

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority and Minority Staff

Date: June 6, 2016

Subject: June 8, 2016, Task Force to Investigate Terror Financing hearing entitled “The Enemy in our Backyard: Examining Terror Funding Streams from South America”

The Task Force to Investigate Terrorism Financing will hold a hearing entitled “The Enemy in our Backyard: Examining Terror Funding Streams from South America” on Wednesday, June 8, 2016, at 9:00 a.m. in Room 2128 of the Rayburn House Office Building. This will be a one-panel hearing with the following witnesses:

- Dr. Mariano Federici, President, Financial Intelligence Unit of Argentina
- Mr. Michael Braun, Managing Partner, SGI Global, LLC
- Dr. Emanuele Ottolenghi, Senior Fellow, Center on Sanctions and Illicit Finance, Foundation for Defense of Democracies

This hearing will examine how South American criminal enterprises—including those designated by the State Department as Foreign Terrorist Organizations—fund their operations, including through illicit uses of the financial system. In particular, the hearing will examine money laundering associated with the drug trade, including connections between the drug trade and terrorism. The hearing will also examine illicit uses of the financial system associated with criminal activity in the tri-border area of Argentina, Brazil, and Paraguay, as well as with criminal activity in South America backed by Iran and Hezbollah. Witnesses will discuss tools at the disposal of the United States to enforce international money laundering laws in addition to methods by which countries may better coordinate their enforcement efforts.

Introduction¹

Illicit financial flows in the Western Hemisphere are characterized by their links to transnational crime, trade-based money laundering, bulk cash smuggling, and corruption. Some international terrorist groups, including a few that operate in South America, also profit from significant criminal activity in the region. In a recent roundtable with the media, Admiral Kurt Tidd, U.S. Commander of Southern Command (SOUTHCOM), even raised concerns regarding the growth of Islamist extremism in the region, noting that the Islamic State has attracted between 100 and 150 recruits from Latin America.² Notwithstanding the presence of terrorism in the region, the terrorist threat in Latin America, including concerns regarding terrorist financing, is often downplayed when compared to terrorism issues in other parts of the world. As described in the U.S. Department of State's June 2016 *Country Reports on Terrorism*:

[t]ransnational criminal organizations continued to pose a more significant threat to the region than terrorism, and most countries made efforts to investigate possible connections with terrorist organizations....³

The primary U.S. Department of State-designated Foreign Terrorist Organizations (FTOs) operating in South America are the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, or FARC), the National Liberation Army (Ejército de Liberación Nacional, or ELN), also of Colombia, and the Shining Path (Sendero Luminoso, or SL) of Peru. All three terrorist groups have been officially designated as FTOs by the State Department since October 1997.⁴

Members of other terrorist groups, including the Basque separatist group in Spain (Euskadi Ta Askatasuna, or ETA), have also reportedly been sighted in recent years in South America.⁵ According to the State Department, sympathizers and facilitators of other terrorist groups may also reside in the region:

South America and the Caribbean also served as areas of financial and ideological support for ISIL and other terrorist groups in the Middle East and South Asia. In addition, Hizballah continued to maintain a presence in the region, with members, facilitators, and supporters engaging in activity in support of the organization. This included efforts to build Hizballah's infrastructure in South America and fundraising, both through licit and illicit means.⁶

The State Department further noted that the Argentine Federal Prosecutor in charge of Economic Crimes in Argentina had identified at the end of 2015 "a new potential terrorism-financing case" involving a Syrian national carrying out suspicious transactions in the tri-border area (TBA) between Argentina, Brazil, and Paraguay.⁷

Also of note is that in May 2015, the Obama Administration announced the removal of Cuba from the U.S. list of state sponsors of international terrorism—Cuba was the only Western Hemisphere country that has ever been listed.⁸

¹ This memorandum was prepared by the Congressional Research Service (CRS) at the Task Force's request, and has been reviewed and approved by staff of the Financial Services Committee.

² Kristina Wong, "U.S. Military Eyes 'Extremist Islamic Movement' in Latin America," *The Hill*, June 1, 2016.

³ U.S. Department of State, *Country Reports on Terrorism 2015*, June 2016.

⁴ For further information see also CRS Report RS21049, *Latin America: Terrorism Issues*, by Mark P. Sullivan and June S. Beittel.

⁵ e.g., Jose Ignacio De Juana Chaos, an ETA terrorist reportedly surfaced in Venezuela, according to media reports. See for example "España pide a Venezuela la extradición del etarra De Juana Chaos," *El Universal*, July 3, 2015.

