



OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE U.S. DEPARTMENT OF THE TREASURY

“We have been at the forefront of a concerted effort with our allies around the world - public and private sector alike - to collect, share, and analyze all available information to track and disrupt the activities of terrorists. Finance ministries and central banks play a key role in this effort, as financial intelligence is among our most valuable sources of data for waging this fight.”

**--Treasury Secretary John W. Snow
April 22, 2006**

Established: On April 28, 2004, Treasury Secretary John W. Snow signed the Treasury Order establishing the Office of Terrorism and Financial Intelligence.

Mission: The Office of Terrorism and Financial Intelligence (TFI) marshals the department’s intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, WMD proliferators, money launderers, drug kingpins, and other national security threats.

Comprises: Office of the Under Secretary for Terrorism and Financial Intelligence (TFI)
Office of Intelligence and Analysis (OIA)
Office of Terrorist Financing and Financial Crimes (TFFC)
Office of Foreign Assets Control (OFAC)
Financial Crimes Enforcement Network (FinCEN)
Executive Office of Asset Forfeiture (TEOAF)
Works in close cooperation with:
Internal Revenue Service – Criminal Investigation (IRS-CI)

Leadership: Stuart Levey, Under Secretary for TFI
Janice Gardner, Assistant Secretary for OIA
Pat O’Brien, Assistant Secretary for TFFC
Barbara Hammerle, OFAC Acting Director
Robert Werner, FinCEN Director
Eric Hampl, TEOAF Director
Matthew Levitt, Deputy Assistant Secretary for OIA
Daniel Glaser, Deputy Assistant Secretary for TFFC
Nancy Jardini, Chief IRS-CI

THE OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE

Terrorism and Financial Intelligence

The Office of Terrorism and Financial Intelligence (TFI) was established via Treasury Order on April 28, 2004. The office brings a wide range of intelligence and authorities together under a single umbrella, allowing us to strategically target a range of threats – whether terrorists, narcotics traffickers, proliferators of WMD or rogue regimes, like Iran and North Korea.

TFI fills a unique and important role in our national security system. When the U.S. is confronted with a threat that is unreceptive to diplomatic outreach and when military action is not appropriate, TFI's tools offer a powerful means to exert pressure and achieve a tangible impact. The innovation exercised by Congress in giving TFI these powerful tools has been pivotal to the office's successes.

Office of Intelligence and Analysis

The Office of Intelligence and Analysis (OIA) is a fully functional intelligence office, staffed by expert analysts focused on the financial networks of terrorists and other threats to our national security. OIA is responsible for the receipt, analysis, collation, and dissemination of foreign intelligence and foreign counterintelligence information related to the operation and responsibilities of the Department of the Treasury.

By producing expert analysis of intelligence on financial and other support networks for terrorist groups, WMD proliferators, and other key national security threats, OIA supports the Treasury's formulation of policy and execution of authorities. OIA also provides timely, accurate, and focused intelligence on the full range of economic, political, and security issues.

Office of Terrorist Financing and Financial Crimes

As the policy development and outreach office for TFI, the Office of Terrorist Financing and Financial Crimes (TFFC) collaborates with the other elements of TFI to develop policy and initiatives for combating money laundering, terrorist financing, WMD proliferation, and other criminal activities both at home and abroad.

TFFC works across the law enforcement, regulatory and intelligence communities and with the private sector and its counterparts abroad to identify and address the threats presented by all forms of illicit finance to the international financial system. TFFC advances this mission by promoting transparency in the financial system and the global implementation of targeted financial authorities. A primary example of its leadership and successes is its role in spearheading the U.S. Government delegation to the Financial Action Task Force (FATF), which has developed leading global standards for combating money laundering and terrorist financing.

Office of Foreign Assets Control

The Office of Foreign Assets Control (OFAC) is charged with administering and enforcing U.S. economic and trade sanctions based on foreign policy and national security goals. OFAC currently administers roughly 30 programs that target terrorists, rogue countries and regimes, narcotics traffickers, proliferators of weapons of mass destruction and other illicit economic and national security threats.

The Treasury Department has a long history of dealing with sanctions. Dating back prior to the War of 1812, Secretary of the Treasury Gallatin administered sanctions imposed against Great Britain for the harassment of American sailors. During the Civil War, Congress approved a law which prohibited such transactions with the Confederacy, called for the forfeiture of goods involved in such trade, and provided a licensing regime under rules and regulations administered by Treasury.

OFAC is the successor to the Office of Foreign Funds Control (FFC), which was established at the advent of World War II following the German invasion of Norway in 1940. The FFC program was administered by the Secretary of the Treasury throughout the war. The FFC's initial purpose was to prevent Nazi use of the occupied countries' holdings of foreign exchange and securities and to prevent forced repatriation of funds belonging to nationals of those countries. These controls were later extended to protect assets of other invaded countries. After the United States formally entered World War II, the FFC played a leading role in economic warfare against the Axis powers by blocking enemy assets and prohibiting foreign trade and financial transactions.

