴⁷ On February 26, 2008, the U.S. State Department designated Al-Shabaab a “Foreign Terrorist Organization.”⁴⁸ In February, 2012, the group formally pledged its loyalty to al-Qaeda leader Ayman al-Zawahiri.⁴⁹

While initially focusing on targets in Somalia, Al-Shabaab has expanded its violence into Kenya and Uganda.⁵⁰ The group has focused its atrocities against Kenya due to the country’s joint actions with the Africa Union in Somalia.⁵¹ On September 21, 2013, the group claimed responsibility for killing over 67 persons at the Westgate Premier shopping mall in Nairobi, Kenya.⁵² Most recently, on April 2, 2015, Al-Shabaab gunmen targeted Garissa University College in Kenya and killed over 147 persons.⁵³

How Al-Shabaab is Funded⁵⁴

Counterterrorism experts say Al-Shabab has benefited from several different sources of income over the years, including revenue from other terrorist groups, state sponsors, the Somali diaspora, charities, piracy, kidnapping, and the extortion of local businesses. The governments of Eritrea, Iran, Saudi Arabia, Syria, Qatar, and Yemen have been cited as financiers—although most officially deny these claims.

Domestically, the group built an extensive racketeering operation in Kismayo after seizing control of the southern port city and its economy in 2008. The trade of charcoal, in particular, is essential to the city's commerce. A Kenya-led assault liberated Kismayo from Al-Shabab control in October 2012—a victory that many experts say strategically crippled the jihadi group.

However, an October 2014 UN Security Council report says Al-Shabab's illicit charcoal trading hasn't been interrupted by “the military offensive against the group” and continues in Kismayo and nearby Barawe. Charcoal exports are a component of a trade that includes al-Shabab's importation of sugar, much of which then makes its way into Kenya illegally. Roughly ten thousand bags of contraband sugar worth hundreds of thousands of dollars may be smuggled into Kenya every day, according to the UN. In April

⁴⁷ *Id.*

⁴⁸ See Office of the Coordinator for Counterterrorism, Designation of Al-Shabaab as a Foreign Terrorist Organization (February 26, 2008), <http://www.state.gov/j/ct/rls/other/des/102446.htm>.

⁴⁹ Wire Staff, “Al-Shabaab Joining al Qaeda, Monitor Group Says,” *CNN* (February 10, 2012), available at <http://www.cnn.com/2012/02/09/world/africa/somalia-shabaab-qaeda/index.html>.

⁵⁰ Adam Taylor, “What’s Behind the Return of Al-Shabab, The Terror Group That Killed at Least 147 People in Kenya?” *The Washington Post* (April 3, 2015), available at <http://www.washingtonpost.com/blogs/worldviews/wp/2015/04/03/whats-behind-the-return-of-al-shabab-the-terror-group-that-killed-at-least-147-people-in-kenya/>.

⁵¹ *Id.*

⁵² *Id.*

⁵³ Edith Honan, “Al Shabaab Kills at Least 147 at Kenyan University; Siege Ends,” *Reuters*, (April 2, 2015), available at <http://www.reuters.com/article/2015/04/02/us-kenya-security-college-idUSKBNOMT0CK20150402>.

⁵⁴ The section entitled “How Al-Shabaab is Funded” is derived nearly verbatim from Masters and Sergie, *supra* note 45.

2013, Kenyan officials complained that Al-Shabab operatives were attempting to infiltrate the country's sugar trade.

South America

Hezbollah (in the tri-border region)

Background

Hezbollah (“Party of God” in Arabic) is a Shiite Muslim political party that came into existence after Israel entered and subsequently occupied Lebanon in 1982.⁵⁵ In response to Israel’s efforts to expel Palestinian militants in southern Lebanon, a group of disenfranchised Shiites joined together in support of an Iranian-style clerical regime.⁵⁶ This group issued its founding manifesto as Hezbollah in 1985.⁵⁷ Their mission statement included the following tenets: loyalty to Iran’s leader, Ayatollah Khomeini; establishment of an Islamic regime; expulsion of the United States, France, and Israel from Lebanon; and the destruction of Israel.⁵⁸ The State Department designated Hezbollah a Foreign Terrorist Organization on October 8, 1997.⁵⁹