⁶ U.S. Department of State, *Country Reports on Terrorism 2015*, June 2016.

⁷ *Ibid.*

⁸ For background on Cuba's removal from the list, see CRS Report R43926, [Cuba: Issues for the 114th Congress](#), by Mark P. Sullivan.

Much U.S. concern about terrorist financing in South America has focused on the extent of Iranian influence in the region—Iran is one of three countries identified by the United States as state sponsors of international terrorism—but most observers agree that Iran’s activities in the region have waned in recent years. One incident that highlights the potential nexus of criminal and Iranian-backed terrorist activity in Latin America is the alleged plot uncovered by the U.S. Department of Justice in October 2011 to assassinate Saudi Arabia’s Ambassador in Washington D.C. That plot reportedly involved Iran’s Islamic Revolutionary Guards Corps-Quds Force (IRGC-QF) attempting to recruit an agent who it thought was a member of a Mexican drug trafficking organization (Los Zetas), but who was actually a Drug Enforcement Administration confidential source.⁹

Sources of Financing

The State Department’s *Country Reports on Terrorism* includes a section on “funding and external aid” for each designated FTO described in the report. According to the most recent report, FTOs operating in or deriving financial support from Latin America, often by means of criminal activity, include FARC, ELN, SL, and Hezbollah.¹⁰

- **FARC** obtains funds from extortion, kidnapping for ransom, and drug trafficking. According to recent testimony, drug proceeds benefitting FARC may range from \$200 million to \$3 billion per year.¹¹ In recent years, FARC diversified into illegal mining, especially gold mining as gold prices rose.¹² In April 2016, the *Economist* reported that an unpublished Colombian study estimated that FARC had stockpiled some \$11 billion in assets by 2012.¹³ The Colombian government entered into peace negotiations with FARC in late 2012 and has negotiated with the group for more than 50 rounds of peace talks.
- **ELN** is primarily financed by drug trafficking, extortion of oil and gas companies, and, to a lesser extent, kidnapping for ransom. ELN’s efforts to negotiate and communicate with authorities are considerably behind FARC peace talks. The Colombian government has criticized ELN for continuing kidnappings to raise funds and bolster its negotiating position, as it did in late-May 2016 when ELN detained three journalists and prevented the opening of formal talks with the Juan Manuel Santos government.
- **SL** generates most of its funds through drug trafficking. Specifically, according to recent congressional testimony, SL may generate some \$50,000 to \$100,000 in drug income each month.¹⁴ SL operates in the remote central-southern Valley of the Apurimac, Ene, and Mantaro Rivers (VRAEM), where approximately half of Peru’s pure cocaine is

⁹ U.S. Department of Justice, “Two Men Charged in Alleged Plot to Assassinate Saudi Arabian Ambassador to the United States,” press release, October 11, 2011; and Charlie Savage and Scott Shane, “Iranians Accused of a Plot to Kill Saudis’ U.S. Envoy,” *New York Times*, October 11, 2011.

¹⁰ See note 3, *supra*: U.S. Department of State, *Country Reports on Terrorism 2015*, June 2016.

¹¹ Michael Shifter, President of the Inter-American Dialogue, prepared statement for a hearing held by the House Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade, “Terrorist Groups in Latin America: The Changing Landscape,” Serial No. 113-121, February 4, 2014.

¹² See Juan Carlos Garzón and Julian Wilches, “The Reasons for the Surge in Coca Cultivation in Colombia,” Wilson Center for International Studies, August 25, 2015. The authors examine the idea that coca cultivation and gold price are correlated. Their examination of the data finds that these activities may be complementary.

¹³ “Unfunny Money,” *Economist*, April 16, 2016. Colombian officials have not corroborated this estimate since the *Economist* article was published. The FARC has also reportedly denied the accuracy of the figure as well.

¹⁴ Michael Shifter, President of the Inter-American Dialogue, prepared statement for a hearing held by the House Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade, “Terrorist Groups in Latin America: The Changing Landscape,” Serial No. 113-121, February 4, 2014.

produced. SL's strength has been greatly reduced from the late 1980s and early 1990s, when it posed a significant threat to national security. According to *Jane's Sentinel Security Assessment*, SL no longer poses a major security threat outside the VRAEM.¹⁵ Foreign and domestic gas and mining operating in the VRAEM continue to face threats of extortion, sabotage, and kidnapping by the group.¹⁶

- **Hezbollah** reportedly receives financial support from Lebanese Shia communities worldwide, including in South America. For further discussion of Hezbollah's alleged links to drug trafficking and related money laundering in South America, see section below on "Selected Case Studies."

