

TESTIMONY OF GEORGE GLASS
DIRECTOR OF THE OFFICE OF TERRORISM FINANCE
AND SANCTIONS POLICY
DEPARTMENT OF STATE
TO THE HOUSE COMMITTEE ON GOVERNMENT REFORM'S
SUBCOMMITTEE ON TECHNOLOGY AND INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS AND THE CENSUS
December 15, 2003

U.S. INTERAGENCY EFFORTS TO COMBAT TERRORIST FINANCING

Mr. Chairman and distinguished members of the Committee: thank you for the opportunity to testify on U.S. efforts to combat terrorist financing.

The United States is engaged in a long-term war against terrorism. I thank you for your support and for providing the necessary tools for waging this war. This fight requires actions on multiple fronts. A critical front is the effort to defeat, disrupt, and destroy the financial networks that sustain terrorists and finance their operations. We have made substantial progress, but a lot remains to be done. Since September 11, 2001, the U.S. has:

- ordered the freezing in the U.S. of the assets of 344 individuals and entities linked to terrorism;
- supported the submission by dozens of countries around the world of 244 Al-Qaida-linked names for inclusion in the UN asset-freeze list, requiring all countries to act against these names;
- frozen approximately \$136.8 million in almost 50 countries, including the U.S.;
- instructed our embassies formally to approach every government around the world some 75 times to freeze each name we designate;
- developed a broad international coalition against terrorist finance;
- stopped a major *hawala* network based out of Somalia; acted against supporters of the Asian terrorist group linked to the Bali disco bombing; designated charities funding Hamas; disrupted Saudi terrorist financiers;
- assisted the strengthening of national laws, regulations and regulatory institutions around the world to better combat terrorist finance and money laundering;
- and made it harder for terrorists and their supporters to use financial systems.

Particularly important in making this happen is the fact that we have come a very long way over the past two years in terms of USG interagency coordination. We improved the degree to which all U.S. agencies with equities related to the pursuit of terrorist financing cooperate and coordinate their efforts. This strong interagency teamwork involves the intelligence and law enforcement communities, as well as State, Treasury, Homeland Security, Justice and the financial regulatory agencies, collectively pursuing an understanding of the system of financial backers, facilitators and intermediaries that play a role in this shadowy financial world. It involves the Treasury Department, coordinating the policy process by which we examine actions to disrupt these financial networks. It involves the Department of Justice leading the investigations and prosecutions in a seamless, coordinated campaign against terrorist sources of financing. And, it involves the State Department leading the interagency process through which we develop and sustain the bilateral and multilateral relationships, strategies and activities, including -- in coordination with Justice, Treasury, Homeland Security and the financial regulatory agencies -- the provision of training and technical assistance, to win vital international support for and cooperation with our efforts. Many of these international efforts are outlined in the recently published *National Money Laundering Strategy*. Our task has been to identify, track and pursue terrorist financing targets and to work with the international community to take measures to thwart the ability of terrorists to raise and channel the funds they need to survive and carry out their horrible acts.

A key weapon in this effort has been the President's Executive Order 13224, which was signed on September 23, 2001, just 12 days after the terrorist attacks of September 11. That Order provided the basic structure and authorities for an effort, unprecedented in history, to identify and freeze the assets of individuals and entities associated with terrorism across the board. Under that Executive Order, the Administration has frozen the assets of 344 individuals and entities on 47 separate occasions. The agencies cooperating in this effort are in daily contact, looking at and evaluating new names and targets for possible asset freeze. However, our scope is not just limited to freezing assets.

Under a 1996 law, the State Department has continued to publicly designate and re-designate major foreign terrorist groups as Foreign Terrorist Organizations (FTOs). The Secretary of State's formal designations, made in consultation with the Attorney General and Secretary of Treasury, freeze assets in the U.S. of the designated group, make it a criminal offense to knowingly provide funds or other forms of material support to the designated groups, and deny visas to members and leaders of the designated organization in the U.S. Currently 36 groups are formally designated.

We have very successfully used other actions as well, including developing diplomatic initiatives with other governments to conduct audits and investigations, exchanging information on records, cooperating in law enforcement and intelligence efforts, and in shaping new regulatory initiatives.