Drug Trafficking Revenue

Since 2010, Hezbollah has been linked with South American drug trafficking organizations operating out of the tri-border region (Argentina, Brazil, and Paraguay).⁶⁰ Hezbollah has used the proceeds from trafficking cocaine into Europe and the Middle East to finance its operations.⁶¹ During a recent hearing before the Senate Homeland Security and Government Affairs Committee, Lieutenant General Kenneth E. Tovo, U.S. Southern Command, made the following comments about Hezbollah:

“[O]n a broader scale, we know that some of these [terrorist] organizations do receive financial benefit from the drug trade — a topic of much discussion amongst the intel community about how much cooperation and convergence, as we call it, there really is . . . There is dispute about that, but I think it’s fair to say that there is a good amount of profit that Lebanese Hezbollah makes off of illicit trafficking writ large on at least the order of tens of millions and much of it is funneled through the

⁵⁵ Jonathan Masters and Zachary Laub, “Hezbollah (a.k.a. Hizbollah, Hizbu’llah)” *Council on Foreign Relations Backgrounders* (January 3, 2014), available at <http://www.cfr.org/lebanon/hezbollah-k-hizbollah-hizbullah/p9155>.

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ See U.S. State Department Bureau of Counterterrorism, Foreign Terrorist Organizations (August 10, 1997), <http://www.state.gov/j/ct/rls/other/des/123085.htm>.

⁶⁰ Clare Ribando Seelke et. al, “Latin America and the Caribbean: Illicit Drug Trafficking and U.S. Counterdrug Programs,” *CRS Report R41215* (April 30, 2010), available at http://assets.opencrs.com/rpts/R41215_20100430.pdf.

⁶¹ Edwin Mora, “State Dept: Hezbollah Raising Funds Through Drug Cartels in South America But ‘No Credible Information’ of Terrorist Operations There,” *CNS News* (June 9, 2010), available at <http://cnsnews.com/news/article/state-dept-hezbollah-raising-funds-through-drug-cartels-south-america-no-credible>.

money laundering system and fuels their operations back in the Middle East.”⁶²

In a March 12, 2015 statement to Congress, General John F. Kelly of U.S. Southern Command expressed similar concerns:

[T]he terrorist group Lebanese Hezbollah—which has long viewed the region as a potential attack venue against Israeli or other Western targets—has supporters and sympathizers in Lebanese diaspora communities in Latin America, some of whom are involved in lucrative illicit activities like money laundering and trafficking in counterfeit goods and drugs. These clan-based criminal networks exploit corruption and lax law enforcement in places like the Tri-Border Area of Brazil, Paraguay, and Argentina and the Colón Free Trade Zone in Panama and generate revenue, an unknown amount of which is transferred to Lebanese Hezbollah.⁶³

General Kelly also mentioned that Iran has established more than 80 “cultural centers” in a region (Latin America) with an extremely small Muslim population.⁶⁴ He emphasized that, as the foremost state sponsor of terrorism, Iran’s involvement in the region is a matter of concern.⁶⁵

Europe

Al-Qaeda in the Arab Peninsula – AQAP (Charlie Hebdo Attack - France)

On January 7, 2015, Said and Cherif Kouachi entered the offices of the French satirical newspaper *Charlie Hebdo* in Paris and killed 11 employees and a French National Police Officer in retaliation for a cartoon depicting the Prophet Mohammed. It was later determined that Said Kouachi visited Yemen in 2011 to train with the group al-Qaeda in the Arab Peninsula (AQAP).⁶⁶ In addition, before they carried out the attack on *Charlie Hebdo*, the Kouachi brothers called a local television station and said they had been financed by AQAP.⁶⁷

Based in Yemen, AQAP is a militant Islamist group that was formed in 2009 through the union of the Saudi and Yemeni branches of al-Qaeda.⁶⁸ The group initially targeted only

⁶² See Testimony of Lt. Gen. Kenneth E. Tovo, U.S. Southern Command, *Securing the Border: Understanding and Addressing the Root Causes of Central American Migration to the United States: Hearing before the S. Comm. On Homeland Security and Governmental Affairs*, 114th Cong. (March 10, 2015).