OFAC itself was formally created in December 1950, following the entry of China into the Korean War, when President Truman declared a national emergency and blocked all Chinese and North Korean assets subject to U.S. jurisdiction.

OFAC's expertise in administering sanctions has made it a model for countries throughout the world. Although OFAC's programs differ in terms of their scope and application, they all involve the exercise of the President's constitutional and statutory wartime and national emergency powers to impose controls on transactions and trade, and to freeze foreign assets that come within the jurisdiction of the United States.

Treasury Executive Office of Asset Forfeiture

The Treasury's Executive Office of Asset Forfeiture (TEOAF) manages and directs the proceeds from non-tax related asset forfeitures made by Treasury and Homeland Security to fund programs and activities aimed at disrupting and dismantling criminal infrastructures. Forfeited funds are used to help train law enforcement personnel and promote cooperation among federal, state, and local law enforcement agencies through funding of expenses including equitable sharing, as well as the development of targeted task forces.

Financial Crimes Enforcement Network

The mission of the Financial Crimes Enforcement Network (FinCEN) is to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. FinCEN, a bureau of the Treasury, administers the Bank Secrecy Act of 1970, which authorizes the reporting and recordkeeping obligations with respect to financial transactions for law enforcement purposes.

Since its creation in 1990, FinCEN has worked to maximize information sharing among law enforcement agencies and its other partners in the regulatory and financial communities to combat money laundering, terrorist financing, and other illicit finance.

As the United States' financial intelligence unit (FIU), FinCEN links to a network of over a hundred similar FIUs around the world, sharing information to pursue money laundering, terrorist, and other investigations.

IRS – Criminal Investigation Division

TFI also works closely with the Criminal Investigation division of the Internal Revenue Service in its anti-money laundering, terrorist financing, and financial crimes cases. IRS-CI houses the finest financial investigators in the world that investigate financial crimes and are central in tracing assets looted by corrupt foreign officials.

TREASURY'S TOOLS AND AUTHORITIES

Combating Terrorist Financing

As President Bush declared on September 24, 2001, "We will direct every resource at our command to win the war against terrorists, every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence."

Our focus is on the pillars that support terrorism, and we draw upon all of the tools at our disposal to erode and topple these pillars. This is a war fought not on the battlefield, but rather in banks, along cash courier routes, and in the depths of shadowy financial networks.

Working shoulder-to-shoulder with dedicated public servants in the U.S. Government, our allies abroad and our partners in the private sector, Treasury follows the terrorists' money trails aggressively, exploits them for intelligence, and severs links where we can. Our collaborative efforts have al Qaida and other terrorist groups feeling financial pressure and grasping for new channels through which to move money.

While we may never shut off the spigot of terrorist money entirely, we and our partners around the world have made it costlier, riskier and harder for terrorists to raise, move and store money. A notable example is an intercepted letter from Ayman al-Zawahiri, al Qaida's number two, to Abu Musab al-Zarqawi, the leader of al Qaida in Iraq. Dated July 9, 2005, Zawahiri pleaded for Zarqawi to send more money, as their financing support lines had been cut off.

International Emergency Economic Powers Act

OFAC acts under Presidential emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under U.S. jurisdiction. The core authority for such sanctions is the International Emergency Economic Powers Act of 1977 (IEEPA).

IEEPA gives the President the authority to, in a time of national emergency, impose sanctions against those threatening the U.S. economy, national security, or foreign policy, investigate, regulate and prohibit certain financial transactions, and freeze assets of foreign adversaries, including foreign governments, designated individuals and entities. The President has delegated

his IEEPA powers with respect to certain matters to the Secretary of the Treasury, who in turn has delegated them to OFAC.

On September 23, 2001, the President invoked IEEPA and issued Executive Order 13224, which allows us to identify and designate terrorists and their facilitators. Designations deny terrorists access to the financial system and shut down channels through which they raise, move and store money. By designating terrorists, we place them in financial handcuffs by restricting where and how they are able to get their hands on funding.

Designations also serve as a powerful deterrent. Unlike terrorist operatives willing to die for their hateful cause, financiers often cling desperately to their social status and property. Designations and prosecutions of terrorist supporters are public reminders that we treat those who fund terror as the terrorists that they are.

Since E.O. 13224 was issued, OFAC has designated more than 420 entities as terrorists, their financiers or facilitators. Additionally, under the United Nations Participation Act and United Nations Security Council Resolution 1267, supporters of al Qaida, Usama bin Laden and the Taliban can be designated worldwide, imposing a global assets freeze and travel ban.

