

**UNITED STATES HOUSE OF REPRESENTATIVES**

**COMMITTEE ON FINANCIAL SERVICES**

**SUBCOMMITTEE ON TERRORISM AND ILLICIT FINANCE**

**“EXPLORING THE FINANCIAL NEXUS OF TERRORISM, DRUG TRAFFICKING  
AND ORGANIZED CRIME”**

**MARCH 20, 2018**

**STATEMENT OF DEREK S. MALTZ**

**INTRODUCTION:**

Chairman Steve Pearce, Vice Chairman Pittenger, Ranking Member Perlmutter and distinguished members of the committee, I would like to thank you for this opportunity to speak with you today to discuss the financial nexus of terrorism, drug trafficking and organized crime. I am grateful to share my experience and thoughts with an outstanding group of professionals on this panel and urge this Committee and Congress to work even harder to break down the walls between the agencies that work on targeting crime and terror organizations. I am a career law enforcement agent and it is in that context that I appear before you today to address the evolving threats posed by terrorism financing and Transnational Organized Crime (TOC).

There are dangerous connections between TOC networks and terrorism around the globe and this substantial threat is growing. Terror organizations need money to operate and crime has provided the terror groups with a significant source of funding. This topic has been a priority of mine while serving as the Special Agent in Charge (SAC), United States Department of Justice, (DOJ), Drug Enforcement Administration, (DEA), Special Operations Division (SOD) for almost 10 years.

For far too long, I watched this threat grow and remain committed to work with Congress and my friends in the government agencies to help develop recommendations and solutions to build more effective approaches. Even though it has been over 16 years since the September 11, 2001 terrorist acts, significant work remains to ensure we implement a solid “unity of effort” strategy and use all the tools of national power to combat and decimate these threats. It’s very alarming to me that even after the government conducted an extensive review with the 911 Commission, and completed several Inspector General and information sharing failure investigations, we still have huge walls up between the agencies and continue to pursue these complex national security threats with an antiquated approach. It certainly seems that most of the U.S.G leaders have recognized that terrorists are increasingly turning to crime and criminal networks for their funding, but we still have walls and bureaucratic barriers up between those investigating criminal networks and those tracking terrorist organizations around the globe. We have strategies and policies that document the importance of a “whole of government approach”, but the actions of the agencies don’t fully support the direction of the strategies. There are no acceptable excuses anymore. I have some recommendations and lessons learned to share as we all deal with these evolving and complex threats to the United States of America and our partners around the globe.

As the former Special Agent in Charge of SOD in Virginia and as the Chief of the New York Drug Enforcement Task Force in New York City, I had the privilege of working with numerous local, state, federal and international law enforcement agencies. I have witnessed the incredible results and positive impact when law enforcement, both our U.S. agencies and our foreign counterparts, share operational intelligence and coordinate efforts against our common enemies.

Unfortunately, I have also witnessed several missed critical opportunities due to lack of leadership, agency mission creep, institutional and legal barriers, different priorities between law enforcement and the intelligence community and parochialism.

## **BACKGROUND:**

Over the last 30 years, I have been honored to be an active participant of the DEA and now in the private sector to work with some of the best and brightest investigators around the globe. I have always been very hands on and operational with an emphasis on attacking organizations from top to bottom. I remain very concerned that our collective efforts have some significant challenges as our agencies attempt to establish stronger counter threat finance operations against global terrorist organizations.

During Project Cassandra, SOD's focused attack on Hezbollah and global drug trafficking, I witnessed some incredible government personnel with a variety of experience trying to work together on this DOJ high priority initiative targeting a huge national security threat. Sadly, we only had limited success due to the same old agency infighting and nonsense despite that Hezbollah was identified as a top threat by the DOJ led inter-agency group pursuant to the President's TOC strategy. The U.S. agencies collectively have many authorities and capabilities, but we need more than ever for the agencies to work in a unified fashion as opposed to compartmentalizing information and operations. We need leadership to direct the agencies to adopt new processes using existing structures like the Joint Terrorism Task Forces (JTTFs), SOD's Counter Narco Terrorism Operations Center (CNTOC), National Counter Terrorism Center (NCTC) and other relevant centers and capabilities to break down the walls and unify across all major threat investigations. "We can no longer investigate terrorism in a cocoon" and must identify all the existing capabilities and enhance what we have.