⁶³ See Posture Statement of General John F. Kelly, United States Southern Command, before the 114th Congress Senate Armed Services Committee (March 12, 2015).

⁶⁴ *Id.* at 7.

⁶⁵ *Id.*

⁶⁶ Mark Hosenball, “Said Kouachi, Suspect in Charlie Hebdo Attack, Trained in Yemen: Reports,” Huffington Post (January 08, 2015), available at http://www.huffingtonpost.com/2015/01/08/said-kouachi-yemen_n_6439300.html.

⁶⁷ James Gordon Meek, “Al-Qaeda Gave Charlie Hebdo Killers \$20K,” *ABC News* (January 14, 2015), available at <http://abcnews.go.com/International/al-qaeda-laid-plan-charlie-hebdo-massacre-video/story?id=28213640>.

⁶⁸ CFR.org Staff, “Al-Qaeda in the Arabian Peninsula (AQAP),” *Council on Foreign Relations Backgrounders* (March 19, 2015), available at <http://www.cfr.org/yemen/al-qaeda-arabian-peninsula-aqap/p9369>.

local, U.S., and Western Interests in the Arabian Peninsula, but has now adopted a global strategy.⁶⁹ Top U.S. security officials hold AQAP to be the greatest threat to the American homeland.⁷⁰

According to U.S. officials, AQAP follows the funding streams of other al-Qaeda affiliates.⁷¹ This includes sources such as bank robberies, drug proceeds, and phony charities.⁷² According to U.S. Treasury officials, kidnapping for ransom continues to generate tens of millions of dollars in revenues for AQAP and other al-Qaeda groups.⁷³ A classified December 2009 memo from then-Secretary of State Hillary Clinton indicated that donors in Saudi Arabia were “the most significant source” of funding to Sunni terrorist groups, including al-Qaeda.⁷⁴

⁶⁹ See National Counterterrorism Center, Counterterrorism Guide, available at <http://www.nctc.gov/site/groups/aqap.html>.

⁷⁰ Lee Ferran, “What is AQAP, the Terror Group Claiming Charlie Hebdo Attack?,” *ABC News* (January 14, 2015), available at <http://abcnews.go.com/International/aqap-terror-group-claiming-charlie-hebdo-attack/story?id=28223532>.

⁷¹ CFR.org Staff, *supra* note 68.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

Appendix A: The U.S. Government's Tools and Efforts to Deprive the Islamic State and Other Terrorist Groups of Access and Use of Their Funding

The Legal Framework for Countering Terrorist Financing⁷⁵

The federal government's legal response to terrorist financing has five principal components: (1) freezing terrorist-related assets, domestically and internationally; (2) implementing and enforcing regulatory measures to prevent terrorists from abusing the international financing system; (3) implementing international standards on terrorist financing; (4) prosecuting terrorist financiers and facilitators; and (5) litigating civil tort actions brought by the victims of terrorist attacks.⁷⁶ A brief description of each component is set forth below.

Freezing Terrorist Assets

On September 23, 2001, twelve days after the 9/11 terrorist attacks, President George W. Bush invoked his authority under the International Emergency Economic Powers Act (IEEPA) and signed Executive Order 13224. The IEEPA authorizes the President to declare a national emergency "to deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States."⁷⁷ The President determined that the 9/11 terrorist attacks and the threat of future attacks against the U.S. constituted such an extraordinary threat. Upon declaration of a national emergency, the IEEPA authorizes the President to use a broad range of economic powers, including the authority to "investigate, block during the pendency of an investigation, regulate . . . prevent or prohibit, any acquisition, holding, withholding, use, transfer, withdrawal . . . dealing in . . . any property in which any foreign country or national thereof has any interest . . . subject to the jurisdiction of the United States."⁷⁸

Under the Executive Order, President Bush invoked the IEEPA to designate 12 individuals and 15 entities and ordered that their assets be frozen in the United States. These 27 individuals and groups were labelled "Specially Designated Global Terrorists" (SDGTs) and identified in the Annex to Executive Order 13224. The Annex included core members of al-Qaeda, affiliated terrorist groups, Islamic charities suspected of funding al-Qaeda, and related front organizations. With respect to the 27 SDGTs, banks and other financial institutions were ordered to block or freeze their property and interests in property in the U.S. By the end of 2001, the Treasury Department had designated approximately 164 individuals and organizations, and the U.S. and international community had frozen over \$60 million in terrorist-related assets. Several major financial networks used by al-Qaeda to raise and transfer funds were shut down. Of particular significance were the

⁷⁵ The Section entitled "The Legal Framework for Countering Terrorist Financing" is derived nearly verbatim from Jimmy Gurulé's book entitled, "Unfunding Terror: The Legal Response to the Financing of Global Terrorism" (2008).