Criminal Nexus

Transnational crime is a key concern for the region, as are potential links between criminal and terrorist activity. Among the FTOs operating in South America, all are known to exploit porous and permissive borders to engage in drug trafficking, extortion, kidnapping, and other illicit criminal activity. FARC, for example, has been known to exploit Colombia's porous borders for safe haven, weapons sourcing, and logistical planning in neighboring countries (i.e., Ecuador, Venezuela, Panama, and Brazil). Other illegal armed groups in Colombia, particularly the "*bandas criminales*" (criminal bands, or BACRIM), also reportedly exploit these porous borders to cultivate and transport drugs, operate illegal mines, and extort the local populace.

The TBA of Argentina, Brazil, and Paraguay, for example, has long been a regional nexus for the smuggling of weapons, drugs, people, and counterfeit and pirated goods, as well as money laundering. According to the State Department, "[i]llicit activities within the TBA remained potential funding sources for terrorist organizations, most notably Hizballah."¹⁷

Panama is also known as a key node for a variety of smuggling and money laundering activity and a potential conduit for terrorist travel. According to the State Department's 2014 *Country Reports on Terrorism*:

Panama's strategic location as a gateway between Central and South America [as well as its] expansion in the banking and finance sectors, the establishment of a new diamond exchange, offshore banking facilities, tax shelters, and free trade zones leave [it] vulnerable to illicit arms and narcotics trade along with other associated forms of money laundering. Panama's Darien region remained a significant and growing pathway for human smuggling with counterterrorism implications.¹⁸

Drug Trafficking Proceeds Accrued to Mexican Criminal Groups

Beyond terrorist financing in Latin America, Mexican dominance of the region's drug supply, trafficking, and wholesale distribution of most illicit drugs to the United States represents the most significant source of illicit cash to be laundered. Illicit profits accrued by Mexican criminal organizations—ranging from complex transnational criminal organizations (TCOs) to smaller Mexican mafias—remain hard to estimate. Various estimates from 2010 and 2011 characterized the range of Mexican drug-related proceeds as spanning between \$4 billion and \$29 billion.¹⁹ A more recent study by the Financial Action

¹⁵ IHS, "Peru: Security," *Jane's Sentinel Security Assessment*, November 23, 2015.

¹⁶ Ibid.

¹⁷ U.S. Department of State, *Country Reports on Terrorism 2014*, June 2015.

¹⁸ Ibid.

¹⁹ According to a 2010 study prepared by the U.S. Department of Homeland Security, Mexican bulk cash criminal proceeds were estimated to range between \$19 billion and \$29 billion annually. According to the State Department in 2010, the amount of drug proceeds that have been annually repatriated from the United States to Mexico may

Task Force (FATF) in 2015 suggests that an annual estimate of bulk cash smuggled over the U.S.-Mexico border is between \$6 billion to \$36 billion annually (\$25 billion is the generally accepted figure).²⁰ FATF's estimate, however, does not define how much of that total benefits TCOs directly.²¹

According to many observers, the largest portion of TCO criminal proceeds in Mexico continues to be from the drug trade. The major Mexican TCOs—such as the Sinaloa crime group—are producing and trafficking multiple drugs, such as heroin, methamphetamine, and cannabis, or supplying cocaine produced in South America to the large U.S. market. Other TCOs may specialize in a particular drug. Some analysts contend that, in addition to the larger TCOs, there has been a sharp increase in newer criminal organizations splintered from larger groups, often operating inside Mexico or regionalized in their native country. Some observers maintain that these smaller “*cartelitos*” have continued an overall pattern of fragmentation that has generated 60 to 200 groups. New organizations that have emerged or become prominent in 2015 and 2016 include: the Jalisco Cartel New Generation (JCNG), Los Viagras, Guerreros Unidos, and Los Cuinis, among several others. In addition to fragmentation, there has been a major shift into other types of predatory crime including natural resource theft (e.g., oil smuggling, illegal logging, and illegal mining) and the extortion of legal businesses, particularly in agriculture and construction.