With the latest controversy in the news regarding Project Cassandra, It's very obvious that the current U.S.G. personnel can learn from this case example and implement new sound processes moving forward. I have very serious concerns about the emerging and complex threats to our country, especially related to the convergence of TOC and terrorist groups. I hope the details of Project Cassandra and other crime and terror cases can result in productive discussions to develop better ways ahead. I would love to see our dedicated men and women in law enforcement and the intelligence community come together and use all tools of national power to crush Hezbollah and other sophisticated terror and TOC groups. The government has a solid strategy already developed through the input from many agencies, and with your committee's assistance, new tools and resources, we can definitely make substantial gains. We certainly need way more resources to expand our cyber and financial investigations since the U.S.G. has a serious lack of expertise and personnel to address the evolving threats. We shouldn't separate the investigative approaches looking at command and control communications and the financial infrastructure attacks. The primary way to defeat a TOC or terrorist network is by eliminating the funding sources. Unfortunately, since the U.S.G. and partners have done a good job over the years removing some of the traditional funding sources like State Sponsorship to terror groups, the organizations are tapping more and more into criminal proceeds.

The threats to this great country are moving at lightning speed and we need a sense of urgency at this point. There is an old saying that, "opportunities come and go". Well, even though in my view we lost a golden opportunity during Project Cassandra and other investigations, I know our work force is resilient and can get right back on track with leadership and direction. It makes no

sense to dwell on the past and play the blame game, but rather fix the issues and move forward to protect the citizens of the United States of America.

It's evident that the TOC groups are using the state of the art technology, moving extremely fast while our investigators and assets are getting stuck in the mud of politics, bureaucracy and antiquated laws. Terrorists will continue to tap into the incredible amounts of money generated from drug trafficking and many other criminal activities, so it's imperative that our hard working personnel on the terror and criminal sides come together. We can't be effective if we don't eliminate the walls. We need the leadership of this committee, the Attorney General, the Secretary of the Department of Homeland Security and our influential Executives from the Department of Defense (DOD) and the Intelligence Community (IC) to unite and direct people to form a powerful force.

The taxpayers deserve way better and there are no excuses for the walls and barriers between the critical agencies. We have so many talented and dedicated people working extremely hard daily to keep us all safe. Despite all we know in the post 911 world, it's incredible we are still looking at terrorists in a silo. They are ruthless criminals and the only way to decimate them is put all the expertise throughout many agencies together in a task force setting. We need to use the "Al Capone" approach and go after the terrorists for their criminality. Even though Capone was a mass murderer, he was removed from causing additional harm by using tax charges. We need to use all the tools and laws to take the bad actors off the playing field and eliminate their threat capabilities. This can only be accomplished with a real **"unity of effort"** with the best and brightest in the U.S.G. We need to review the model implemented in 2010 by the Southern District of New York, United States Attorney (USA), when he eliminated the walls between the international narcotics unit and the terrorism unit. The USA Preet Bharara established a seamless approach to target the biggest national security threats to the country and had tremendous success over the years. (William Rashbaum, 2010)

As the Director of SOD for several years, I have many stories to illustrate how well task force collaboration works when the leadership supports the mission and information and expertise is shared. The best cases in the history of law enforcement were all made when professionals in this great country collaborated and focused on the same goals. Every agency can bring expertise and unique experience to the fight. A perfect example is what we witnessed during Project Cassandra with the unbelievable capabilities the U.S. Treasury, the U.S. Attorney's Office in the Southern District of New York and the U.S. Customs and Border Protection brought to the table. We also integrated some very experienced financial investigative contractors into the task force to ensure we had the best assets working as a team. At this point in our nation's history we need to put the egos aside and bring together a real powerful lethal force.

Since most of the relevant agencies are already represented at SOD and the entity follows the rule of law under the guidance of the DOJ, it would be a great place to bring people together the nation's best and brightest to crush the sophisticated and growing TOC threats. There should be a resource allocation review and we need all the agencies to contribute valuable personnel that can work in a cohesive team. The SOD operation should form stronger relations with the National JTTF, the JTTFs around the country and the NCTC. There must be way more collaboration and more utilization of technology to identify the case overlaps. "You can't connect the dots if you first don't collect the dots". At this point the "dots" are scattered all over the agencies and we need them to come together.