⁷⁶ Gurulé, *supra* note 74.

⁷⁷ *Id.* at 6-7.

⁷⁸ *Id.*

designations of several Islamic charities with ties to terrorist groups. Numerous foreign charities affiliated with al-Qaeda and other jihadist terrorist organizations were designated and their offices shut down. By 2008, over 490 individuals and entities had been designated pursuant to Executive Order 13224.⁷⁹

Executive Order 13224 was a major step in shutting off access to the U.S. financial system by terrorists, terrorist organizations, and their financial facilitators. It also imposed a legal duty on banks to freeze any funds held in the bank accounts of individuals and entities included on the Treasury Department's list of SDGTs. As a result, financial institutions have been conscripted to participate in the global war on terror and asked to assume a major role in the U.S. government's efforts to combat the financing of terrorism.⁸⁰

A few days after President Bush signed Executive Order 13224, the U.N. Security Council adopted Resolution 1373, which imposes several important duties on countries to combat the threat of international terrorism. Resolution 1373 requires States to prevent the movement of terrorists by imposing border controls and restricting the issuance of travel documents (travel ban). The Resolution further prohibits the supply of weapons to terrorists (weapons embargo), denies safe haven to those individuals who plan, support, or commit terrorist acts (safe haven ban), and requires States to afford one another the greatest measure of cooperation and assistance in connection with terrorism investigations (mutual assistance). Finally, Resolution 1373 imposes certain obligations on States to prevent and suppress the financing of terrorism, including "freez[ing] without delay funds and other financial assets or economic resources" of persons who commit terrorist acts, finance acts of terrorism, and associated persons and entities.⁸¹

Regulatory Measures to Prevent Terrorists from Utilizing the Financial System

On October 26, 2001, Congress responded to the 9/11 terrorist attacks by enacting the USA PATRIOT Act. Title III of the Act, known as the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, made a number of amendments to the Bank Secrecy Act (BSA) to promote the prevention, detection, and prosecution of international money laundering and terrorist financing. For example, the USA PATRIOT Act expanded the definition of "financial institutions" covered by the BSA to require non-depository institutions such as money transmitting businesses and other alternative remittance systems, such as hawala, to establish a program to prevent money laundering and terrorist financing, and report suspicious transactions to the Treasury Department.⁸² Such money transmitting businesses are also required to register with the Financial Crimes Enforcement Network (FinCEN), a Treasury bureau that collects and analyzes information about financial transactions in order to combat domestic and international money laundering, terrorist financing, and other financial crimes.

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.* at 8.

⁸² *Id.* at 8-9; Under 31 U.S.C. §5312(a)(2)(R), "financial institution" means "a licensed sender of money or any person who engages as a business in the transmission of funds, including any person who engages as a business in an informal money transfer system or any network of people who engage as a business in facilitating the transfer of money domestically or internationally outside of the conventional financial institutions system."

The USA PATRIOT Act requires financial institutions to apply due diligence and, in some cases, enhanced due diligence standards, with regard to “private banking accounts” and “correspondent accounts” involving foreign persons. Also, the anti-money laundering and anti-terrorist financing provisions of the Act authorize the Secretary of the Treasury to impose a set of graduated “special measures” against a foreign jurisdiction, foreign financial institution, type of account or international transaction designated a “primary money laundering concern.”⁸³ Finally, the PATRIOT Act enacted other important changes, such as criminalizing the cross-border transportation of currency to avoid BSA reporting requirements.⁸⁴