Mexico's Anti-Money Laundering Efforts

In August 2010, the Mexican government approved limits on U.S. dollars that individuals can deposit or exchange each month to \$7,000, and this level was later raised to \$14,000. In September 2014, however, the restrictions were eased for border and tourist area businesses due to concerns that the restrictions were harming legitimate commerce.²² According to the State Department, “[v]ery few Mexican financial institutions have taken advantage of these new regulations.”²³ Under the Mérida Initiative, the United States has provided more than \$1.6 billion in security assistance to Mexico and provided technology, equipment and training, including \$20 million to support the development of a financial intelligence unit (FIU) within the Mexican Attorney General's office.²⁴ The State Department's International Narcotics and Law Enforcement Affairs office, located at the U.S. Embassy in Mexico, has supported the work of Mexico's FIU, helping the office to bring cases, although few have reportedly resulted in successful asset seizures or prosecutions.

range between \$8 billion and \$25 billion. Other estimates have given lower ranges; for example, a RAND Corporation study released in 2010 characterized a total of \$6.6 billion annually as the “best estimate.” In 2011, the Mexican government estimated that organized crime groups laundered some \$10 billion, with drug trafficking making up roughly 40% of that or \$4 billion. U.S. Department of Homeland Security, *United States of America-Mexico Bi-National Criminal Proceeds Study*, June 2010; U.S. Department of State, *International Narcotics Control Strategy Report* (INCSR), Vol. 2: Money Laundering and Financial Crimes, March 2010; Beau Kilmer, Jonathan P. Caulkins, and Brittany M. Bond et al., *Drug Trafficking Revenues and Violence in Mexico: Would Legalizing Marijuana in California Help?*, RAND Corporation, Los Angeles, CA, 2010; Mollie Laffin-Rose, “Organized Crime Laundered \$10 Bn in Mexico in FY2011,” *In Sight Crime*, April 20, 2012.

²⁰ Financial Action Task Force (FATF), “Money Laundering Through the Physical Transportation of Cash,” October 2015, available at <http://www.fatf-gafi.org/media/fatf/documents/reports/money-laundering-through-transportation-cash.pdf>.

²¹ Given the wide range of estimates, some analysts maintain that money laundering volume estimates are so imprecise that it undermines anti-money laundering approaches as an effective basis for dismantling the drug trafficking organizations or shutting down their operations. See, for example, Alejandro Hope, “Money Laundering and the Myth of the Ninja Accountant,” *InSight Crime*, October 11, 2011.

²² “Mexico Scraps Dollar Cash Deposit Limits to Spur Trade,” *Reuters*, September 12, 2014; “War Against Drug Money Entering U.S. from Mexico Takes a Turn, Banks Back in Picture,” *Fox News Latino*, October 11, 2014.

²³ U.S. Department of State, *International Narcotics Control Strategy Report* (INCSR), Vol. 2: Money Laundering and Financial Crimes, March 2016.

²⁴ For more information on the Mérida Initiative, see CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*, by Clare Seelke and Kristin Finklea.

Selected Case Studies

Drug Trafficking and Hezbollah Money Laundering. Several U.S. law enforcement cases in recent years have highlighted Hezbollah's role in drug trafficking, including links to FARC, and related money laundering. A two-year U.S.-Colombian investigation alleged in 2008 that Lebanese kingpin Chekry Harb laundered hundreds of millions of dollars in drug proceeds for the Medellin drug trafficking organization known as La Oficina de Envigado.²⁵ Harb reportedly laundered drug proceeds through key nodes in Latin America and Asia, while also paying some 12% of his profits to Hezbollah. In 2011, Lebanese-Colombian national Ayman Joumaa was indicted in the United States for cocaine trafficking with links to the Mexican Los Zetas group and laundering millions of dollars in drug proceeds across Latin America, West Africa, and Europe—some portion of which he reportedly reserved as profit to Hezbollah.²⁶

Also in 2011, U.S. authorities took action against the now-defunct Lebanese Canadian Bank, which was used, in combination with several Lebanese exchange houses, as part of a transnational illicit trade and money laundering scheme.²⁷ The scheme facilitated the laundering of South American drug proceeds through the Lebanese financial system and through trade-based money laundering (TBML) schemes involving used cars and consumer goods.

Most recently, in February 2016, U.S. and European authorities revealed that Hezbollah maintained a specific branch within its organization focused on drug trafficking and money laundering, called the Business Affairs Component (BAC).²⁸ Authorities also revealed Hezbollah schemes involving the movement of large quantities of South American cocaine, via links with various South American drug cartels, and the laundering of such drug proceeds through informal value transfer mechanisms.