In my 28 years in law enforcement, I've seen many operations that were both successful and failures. Many of the failures that I have witnessed were not a result of lack of effort or skill by the investigators. Rather, those failures were the result of lack of leadership and political infighting that created an environment built around securing and maintaining one's own kingdom, as opposed to serving the American people. I believe that if the U.S.G. would implement some of the recommendations in this document, we can make this country a safer place for current and future generations.

### **OPERATIONAL FOCUS:**

The government can have all the strategies and plans in the world, but without accountability and operational implementation, the U.S.G. will fall further behind in the fight against TOC networks. Project Cassandra was a successful threat finance and drug trafficking investigation in many aspects, coordinated by SOD, a multi-agency operational coordination center with 30 agencies represented. It led to unprecedented results and exposed elements of the terrorist group Hezbollah, who were being funded by worldwide cocaine sales. There were also many other criminal investigations coordinated at SOD assisting the field investigators around the globe while providing valuable intelligence to the IC and the DOD. Even though we had successes there is way more that can be done.

During 2008, the U.S. cooperative investigation with Colombia culminated with over 130 arrests, to include many of the senior-level operatives, and \$23 million was seized. (Rotella, 2008) This case identified the scope and the alliance between South American drug traffickers to money laundering operations in Hong Kong, Central America, Africa and Canada, and a connection to several Lebanese criminals associated with a global organized crime network.

Based on the substantial information developed during this phase of Cassandra and very alarming and emerging trends exposed, CNTOC located at SOD commenced an initiative focusing on all aspects of this network. The CNTOC has representatives from numerous agencies to ensure that information collected and analyzed can be immediately passed to the appropriate agencies and that the agencies can work in a collaborative task force environment.

The CNTOC spearheaded a focused investigation with the field offices on the Middle Eastern money launderers working with the South American drug traffickers who were shipping multi-ton quantities of cocaine into West Africa for distribution around the world. During this initiative, DEA identified the leader of this sophisticated network who coordinated multi-ton shipments of cocaine from Colombia to Los Zeta's Mexican Drug Cartel and was laundering hundreds of millions of dollars in drug proceeds back to Colombia. The main operative also established a very sophisticated network in West Africa to move currency via couriers back to Lebanon.

The CNTOC organized a four-phased plan to include OFAC designations against substantial targets, identified as Ayman Joumaa, Elissa and Ayash Exchange, a USA Patriot Act 311 action against Lebanese Canadian Bank, a civil money laundering action against Lebanese Canadian Bank and Hezbollah's used car businesses involved in the scheme and criminal prosecution directed at the leaders of the Hezbollah involved with the drug and money laundering operation. CNTOC's strategy attempted to include all the tools of national power in a focused effort to disrupt and dismantle this trade-based money-laundering scheme. Unfortunately there were some agencies that did not participate or cooperate so the unity of effort wasn't successful.

In January 2011, the Office of Foreign Assets Control (OFAC) of the Department of Treasury, under the specially designated narcotics traffickers kingpin program, designated ten individuals and twenty entities related to the Joumaa organization to include the Elissa and Ayash Exchanges in Lebanon. (Center, Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network, 2011)

In February 2011, The Department of Treasury with DEA announced the identification of the Lebanese Canadian Bank (LCB) as a financial institution of primary money-laundering concern under section 311 of the USA Patriot Act. This was the first time ever the 311 Action was used in a drug case. The organized crime network was moving large shipments of drugs from South America to Europe and the Middle East via West Africa and laundering hundreds of millions of dollars to accounts held at LCB as well as through trade base money-laundering involving consumer goods throughout the world, including used car dealerships in the U.S. LCB was helping Hezbollah through the Joumaa network. (Center, Treasury Identifies Lebanese Canadian Bank Sal as a “Primary Money Laundering Concern”, 2011)

Subsequently in December 2011, there was a complaint filed in the Southern District of New York exposing this Lebanese money-laundering scheme which investigators documented over \$300 million into United States for the purchase and shipment of used cars to West Africa. The complaint alleged that the assets of LCB, Hassan Ayash Exchange and Elissa Holding, along with the assets of approximately 30 U.S. car buyers and a U.S. shipping company and related entities that facilitate the scheme, are forfeitable as the proceeds of violations of the International Emergency Economic Powers Act (IEEPA).