International Standards on Terrorist Financing

After the 9/11 terrorist attacks, the Financial Action Task Force (FATF), an intergovernmental body whose purpose is to develop policies to combat money laundering and terrorism financing, held an extra-plenary session in Washington, D.C. to consider expanding its mandate to address terrorist financing. Prior to this time, the FATF’s responsibilities had been limited to developing and promoting international standards against money laundering. At the conclusion of the special meeting on October 31, 2001, the FATF issued Eight Special Recommendations on Terrorist Financing. A ninth special recommendation on terrorist financing was adopted by the FATF in 2004.⁸⁵

The Nine Special Recommendations require countries to: (1) ratify the Terrorist Financing Convention and comply with measures contained in U.N. Security Council Resolution 1373 (described above); (2) criminalize the financing of terrorism; (3) freeze and confiscate terrorist assets; (4) impose obligations on financial institutions to report suspicious transactions linked to terrorism; (5) afford States the greatest measure of cooperation in terrorist financing investigations; (6) apply anti-money laundering regulations to alternative remittance systems; (7) require financial institutions to include accurate originator information on funds transfers; (8) protect non-profit organizations, such as charities, from being misused to finance terrorism; and (9) detect and prevent bulk cash smuggling.⁸⁶

Thus, within seven weeks of the terrorist attacks on the World Trade Center and the Pentagon, the FATF developed a comprehensive set of international standards to prevent the financing of terrorism that previously had eluded the international community.⁸⁷

Al-Qaeda’s attacks against the U.S. also served as a catalyst for the international community to ratify the International Convention for the Suppression of the Financing of Terrorism. In April 2002, the Terrorist Financing Convention was ratified by the requisite number of States and became effective.⁸⁸ The Terrorist Financing Convention requires signatory parties to adopt domestic legislation to criminalize and punish terrorist

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Id.* at 9-10.

⁸⁷ *Id.*

⁸⁸ *Id.* at 10.

financing, license or register all money transmitting services, detect and control the physical cross-border transportation of currency and negotiable instruments, and develop and implement internal controls to prevent financial institutions from being used to transfer funds to terrorists.⁸⁹ Of particular importance, the Convention requires States to freeze terrorist assets. Article 8 provides that each State “*shall* take appropriate measures . . . for the identification, detection, and freezing or seizure of any funds used or allocated for the purpose” of committing acts of terrorism.⁹⁰

On June 17, 2011, the United Nations Security Council unanimously passed Resolution 1989—the first resolution dealing with sanctions relating to al-Qaeda. Specifically, Resolution 1989 mandated a freeze on funds and other financial assets or economic resources of individuals involved with al-Qaeda, and reiterated the importance of Member States implementing the FATF’s nine special recommendations.⁹¹ The following year, on December 17, 2012, the Security Council unanimously passed Resolution 2083, which provided detailed criteria for designating individuals or entities associated with al-Qaeda and subjected such entities to asset freezes, travel bans, and arms embargos.⁹²

On June 17, 2014, the Security Council unanimously passed Resolution 2161, adopting sanctions against the Taliban and urging all Member States to take appropriate actions against individuals and entities affiliated with the Taliban.⁹³

Finally, on September 24, 2014, the Security Council voted unanimously to adopt Resolution 2178, which calls on Member States to cooperate in efforts to address the threat posed by foreign terrorist fighters who are associated with the Islamic State.⁹⁴ As part of that security resolution, the Member States were called upon to disrupt and prevent financial support of the foreign terrorist fighters.⁹⁵

Thus, the duty to freeze terrorist assets is established by multiple legal authorities, including U.N. Security Council resolutions, the FATF Nine Special Recommendations on Terrorist Financing, and the Terrorist Financing Convention.

Criminal Enforcement Actions

U.S. efforts to prosecute terrorist donors, fundraisers, and financial facilitators are grounded in two federal statutes enacted in the mid-1990s.⁹⁶ 18 U.S.C. § 2339A makes it a

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ See United Nations Security Council Resolution 1989 (2011), available at [http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1989\(2011\)](http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1989(2011)).

⁹² See United Nations Security Council Resolution 2083 (2012), available at [http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/2083\(2012\)](http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/2083(2012)).

⁹³ See United Nations Security Council Resolution 2161 (2014), available at [http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/2161\(2014\)](http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/2161(2014)).

⁹⁴ See UN News Centre release, “Security Council high-level summit tackles growing threat of foreign terrorist fighters,” (September 24, 2014), available at <http://www.un.org/apps/news/story.asp?NewsID=48824#.VE-1fnF9SI>.