Trade-Based Money Laundering. Anecdotally, in some instances TBML techniques are used by known terrorist groups, including Hezbollah, as well as *hawala* brokers operating beyond the realm of international banking regulatory standards. In comparison to other means, however, the U.S. Department of the Treasury Department's June 2015 *National Terrorist Financing Risk Assessment* concluded that TBML is not a dominant method for terrorist financing.²⁹ The U.S. government has historically focused on TBML schemes involving drug proceeds from Latin America, particularly the Black Market Peso Exchange (BMPE). BMPE emerged as a major money laundering method when Colombian drug traffickers used sophisticated trade-based schemes to disguise as much as \$4 billion in annual narcotics profits in the 1980s.³⁰ According to the Treasury Department, TBML activity is growing in both volume

²⁵ Celina Realuyo, National Defense University Professor of Practice of National Security Affairs, prepared statement for a hearing held by the House Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade, "Terrorist Groups in Latin America: The Changing Landscape," Serial No. 113-121, February 4, 2014.

²⁶ U.S. Department of the Treasury, "Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network," press release, January 26, 2011; Sebastian Rotella, "Government Says Hezbollah Profits from U.S. Cocaine Market Via Link to Mexican Cartel," *ProPublica*, December 13, 2011.

²⁷ Jo Becker, "Beirut Bank Seen as a Hub of Hezbollah's Financing," *New York Times*, December 13, 2011. See also, Renee Novakoff, "Transnational Organized Crime: An Insidious Threat to US National Security Interests," *PRISM*, vol. 5, no. 4 (2015). Novakoff points out that Joumaa was an example of "super fixers" or middlemen who are increasingly serving as providers of intermediary services to criminal clients and terrorist groups alike.

²⁸ U.S. Drug Enforcement Administration, "DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme," press release, February 1, 2016.

²⁹ U.S. Department of the Treasury, *National Terrorist Financing Risk Assessment*, June 12, 2015.

³⁰ Broadly, the Black Market Peso Exchange (BMPE) facilitated the "swap" of dollars owned by drug cartels in the United States for pesos already in Colombia by selling the dollars to Colombian businessmen who sought to buy U.S. goods for export. See FinCEN, *Colombian Black Market Peso Exchange*, advisory, issue 9, November, 1997; U.S. government, National Money Laundering Strategy, May 3, 2007; and FATF, *Trade Based Money Laundering*, June 23, 2006.

and global reach. In an analysis of suspicious activity reports (SARs) between January 2004 and May 2009, the Treasury Department's Financial Crimes Enforcement Network (FinCEN) found that TBML activity was most frequently identified in transactions involving Mexico and China. Panama was ranked third, potentially due to TBML activity linked to the Panama Colon Free Trade Zone (FTZ), while the Dominican Republic and Venezuela were identified as "countries with the most rapid growth in potential TBML activity."³¹

Panama Papers and Latin American Links. In April 2016, the International Consortium of Investigative Journalists (ICIJ) disclosed the existence of 11.5 million files of leaked financial documents and attorney-client communications related to more than 214,000 offshore companies listed by the Panamanian law firm Mossack Fonseca. While the mere existence of offshore accounts is not necessarily indicative of illicit activity, unscrupulous actors may seek to exploit the anonymity provided by such accounts. These leaked documents, known as the Panama Papers, reveal the use of shell companies by a number of individuals, including alleged drug traffickers from Latin America.³²

Status of AML/CFT Compliance

The United States reviews foreign jurisdictions, including those located in Latin America, for their adherence to international standards on anti-money laundering (AML) and combating the financing of terrorism (CFT) in reports to Congress such as the State Department's *International Narcotics Control Strategy Report* and *Country Reports on Terrorism*, as well as through regular participation in FATF and FATF-style regional bodies such as the Caribbean Financial Action Task Force (CFATF) and the Financial Action Task Force of Latin America (GAFILAT). Multiple federal agencies participate in ongoing law enforcement investigations and operations related to criminal and national security financial matters, including narco-terrorism concerns. Several federal agencies also provide training and technical assistance, as well as advisory and mentoring support to countries in Latin America for AML/CFT purposes.³³ Treasury's Office of Foreign Assets Control (OFAC) also administers several financial sanctions programs on counterterrorism, counternarcotics, and transnational organized crime that target individuals and entities in Latin America.

³¹ FinCEN, *Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding Trade-Based Money Laundering*, advisory, FIN-2010-A001, February 18, 2010.

³² See "Giant Leak of Offshore Financial Records Exposes Global Array of Crime and Corruption," *International Consortium of Investigative Journalists*, April 3, 2016; and Elyssa Pachico, "Panama Papers Highlight How LatAm's Elites Hide Wealth," *InSight Crime*, April 4, 2016.