Through this investigation, the task force of agencies exposed the LCB as money-laundering for Hezbollah through a very aggressive financial attack against the network. The elaborate scheme exposed very innovative ways terrorist groups like Hezbollah could identify alternate sources of income to fund their operations. This particular complaint was seeking penalties totaling \$483 million. From January 1, 2007 to early 2011 at least \$329 million was transferred by wire from LCB and the two exchange houses and other financial institutions for the purchase and shipment of used cars. (DEA, DEA News: Civil Suit Exposes Lebanese, 2011)

During the December 2011 time frame, the Eastern District of Virginia announced the indictment of Ayman Joumaa for coordinating the shipment of tens of thousands of kilograms of cocaine from Colombia to Los Zetas Drug Cartel for distribution into the United States over an eight year period. Joumaa was also charged with laundering millions of dollars in drug proceeds for the organization. Joumaa’s organization was further exposed through the OFAC sanction. (EDVA, 2011)

Subsequent to the lawsuit against the LCB, investigators revealed that the LCB personnel moved assets to other banks in Lebanon in a way to hide the assets from the United States government. This criminal activity was part of the international scheme where several Lebanese financial institutions with connections to Hezbollah used the U.S. banks to launder narcotics proceeds through West Africa into Lebanon. In August 2012, the Southern District of New York filed a 981K action against five corresponding banks in the United States that were doing business with Banque Labano Francais. This particular Lebanese bank received \$150 million from the Lebanese Canadian bank after they were exposed with their international money-laundering business.

As a result of this very successful 981K action, the Banque Labano Francais, transferred \$150 million to the United States Marshals Service account in New York. In June 2013, the Southern

District of New York settled a civil forfeiture action against the Lebanese Canadian bank and the settlement required LCB to forfeit \$102 million to the United States. This was an unprecedented action targeting Hezbollah and their worldwide illicit activities. The settlement also identified to the world that international money-launderers for terrorists and narco-traffickers will face serious consequences even when the activity is outside the US (Justice, 2012) (York, 2013)

During February 2016, DEA working with European law enforcement identified a massive Hezbollah drug and money-laundering scheme. This complex investigation targeted Hezbollah's Lebanese Hezbollah's Business Affairs Component (LHBAC). This particular component has been engaged in weapons purchases for Hezbollah to support its activities in Syria. This investigation involved multiple countries and showed once again the connection between Hezbollah and drug trafficking. This particular aspect focused on LHBAC. The LHBAC formed a business relationship with the South American cocaine traffickers responsible for shipping multi-tons of cocaine around the world. The massive proceeds made by this element provides proceeds for the purchase of weapons needed for their international terrorist operations. (DEA, DEA and European Authorities Uncover Massive Hezbollah Drug and Money Laundering Scheme, 2016)