⁹⁵ See United Nations Security Council Resolution 2178 (2014), available at [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2178%20\(2014\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2178%20(2014)).

⁹⁶ Gurulé, *supra* note 74, at 10.

crime to knowingly provide “material support or resources” “knowing or intending” that they be used in preparation for, or in carrying out, various enumerated terrorist-related crimes.⁹⁷ 18 U.S.C. § 2339B punishes whoever knowingly provides “material support or resources” to a “foreign terrorist organization” knowing that the organization has been designated as such by the Secretary of State or knowing that the organization has engaged or engages in terrorist activity.

The Secretary of State has designated 59 “foreign terrorist organizations,”⁹⁸ and providing “material support or resources” to members of these groups is criminalized by section 2339B.⁹⁹ While “section 2339A was limited to donors intending to further the commission of specific federal offenses, Congress passed §2339B to encompass donors who acted *without* the intent to further federal crimes.¹⁰⁰ Both §§ 2339A and 2339B prohibit the provision of “material support or resources,” which includes “currency or monetary instruments or financial securities, [and] financial services,” as well as other forms of assistance to terrorists and terrorist organizations.¹⁰¹

In 2002, Congress enacted the Suppression of the Financing of Terrorism Convention Implementation Act (2002 Act), criminalizing certain financial transactions made in furtherance of enumerated terrorist crimes. The 2002 Act implemented the International Convention for the Suppression of Terrorist Financing, which was ratified by the U.S. Senate in June 2002. The 2002 Act created a new statute, 18 U.S.C. § 2339C, which makes it a crime to “provide or collect” funds with the intention or knowledge that the funds are to be used to carry out an offense within the scope of various international counter-terrorism treaties specified in the statute. Section 2339C also punishes financing any other act intended to cause death or serious bodily injury to a civilian, when the purpose of such act is to intimidate a population, or to compel a government or international organization to do or refrain from doing any act. Unfortunately, prior to the 9/11 terrorist attacks, §§ 2339A and 2339B were seldom, if ever, used to prosecute the donors, fund-raisers, or financial facilitators of terrorist organizations such as al Qaeda and the Taliban. Moreover, since 9/11, § 2339C has been used only sparingly to prosecute terrorist financiers.

Finally, after the 9/11 attacks, Congress enacted additional legislation to prosecute terrorist financiers and facilitators. Those statutes include 31 U.S.C. § 5332, which punishes the smuggling of cash and negotiable instruments into or outside the U.S. with the intent to evade a currency reporting requirement, and 18 U.S.C. §1960, which prohibits money transmitting businesses, including hawala, from operating without a State license or without registering with the Treasury Department.¹⁰²

⁹⁷ *Id.* at 10-11.

⁹⁸ *Id.*; see U.S. Department of State list of Foreign Terrorist Organizations, available at <http://www.state.gov/j/ct/rls/other/des/123085.htm>.

⁹⁹ Gurulé, *supra* note 74, at 11.

¹⁰⁰ *Id.*; The term “material support or resources” means “currency or monetary instruments or financial securities, financial services, lodging, training, expert advice or assistance, safe houses, false documentation or identification, communications equipment, facilities, weapons, lethal substances, personal (1 or more individuals who may be or include oneself) and transportation.”

¹⁰¹ *Id.*

¹⁰² *Id.* at 11-12.

Private Civil Causes of Action

There are several federal statutes that authorize a private cause of action for acts of terrorism. Victims of terrorist attacks may file suit pursuant to 18 U.S.C. §2333(a), enacted as part of the Antiterrorism Act of 1991 (ATA). Section 2333(a) authorizes any national of the U.S. injured in his person, property, or business by reason of an act of international terrorism, or his estate, survivors, or heirs, to sue in federal district court, and, if successful, recover treble damages, court costs, and attorney's fees. The ATA was intended "to fill a gap in the law by establishing a civil counterpart to the existing criminal statutes." Section 2333(a) has been used against Islamic charitable organizations, terrorist front groups, and banks suspected of raising money for or providing financial services to terrorist organizations.¹⁰³