³³ Such efforts have recently included: initiatives by the Board of Governors of the Federal Reserve System in several Caribbean jurisdictions; cross-border financial investigations trainings and advisors by the Department of Homeland Security in several South American countries; support to trade transparency units (TTUs) in Argentina, Colombia, the Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Paraguay, and Peru; trainings by the Drug Enforcement Administration (DEA) on money laundering, TBML, undercover financial operations, financial investigations, and financial intelligence; Federal Bureau of Investigations (FBI) courses, seminars, and workshops on illicit finance and terrorist financing in countries such as Brazil, Colombia, and Paraguay; a train-the-trainer program on financial investigations and money laundering to Panama by the Justice Department's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT); technical assistance by the Justice Department's Asset Forfeiture and Money Laundering Section (AFMLS); resident or intermittent legal advisors funded by the State Department to support CFT efforts in countries such as Panama, Colombia, and Paraguay; State Department funding for UN support and assistance for South American asset recovery efforts and for regional capacity building efforts on money laundering and terrorist financing through the Organization of American States (OAS); Strategic analysis training by FinCEN for Egmont members in Latin America; technical assistance by the Internal Revenue Service-Criminal Investigations (IRS-CI) and the Economic Crimes Team of the Treasury Department's Office of Technical Assistance (OTA); and training of foreign banking supervisors by the Office of the Comptroller of the Currency.

State Department Report

According to the State Department's March 2016 *International Narcotics Control Strategy Report* (INCSR), 20 Latin American countries or jurisdictions were identified as "major money laundering countries" in 2015.³⁴ They include: Antigua and Barbuda, Argentina, the Bahamas, Belize, Bolivia, Brazil, the British Virgin Islands, the Cayman Islands, Colombia, Costa Rica, Curacao, Dominican Republic, Guatemala, Haiti, Mexico, Panama, Paraguay, Sint Maarten, Uruguay, and Venezuela. Latin America accounts for approximately 30% of the State Department's global list of 67 major money laundering countries, which includes the United States. The State Department reports terrorist financing-related concerns for these major money laundering countries in Latin America:

- **Argentina** suffers from "[i]nstitutionalized corruption, drug trafficking, high levels of informal and contraband trade, and an active informal exchange market" whose "general vulnerabilities in the financial system also expose Argentina to a risk of terrorism financing." In the past, FinCEN, a Treasury Department bureau that serves as a national financial intelligence unit (FIU), has suspended information sharing privileges with Argentina's FIU. The first time was in July 2009, and the suspension lasted three and a half years. The second time was in June 2015, after an unauthorized disclosure of information received from FinCEN. On March 21, 2016, FinCEN and Argentina's FIU re-established information sharing.³⁵
- **Belize** has a substantial and reportedly "loosely monitored" offshore financial sector that is vulnerable to money laundering and terrorist financing.
- **Brazil**, as the second-largest economy in the Americas, a major drug-transit country, and a regional financial center for Latin America, is also attractive as a location to launder proceeds of drug trafficking, corruption, organized crime, and other contraband and counterfeit goods. Although a new law signed in October 2015 provides procedures for freezing assets related to United Nations terrorist sanctions and bilateral information sharing, "[t]errorism and terrorist financing are still not criminalized in a manner consistent with international standards."
- In **Colombia**, money laundering is "a significant avenue for terrorist financing" and involves nearly all conceivable methods of laundering, including bulk cash smuggling and TBML. Although the State Department's *Country Reports on Terrorism* describes Colombia as "a regional leader in the fight against terrorist financing," the INCSR is far more critical of Colombia, stating that:

Key impediments to developing an effective AML/CFT regime are underdeveloped institutional capacity, limited interagency cooperation, lack of experience, and an inadequate level of expertise in investigating and prosecuting complex financial crimes. Colombian laws are limited in their respective authorities to allow different agencies to collaborate and pursue financial crimes, and there is a lack of clear roles and responsibilities among agencies. Despite improvements, regulatory institutions have limited analytical capacity and tools, and lack the technology to effectively utilize the vast amount of available data.

³⁴ U.S. Department of State, *International Narcotics Control Strategy Report* (INCSR), Vol. 2: Money Laundering and Financial Crimes, March 2016.

³⁵ U.S. Department of the Treasury, Financial Crimes Enforcement Network (FinCEN), "U.S. and Argentine Financial Intelligence Units Restore Cooperation to Fight Terrorism and Organized Crime," press release, March 21, 2016.