We recognize, however, that designating names -- along with arrests -- is the action that is most publicly visible. But, designations are, in no way, the only regulatory action underway. Every approach the interagency Policy Coordination Committee has adopted

regarding a specific target has involved extensive, careful work. We need to make sure we have credible information that provides a reasonable basis linking the individual or entity to terrorism; we need to weigh the options available to us for addressing the target; we need to identify the most effective approach, realizing that we may shift gears and adopt a different strategy later on. We want to be right, legal and effective. In some cases we support public action, such as designations, in other cases we choose other methods, including law enforcement, intelligence, or getting another country to undertake law enforcement or intelligence action.

We also have a substantial interagency commitment that provides counter-terrorist finance training to help our coalition partners develop and/or enhance their capabilities to detect, disrupt and dismantle terrorist financing networks by strengthening the legal frameworks, providing financial investigative training, training the banking regulatory communities on suspicious transactions, developing financial intelligence units that cooperate internationally, and strengthening the ability of prosecutors to bring terrorist financiers to justice. The Departments of State, Treasury and Justice established an interagency Terrorist Financing Working Group (TFWG), chaired by the State Department, to coordinate government efforts to identify, prioritize and assess those countries vulnerable to terrorist exploitation. Groups of experts, including DOJ money laundering prosecutors, interagency law enforcement and regulatory members, have provided extensive on-the-ground assessments of such countries' vulnerabilities in an effort to develop and provide targeted training and technical assistance to those countries identified as most vulnerable. We have already assessed and are providing assistance to a number of priority countries. Resources permitting, we shall expand this effort. At the end of the day, all our actions combined, and the efforts of countries around the world, have succeeded in making it more difficult for terrorists to collect and move funds around the world, in particular through formal banking channels.

Internationally, the UN's role in responding to the challenge of terrorist financing has been significant: The UN, through UN Security Council Resolutions 1373, 1267, 1333, 1390 and 1455 helped give international impetus and legitimacy to asset freezes and to underscore the global commitment against terrorist financing. This is extremely important, because: (1) most of the assets making their way to terrorists are not under U.S. control; and (2) when it comes to al Qaida in particular, it means that when an individual or entity is included on the UN's sanctions list, all 191 UN Member States are obligated to implement the sanctions, including asset freezes against these individuals and entities. It has added a total of some 244 al Qaida-linked names to its consolidated list since September 11.

Another very important actor in international efforts to combat terrorist financing has been the Financial Action Task Force (FATF), a multilateral organization of 33 members individually and collectively devoted to combating money laundering. FATF has adopted 40 recommendations on the elimination of money laundering and an additional, complementary eight special recommendations on combating terrorist finance. FATF is monitoring compliance with its recommendations in coordination with regional bodies, the UN Counter-Terrorism Committee (CTC), and the G-8-initiated Counter-terrorism

Action Group (CTAG). FATF is planning assessments of country-needs for technical assistance to improve local ability to combat terrorist financing. It is in large part due to FATF's focus and efforts on terrorist financing, for instance, that the Indonesian Parliament passed important amendments to its anti-money laundering law on September 16, amendments that will improve the country's ability to take actions against terrorist financing. Similarly, FATF's efforts led the Philippines to pass legislation in March that will significantly increase that country's ability to carry out meaningful anti-terrorist financing measures. A FATF team has worked with the Saudi government to review new regulations as well as pending legislation. FATF advises on whether such regulations and legislation meet international standards of effective instruments to combat money-laundering and terrorist financing.

In November 2003, the Group of Experts to Control Money Laundering of the Organization of American States' Inter-American Drug Abuse Control Commission (OAS/CICAD), during a session chaired by the Department of Justice, finalized model provisions to guide legislators in adopting criminal offenses for terrorist financing, mechanisms to immediately block terrorist assets in accordance with United Nations Security Council resolutions, and to control alternative remittance systems, such as *Hawala* methods that have been used to finance terrorism. The OAS Inter-American Committee Against Terrorism (CICTE) is planning training for prosecutors and judges in member countries on terrorism and terrorist financing.