The Alien Tort Claims Act, also referred to as the Alien Tort Statute (ATS), 28 U.S.C. §1350, affords *foreign* terrorism victims a civil cause of action. Section 1350 authorizes a cause of action for injuries suffered as the result of a "violation of the law of nations or a treaty of the United States." The federal tort statute was enacted by the Founders during the First Congress in 1789. In the terrorist financing context, the ATA has been used by foreign nationals to support a cause of action against Arab Bank, a Jordanian bank with a New York branch, for knowingly providing banking and administrative services to Hamas and other Palestinian terrorist organizations that sponsored suicide attacks killing innocent civilians.¹⁰⁴

More recent legislation authorizes a private cause of action for nationals of the U.S., employees of the U.S., or individuals performing a private contract awarded by the U.S. against a foreign state sponsor of terrorism. This legislation, codified at 28 U.S.C. §1605A, eliminates sovereign immunity for foreign states designated as "state sponsors of terrorism" (SST). There are currently four states that have been designated by the Secretary of State as SSTs: Cuba, Iran, Sudan, and Syria.¹⁰⁵ Pursuant to §1605A, which became effective January 28, 2008, those States lose their foreign sovereign immunity where plaintiffs are seeking money damages for personal injury or death that was caused by an "act of torture, extrajudicial killing, aircraft sabotage, hostage-taking, or the provision of material support or resources" if the provision of material support was by "an official, employee, or agent of such foreign state while acting within the scope of his . . . office, employment, or agency." In essence, the statute holds foreign SSTs vicariously liable for the acts of their officials, employees, or agents.

In sum, a relatively robust legal regime has evolved since 9/11 to combat terrorist financing that consists of multiple components: domestic and international asset freezes; regulatory mandates on financial institutions to prevent terrorist financing; imposition of international counter-terrorist financing standards; criminal enforcement actions; and civil tort claims. However, the critical question is whether the counter-terrorist financing legal regime developed in the wake of 9/11 has been, and will continue to be, effective in

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*; see U.S. Department of State list of State Sponsors of Terrorism, available at <http://www.state.gov/j/ct/list/c14151.htm>.

disrupting ever-evolving terrorist financing networks and depriving the various terrorist groups—including, notably, the resilient and nearly entirely self-financed Islamic State—of funding.

Appendix B: Witness Biographies

Juan C. Zarate, Senior Adviser, Center for Strategic and International Studies and Senior Counselor, Foundation for Defense of Democracies

Mr. Zarate currently serves as Chairman and Senior Counselor of the Center on Sanctions and Illicit Finance (CSIF) at the Foundation for Defense of Democracies. Mr. Zarate is a Senior Adviser at the Center for Strategic and International Studies (CSIS), the Senior National Security Analyst for CBS News, a Visiting Lecturer of Law at the Harvard Law School, and the Chairman and Co-Founder of the Financial Integrity Network.



Mr. Zarate served as the Deputy Assistant to the President and Deputy National Security Advisor for Combating Terrorism from 2005 to 2009, and was responsible for developing and implementing the U.S. Government’s counterterrorism strategy and policies related to transnational security threats. Mr. Zarate was the first Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes where he led domestic and international efforts to attack terrorist financing, the innovative use of Treasury’s national security-related powers, and the global hunt for Saddam Hussein’s assets. Mr. Zarate is a former federal prosecutor who served on terrorism prosecution teams prior to 9/11, including the investigation of the USS Cole attack.

Mr. Zarate sits on several boards, including for the Director of the National Counterterrorism Center (NCTC), HSBC’s Financial Services Vulnerabilities Committee, the Coinbase Board of Advisors, and the Vatican’s Financial Information Authority (AIF).

He is the author of *Treasury’s War: The Unleashing of a New Era of Financial Warfare* (2013), *Forging Democracy* (1994), and a variety of articles in The New York Times, Washington Post, Wall St. Journal, LA Times, the Washington Quarterly and other publications.

Mr. Zarate has his own weekly national security program on CBSNews.com called “Flash Points.” He is a graduate of both Harvard College and Harvard Law School and a former Rotary International Fellow (Universidad de Salamanca, Spain).