- **Costa Rica** has not prosecuted anyone for terrorist financing, but authorities have detected in recent years drugs- and weapons-trafficking linked to FARC, as well as “bulk cash smuggling by nationals from countries at higher risk for terrorist financing.” In 2015, Costa Rica issued a National Strategy to Counter Money Laundering and Terrorist Financing, but the country reportedly “remains deficient... with respect to [countering] the financing of terrorism.”
- **Panama** has a dollarized economy and has long been an attractive haven for laundering proceeds of drug trafficking. In 2015, it passed new legislation to criminalize money laundering, address terrorist financing, and regulate designated non-financial businesses and professions. Panama is in the early stages of implementing these new laws and establishing the framework for freezing terrorist assets pursuant to international standards.
- **Venezuela’s** vulnerability to money laundering and terrorist financing is a function of several factors, including weak regulatory enforcement, lack of political will, and endemic corruption. Recent U.S. legal activity relating to Venezuelan citizens has “exposed questionable financial activities related to money laundering and terrorism finance.” In September 2015, the Southern District of Florida unsealed an indictment against Pedro Luis Martin, former head of financial intelligence for Venezuela’s secret police and allegedly “a primary financial manager responsible for laundering drug trafficking proceeds for top Venezuelan officials.” In 2006, FinCEN suspended information sharing with Venezuela’s FIU for an unauthorized disclosure of information and the suspension remains in effect.

Financial Action Task Force List

Several times each year, FATF publicly identifies “jurisdictions with strategic AML/CFT deficiencies” with whom FATF works to develop an action plan to implement political commitments to address relevant AML/CFT deficiencies. Among the 11 identified by FATF in February 2016, one is located in Latin America: **Guyana** (not a State Department-listed major money laundering country).³⁶ With respect to Guyana, FATF states:

In October 2014, Guyana made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since October 2015, Guyana has taken steps towards improving its AML/CFT regime, including by enacting further amendments to the AML/CFT Act and AML/CFT Regulations, and issuing FIU guidelines on targeted financial sanctions. However, the FATF has determined that certain strategic deficiencies remain. Guyana should continue to implement its action plan, including by ensuring and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets. The FATF encourages Guyana to address its remaining deficiencies and continue the process of implementing its action plan.³⁷

In its February 2016 report, FATF also announced that **Panama** would be removed from the list of jurisdictions with strategic deficiencies, noting that “FATF welcomes Panama’s significant progress in improving its AML/CFT regime and notes that Panama has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies FATF had identified in June 2014.”

³⁶ Financial Action Task Force (FATF), “Improving Global AML/CFT Compliance: On-going Process,” February 19, 2016.

³⁷ Ibid.

Witness Biographies

Dr. Mariano Federici, President, Financial Intelligence Unit of Argentina



Dr. Mariano Federici is President of the Financial Intelligence Unit of Argentina (FIU), which is an autonomous agency focused on the fight against money laundering and the financing of terrorism. It plays a pivotal role as the main anti-money laundering and counter terrorist financing regulator of the system and the single center for the reception, analysis and dissemination of suspicious transactions reports and other financial information. The FIU conducts high level analysis to add value to criminal investigations and acts as a collaborator and party to criminal cases involving money laundering or terrorist financing conducts. Dr. Federici was previously a Senior Counsel and Regional Advisor to Latin America & the Caribbean at the International

Monetary Fund, a Contract Partner at Estudio Garrido – Abogados, where he advised local and international companies with investments in Argentina and its neighboring countries and with compliance regarding domestic and international legal and regulatory requirements. He was previously a Foreign Associate with Sullivan & Cromwell LLP, where he participated in private and public offerings of foreign companies in the U.S., assisted in public offerings of sovereign debt securities in the U.S. and cross-border M&A transactions and international project finance transactions. Dr. Federici was also an Associate at Allende & Brea where he counseled foreign companies and financial institutions doing business in Argentina and he previously was a trainee at the National Criminal Courts in Buenos Aires. Mr. Federici holds a LLM, “Master of Laws,” in Law and Finance, from the University of Virginia School of Law, and a Juris Doctor from Universidad Catolica Argentina.