U.S. efforts against terrorist finance are active in all regions of the world. Saudi Arabia has been one important focus. On October 12, 2001, we froze the assets of Saudi millionaire Yasin al Kadi because of his links to al Qaida, and he was designated and listed by the UN for world-wide sanctions. Subsequently, we and the Saudi government submitted on March 11, 2002, the names of the Somali and Bosnian branches of the charity al Haramain to the UN also for worldwide asset-freezing. We and the Saudis also submitted the name of Wael Julaidan, a prominent Saudi al Qaida financier, to the UN for sanctions, including asset freeze, on September 6, 2002. The Saudis have frozen substantial assets. These are a few examples of actions that have been publicly visible.

In January of this year, we launched a senior-level dialogue designed to improve communications between the U.S. and Saudi Arabia on terrorist financing issues. As a result of the May 12, 2003 bombings in Saudi Arabia that left 34 dead, including 8 Americans, the dialogue has intensified.

Saudi Arabia has made some changes to its banking and charity systems to help strangle the funds that keep al-Qaida in business. As part of a State-led interagency assistance program, Federal Banking Regulators have provided specialized anti-money laundering and counter terrorist financing training to their Saudi counter-parts. Saudi Arabia's new banking regulations place strict controls on accounts held by charities. Charities cannot deposit or withdraw cash from their bank accounts. And Saudi Arabia has banned the collection of donations at mosques and instructed retail establishments to remove charity collection boxes from their premises. This is undoubtedly challenging for Saudi Arabia, but the Saudi Government has undertaken these measures because it understands that

terrorists are more likely to use such funds than those channeled through formal banking channels. Saudi Arabia is working with us closely in the context of the new task force on terrorist financing. As part of the State-led interagency Terrorist Finance Working Group (TFWG), experts from the FBI and IRS have completed the first part of a training course designed to strengthen the financial investigative capabilities of the Saudi security forces, with more advanced courses to follow. Having said all this, I want to stress that this is a work in progress. We have reason to believe that the new task force on terrorist financing will be effective but we will need to see results. We believe the Saudi Government is implementing its new charity regulations, but there too, we will need to see results.

Another key focus of terrorist finance effort has been HAMAS, which was first formally designated by the USG as a Foreign Terrorist organization in October, 1997 and has been re-designated every two years since. On August 22 of this year, the President announced the designation for asset-freezing of the following five HAMAS fundraisers: CBSP (*Comite de Bienfaisance et de Secours aux Palestiniens*), ASP (*Association de Secours Palestinien*), *Interpal*, Palestinian Association in Austria (*PVOE*) and Sanabil Association for Relief and Development. He also announced the designation of six top HAMAS leaders (*Sheikh Yassin, Imad al Alami, Usama Hamdan, Khalid Mishaal, Musa Abu Marzouk and Abdel Aziz Rantisi*). Earlier this year, the U.S. also designated for asset-freezing another HAMAS charity operating in various parts of Europe, the al Aqsa Foundation.

HAMAS' suicide bombings demonstrate the organization's commitment to undermining any real efforts to move towards a permanent peace between Israel and the Palestinians. Shutting off the flow of funds to HAMAS is crucial to reducing HAMAS' ability to carry out its activities and to thwart progress towards peace. HAMAS is also clearly a threat to Palestinian reform, including Palestinians committed to a negotiated peace. HAMAS has used its charities to strengthen its own standing among Palestinians and recruit supporters at the expense of the Palestinian Authority.

In light of this, the U.S. welcomed the EU's decision in September to designate HAMAS in its entirety as a terrorist organization. Previously, the EU had only designated Izzadin al Kasseem, HAMAS' "military wing" as a terrorist entity.

We have also urged governments throughout the region to take steps to shut down both HAMAS operations and offices, and to do everything possible to disrupt the flow of funding to HAMAS, and other Palestinian organizations that have engaged in terror to disrupt peace efforts. Although some of these financial flows may be used to support charitable activities, which aids recruitment of supporters, some of this money frees up funds used to support HAMAS' rejectionist and terrorist activities. We will continue to engage with regional governments to prevent all funding of HAMAS and other groups that have engaged in terror.