Jonathan Schanzer, Vice President, Foundation for Defense of Democracies

Dr. Schanzer is currently the Vice President at the Foundation for Defense of Democracies. He worked as a terrorism finance analyst at the U.S. Department of the Treasury, where he played an integral role in the designation of numerous terrorist financiers. A former research fellow at the Washington Institute for Near East Policy, Dr. Schanzer has studied Middle East history in four countries. He earned his Ph.D. from Kings College London, where he wrote his dissertation on the U.S. Congress and its efforts to combat terrorism in the 20th century.

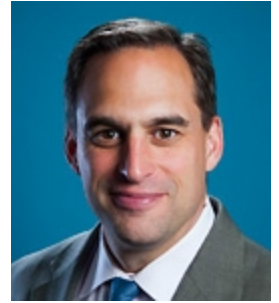


Dr. Schanzer's books have made unique contributions to the field. He most recently published *State of Failure: Yasser Arafat, Mahmoud Abbas, and the Unmaking of the Palestinian State* (Palgrave Macmillan), which argues the main roadblock to Palestinian statehood is not necessarily Israel's intransigence, but the Palestinian Authority's political dysfunction and mismanagement. His 2008 book, *Hamas vs. Fatah: The Struggle for Palestine* (Palgrave Macmillan), is still the only book on the market that analyzes the internecine conflict between the two most powerful Palestinian factions. His 2004 book, *Al-Qaeda's Armies: Middle East Affiliate Groups and the Next Generation of Terror* (Washington Institute for Near East Policy), was the first to explore the al-Qaeda franchises of the Middle East. More recently, Dr. Schanzer co-authored a monograph in 2010 with FDD's executive director Mark Dubowitz titled, *Palestinian Pulse: What Policymakers Can Learn From Palestinian Social Media* (FDD Press). Using proprietary technology, this study collected data from thousands of Arabic language websites to reveal the trends, thoughts, and perceptions of Palestinians online, with a focus on those that could impact current U.S. policies. In 2012, he co-authored another cutting edge study, using the same technology, with FDD researcher Steven Miller titled, *Facebook Fatwa: Saudi Clerics, Wahhabi Islam and Social Media* (FDD Press). This cutting edge study explores the way in which Saudi religious figures disseminate their messages to the wider Muslim world.

Dr. Schanzer has testified before Congress and publishes widely in the American and international media. He has appeared on American television channels such as CNN and Fox News, and Arabic language television channels such as al-Arabiyya and al-Jazeera. Dr. Schanzer has traveled widely throughout the Middle East, including Iraq, Yemen, Egypt, Morocco, Kuwait, Qatar, Turkey, Jordan, Israel and the Palestinian territories. He speaks Arabic and Hebrew.

Seth G. Jones, Director, International Security and Defense Policy Center, RAND Corporation

Seth G. Jones is director of the International Security and Defense Policy Center at the RAND Corporation, as well as an adjunct professor at Johns Hopkins University's School for Advanced International Studies. He served as the representative for the commander, U.S. Special Operations Command, to the Assistant Secretary of Defense for Special Operations. Before that, he served as a plans officer and advisor to the commanding general, U.S. Special Operations Forces, in Afghanistan (Combined Forces Special Operations Component Command–Afghanistan).



Mr. Jones specializes in counterinsurgency and counterterrorism, including a focus on Afghanistan, Pakistan, and al Qa'ida. He is the author of *Hunting in the Shadows: The Pursuit of al Qa'ida after 9/11* (W.W. Norton, 2012) and *In the Graveyard of Empires: America's War in Afghanistan* (W. W. Norton), which won the 2010 Council on Foreign Relations Silver Medal for Best Book of the Year. He is also the author of *The Rise of European Security Cooperation* (Cambridge University Press, 2007). Mr. Jones has published articles in a range of journals, such as *Foreign Affairs*, *Foreign Policy*, and *International Security*, as well as in such newspapers and magazines as the *New York Times*, *Washington Post*, and *Wall Street Journal*.

Among his many RAND publications are *Afghanistan's Local War* (2010), *Counterinsurgency in Pakistan* (2010), *How Terrorist Groups End: Lessons for Countering Al Qa'ida* (2009), and *Counterinsurgency in Afghanistan* (2008). Mr. Jones is also coauthor of RAND's series of reports on nation-building.

Mr. Jones received his M.A. and Ph.D. from the University of Chicago.