Mr. Michael Braun, Managing Partner, SGI Global, LLC



As a co-founder and one of two Managing Partners of SGI Global, Mr. Braun determines SGI Global’s strategic direction and fosters the company’s top performance track record while continuing to build and expand SGI Global’s project portfolio. Mr. Braun’s decorated, diverse, and extensive leadership career in law enforcement and security, primarily in conflict and near-post conflict high-risk environments, made him instrumental in SGI Global’s formative development in 2008 and have enabled him to help significantly increase SGI Global’s revenue each year since. His extensive senior leadership experience, spanning 33 years in federal, state and local law enforcement, including 24 years in the U.S. Drug Enforcement Administration (DEA), where he retired as the Assistant Administrator and Chief of Operations (SES-6), is highlighted by his development of the DEA’s successful counter-narco-terrorism programs and the agency’s extensive expansion in Afghanistan from 2004 to 2008. His simultaneous SES Directorship of three Department of Justice (DOJ)- and DEA-led multi-agency intelligence

organizations supporting critically-important U.S. counter-terrorism and counter-narcotics initiatives further bolstered his executive leadership experience.

Mr. Braun retired from the DEA as Chief of Operations, Assistant Administrator (SES-6) in 2008 after serving a 33-year domestic and international law enforcement career. As Chief of Operations, he had oversight responsibility for the DEA's 227 domestic and 87 foreign offices, as well as its Special Operations and Aviation Divisions, in conjunction with the Offices of Financial Operations and Diversion Control. Mr. Braun was the architect of the DEA's significant expansion in Afghanistan from 2004 to 2008 and was responsible for the formative development of the agency's Foreign-deployed Advisory and Support Teams (FAST), among other drug/terror nexus programs. His expertise on the growing confluence of drugs and terror became widely recognized during this time as he managed and focused the DEA's efforts in the Global War on Terrorism. In developing the DEA's strong role in supporting the U.S. government's counterinsurgency and irregular warfare doctrine, Mr. Braun forged strong DEA relations with the DOD and the U.S. Department of State (DOS) and provided clear vision on narco-terrorism to combatant, unified, and specified commanders. He was detailed to the DOD in summer 2003 and served as the SES Chief of Staff for the Interim Ministry of the Interior, Coalition Provisional Authority in Iraq. Additionally, Mr. Braun served as the SES Director of the classified multi-agency DEA Office of Special Intelligence while concurrently serving as the Acting Chief of Intelligence, and was named by the Attorney General as the first SES Director of the multi-agency DOJ Organized Crime Drug Enforcement Task Force (OCDETF) Intelligence Fusion Center, which supports U.S. counter-terrorism and counter-narcotics operations and strategies.

Prior to his executive leadership, Mr. Braun built extensive law enforcement leadership experience in Latin America heading specially trained teams comprised of DEA Special Agents, host nation law enforcement officers, and U.S. Military Special Forces on counter-narcotics operations in support of U.S. foreign policy. He also served a number of interagency domestic assignments, including postings in the Los Angeles, Houston, Detroit, and St. Louis DEA Field Division offices, as well as multiple assignments during three tours at DEA Headquarters in Washington, DC. Mr. Braun enlisted in the U.S. Marine Corps in 1971 and served as an infantryman, including service in the Republic of Vietnam. He worked for eleven years in local and state police agencies before joining the DEA in 1985.

Mr. Braun continues to be called upon by Congress to testify on counter-terrorism and other security topics, routinely appears on national and international television, and is regularly quoted by U.S. and international print media on matters related to international security.

Dr. Emanuele Ottolenghi, Senior Fellow, Center on Sanctions and Illicit Finance, Foundation for Defense of Democracies



Dr. Emanuele Ottolenghi is a Senior Fellow at the Foundation for Defense of Democracies and an expert at its Center on Sanctions and Illicit Finance focused on Iran. His research has examined Iran's Islamic Revolutionary Guard Corps, including its links to the country's energy sector and procurement networks. His areas of expertise also include the EU's Middle East policymaking, transatlantic relations, the Arab-Israeli conflict, and Israel's domestic politics. He is author of *The Pasdaran: Inside Iran's Islamic Revolutionary Guard Corps*, *Iran: The Looming Crisis*, and *Under a Mushroom Cloud: Europe, Iran and the Bomb*. Prior to joining FDD, Dr. Ottolenghi headed the Transatlantic Institute in Brussels and taught Israel Studies at St. Antony's College, Oxford University. He obtained his Ph.D. in political theory at the Hebrew University of Jerusalem, preceded by undergraduate studies in political science at the University of Bologna. Dr. Ottolenghi blogs at *The Hill* and has a monthly column in the British current-affairs magazine *Standpoint*. His columns have also appeared in leading outlets including *The Wall Street Journal*, *The New York Times*, and *The Sunday Times*. - See more at:

<http://www.defenddemocracy.org/about-fdd/team-overview/emanuele-ottolenghi/#sthash.q13vB495.dpuf>.