Also worth noting are actions taken elsewhere in the Middle East. The United Arab Emirates, Bahrain, Egypt and Qatar have also passed anti-money laundering legislation and all Gulf Cooperation Council member states have increased oversight of their banking systems. Kuwait, Saudi Arabia, Bahrain, Qatar and Oman are devising ways to prevent the misuse and abuse of charities for terrorist purposes.

In Asia, we have worked closely with governments to stop funding for Jemaah Islamiyah (JI), an organization linked to the September 2002 Bali disco bombing. On October 23, 2002 fifty countries petitioned the UN to designate this al Qaida-linked organization. Since then, the international community has acted to add the names of 22 key individuals from this organization to the UN (and US) asset-freeze list.

Hawalas, or informal money remittance systems, have posed special challenges in the Middle East and South Asia. These systems operate around the world, often beyond the purview of bank regulators. They have existed for thousands of years and are not necessarily illegal undertakings, but are susceptible to misuse. We have made a special effort to engage countries on *Hawalas* and other informal networks, encouraging innovative solutions, including via technical assistance and regulatory oversight. In April 2002 the United Arab Emirates hosted a major international conference to make countries aware of how *Hawalas* operate and steps that might be taken to ensure they are not used to support terrorism. The EU last month hosted another internal meeting on *Hawalas*. Follow-up continues wherever *Hawalas* are common by U.S. and internationally sponsored technical assistance and training teams.

Asset-freezes and arrests get the headlines, but “diplomatic action” also makes a difference in the world of terrorist finance. Let me just briefly characterize for you the forceful types of actions that we refer to under the rubric “diplomatic action,” a phrase that we well know isn’t always assumed to be a synonym for “armed and dangerous.” When we talk about diplomatic approaches for dealing with targets, we are talking about getting other governments to cooperate in the war against terrorist financing by taking concrete actions of their own, including law enforcement and intelligence actions, as well as getting them to speak out publicly against terrorist groups. It has involved encouraging foreign governments to prosecute key terrorists and terrorist financiers; to extradite a terrorist financier; to pass strong anti-terrorist financing legislation; to prohibit funds from being sent to a charity; and to make sure companies funneling funds to terrorists are shut down. Diplomatic action also means improving conditions for our colleagues in other agencies to work more effectively with their foreign counterparts in the fight against terrorist financing. The results obtained through such diplomatic strategies are crucial to our long-term success.

As we move forward with refined strategies, we will continue to work actively with other governments in different regions of the world to make further progress in our fight against terrorist financing. In Saudi Arabia, we will continue our cooperation to achieve actions such as the joint submission to the UN for asset freezing of the Bosnian and Somali branches of the Saudi charity al Haramain, and the similar designation of Wael Julaydan, a prominent Saudi al Qaida financier. These actions as well as other important

initiatives such as cooperation in building a joint task force on terrorist financing, we believe are, and will continue to be, productive and in the interest of protecting and saving American lives. In Asia, we will continue to work with governments to confront JI, including its sources of funding. Three months ago the UN listed twenty new names of individuals associated with JI whose assets UN member states are obligated to freeze. In this hemisphere, as mentioned above, the OAS/CICAD Money Laundering Experts Group is drafting model laws and regulations that nations may adapt, enact, and implement to fulfill their FATF commitment to combat terrorist financing. We continue to identify vulnerabilities around the world and to work with other countries to address them effectively. Our capacity-building and technical assistance is vital in this effort. We have made it more difficult for terrorists to move and collect funds, but we still have a long way to go given the dimensions of this challenge.

Mr. Chairman, thank you for the opportunity to address this important issue.

Drafted: EB/ESP:NRothstein 76203

cleared:

EB/ESP:GGlass	ok
D:KReider	ok
E:JDuncan	(info)
P:AGordon	ok
H:JLande	ok
H:ASiebert	(info)
S/CT:TNavratil	(info)
S/CT:Rstapleton	ok
S/CT:GNovis	ok
EAP/IMBS:EReddick	ok
EAP/RSP:CCohen	ok
EUR.ERA:FParker	ok
EUR/PGI:LReasor	ok
INL:ERindler	ok
IO/PHO:APerez	ok
NEA/RA:PSutphin	
NEA/ARP:PHeffernan	ok
S/CT:MMiller	ok
S/CT:Mkraft	ok