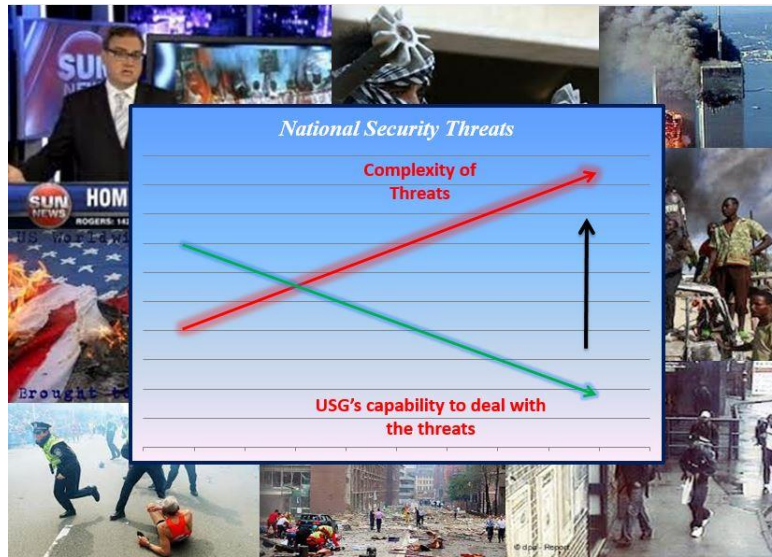
### **RECOMMENDATIONS MOVING FORWARD:**

- One of my main recommendations would be to take the foundation of what has been created at SOD with the several supporting intelligence centers, OCDETF Fusion Center, Office of Special Intelligence, CBP's Narcotics Targeting Center, DOD's Narcotics and Transnational Crime Center and others in the beltway, and enhance the interagency efforts by adding important financial investigative resources.
- It is essential for federal law enforcement to prioritize investigations of illicit finance in all TOC and terrorism initiatives and to develop the unique intelligence and investigative methods required to disrupt and ultimately defeat threat finance.
- The DICE De-Confliction system, which is currently mandated by DOJ and DHS leadership, needs to be expanded to include the counter-terror investigations. The foundation has already been established. SOD needs the resources to ensure the DICE system is maintained, updated and refreshed with the latest technologies and search engines. DICE must be implemented at all JTTFs to identify crime and terror case overlaps.
- Since terrorist groups are tapping into criminal enterprises to help fund and facilitate activities, leadership must support and advance the multi-agency successful efforts of groups like the CNTOC and form stronger connectivity with the FBI's Joint Terrorism Task Forces
- We need to utilize the powerful criminal laws of the United States of America and prosecute and extradite the significant members of the organizations.
- The basic principle that needs to be enforced to keep America safe is 100% Information sharing. The DOJ needs to maintain the leadership, oversight and responsibility for the multi-agency project SOD since they are responsible for the ultimate prosecution. The center needs to be adequately staffed and resources. FBI and HSI should elevate the leadership within the center for maximum "unity of effort" and "buy in" from their field operatives and management.
- Since crime and terror cases overlap and we have identified several global terror fund raising schemes that are crossing into the criminal investigations, we need to break down the walls and legal impediments, and develop sound sharing processes. We need to

enhance the existing Global Threat Finance Teams at the key locations with the expertise to disrupt and dismantle the financial aspects of these networks using all the powerful U.S. Treasury Actions.

- We should not duplicate efforts and initiate the creation of any new coordination centers in the beltway. This would most likely be a waste of resources, and would result in a significant setback. We must build on what we already have instead of causing confusion for the field investigators.
- We need a team designated at DOJ for high value TOC extraditions to ensure we don't miss opportunities like in Project Cassandra. From past experience we know the intelligence value for all of the U.S.G. agencies when we debrief high value subjects so we can't lose this capability.
- I believe that by placing qualified personnel in key leadership positions with law enforcement background at SOD, we can ensure that communication is flowing appropriately in both directions between law enforcement and the other pertinent agencies.
- As terrorists are looking for funding to carry out their dangerous agendas, criminal activity has been a golden source of revenue. This means, the agencies need to "break down the barriers" and unite. In the year 2018, it's almost impossible to successfully investigate global terrorists without utilizing the amazing criminal law enforcement personnel around the globe. It should be "one great U.S.G. force". We need to unite not divide.
- We need to continue building advanced technical capabilities within law enforcement agencies so they can stay with the criminal networks who are always looking of new ways to use technology to thwart law enforcement operations.
- A multi-agency group from Homeland Security, DOJ, IC and DOD should examine operations like Project Cassandra to develop best practices to move forward. The complex transnational organized crime groups are constantly evolving and becoming more sophisticated.
- Law enforcement and the intelligence community need to form closer alliances. A unified effort is a must. They must place some of the best and brightest people into positions like the CNTOC and continue to pursue the sophisticated groups in a focused and prioritized manner. If you successfully crush a criminal organization's financial network, you will significantly increase the chances of disrupting their illicit activities. This will require additional expertise in the area of financial investigations. I would recommend using monies from the asset forfeiture funds in Treasury and Justice to help offset the cost.
- SOD needs to be designated as the TOC Coordination Center for the U.S.G. and should be provided the necessary enhancements, support and directives from the highest levels of government to support President Trump's Executive Orders on Transnational Crime and Violent Crime. The SOD Center currently has over 30 agencies represented to include the NYPD, UK, Canada and Australia and has years of operational multi-agency successes of fighting TOC. The DOD and Intelligence Community also have participation in the center so their equities are protected in the process.
- SOD has a robust International Investigations Program to go around the globe and take down huge threats working with our foreign counterparts around the globe. Since DEA has the largest worldwide presence of criminal investigators and years of experience working in the foreign arena, SOD, with input from all the agencies, is in a position to provide solid action plans on the highest level TOC targets.

- The leadership and command and control elements of the biggest threats to the United States are foreign and SOD has proven they can use the rule of law and obtain full cooperation from the counterparts to maximize the prosecutions in the United States.
- Congress should earmark the required resources immediately to fund operations against TOC targets like Hezbollah and the Iran threat network and fully support the multi-agency task force approach described above.



As depicted in my chart above, the threats to this great country are growing rapidly and we really need the agencies to unite and work hard to implement sound strategies to help close the dangerous gap above.

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