SUCSESSES AND ACCOMPLISHMENTS SINCE SEPTEMBER 11, 2001

- ✓ Over 1600 terrorist-related accounts and transactions have been blocked around the world, including over 150 in the United States.
- ✓ Over 150 nations have endorsed global standards to combat terrorist financing, including provisions governing charities, cash smuggling, and money service businesses.
- ✓ The United States has designated more than 420 individuals and entities as terrorists or terrorist supporters under Executive Order 13224.
- ✓ More than 80 countries have also introduced new terrorist-related legislation, and over 100 have established Financial Intelligence Units.
- ✓ Consistent with applicable UN Security Council Resolutions, more than 170 countries and jurisdictions have issued freezing orders against terrorist supporters.
- ✓ Over 40 charities that were funneling money to al Qaida, HAMAS and like-minded terrorist organizations have been publicly designated and denied access to the U.S. financial system.

Combating Illicit Finance

All national security threats – from terrorists to narcotics traffickers to WMD proliferators – depend on a financial network to survive. Terrorists need to access the financial system to move money in order to train and indoctrinate operatives, to bribe officials and procure false documents, and of course, to carry out horrific attacks. Weapons proliferators need access to the financial system to launder ill-gotten gains from illicit activities, such as smuggling. Drug cartels funnel money through sham businesses and front companies to cloak their trafficking activities.

The Treasury Department harnesses its financial information, expertise, and economic authorities and influence to attack the financial underpinnings of these groups, playing a unique part in helping to safeguard the economic and national security of the United States.

Bank Secrecy Act

The Bank Secrecy Act (BSA), enacted in 1970, authorizes the Secretary of the Treasury to issue regulations requiring that financial institutions keep records and file reports on certain financial transactions for law enforcement purposes. The authority of the Secretary to administer these authorities has been delegated to the Director of FinCEN.

Hundreds of financial institutions are currently subject to BSA reporting and recordkeeping requirements, including depository institutions; brokers or dealers in securities; money services businesses; and casinos and card clubs.

In implementing BSA requirements, financial institutions not only strengthen their defenses against illicit transactions, but also provide critical information on certain financial flows by reporting suspicious activity and transactions meeting a defined threshold. FinCEN is then able to utilize this data and share it, as appropriate, with law enforcement, intelligence and regulatory agencies to bolster government-wide efforts to combat illicit financial transactions.

USA PATRIOT Act

The Bank Secrecy Act was amended by the USA PATRIOT Act, which broadens and deepens the anti-money laundering system to more segments of the financial community. The Act allows FinCEN not only to regulate the financial services community more broadly, but also to share information with our partners in the financial sector, to identify corrupt dollars flowing through the system, and to prevent tainted capital that could support terrorist or other criminal activity from entering the financial system.

Section 311 of the Patriot Act authorizes the Treasury to use financial force against foreign jurisdictions, banks, or classes of transactions that are of “primary money laundering concern,” to isolate the designated entity and protect the U.S. financial system from tainted capital running through the entity. Section 311 authorizes the Secretary of the Treasury to require U.S. financial institutions to take certain “special measures” against identified targets.

Section 311, a defensive regulatory measure, has a profound effect not only in insulating the U.S. financial system from an identified illicit finance risk, but also in placing the global system on notice of such a threat.

Case Study: Banco Delta Asia

The North Korean regime, a state sponsor of terrorism, facilitates criminal activity to support its repressive regime. North Korea is involved in a range of illicit activities, including the proliferation of weapons of mass destruction, narcotics trafficking and smuggling. The North Korean government has also sponsored the counterfeiting of U.S. currency through the creation and distribution of “supernotes,” high-quality bills that are virtually indistinguishable from the genuine \$100 bill except by the specially-trained eye.

North Korea is subject to a variety of economic sanctions administered by OFAC and other government agencies. FinCEN has also taken a leading role in using its anti-money laundering authorities to help limit the threat to legitimate financial systems posed by North Korean activity.

In September 2005, the Treasury designated Banco Delta Asia (BDA) in Macau pursuant to Section 311, naming the institution a “willing pawn” of the North Korean government. The Treasury found that BDA had been facilitating North Korean front companies and government agencies engaged in narcotics trafficking, currency counterfeiting, production and distribution of counterfeit cigarettes and pharmaceuticals, and laundering the proceeds.

In conjunction with Treasury’s designation, FinCEN issued a “notice of proposed rulemaking,” that, if finalized, will prohibit U.S. financial institutions from holding correspondent accounts for BDA. FinCEN followed the proposed rule by issuing an advisory to financial institutions in December 2005 warning that North Korea, acting through government agencies and associated front companies, was seeking banking services for their illicit financial activities elsewhere. FinCEN warned financial institutions to take reasonable steps to guard against these illicit financial activities.

These actions have produced encouraging results. Jurisdictions in the region have begun conducting investigations and taking necessary steps to identify and cut off illicit North Korean business. Responsible financial institutions are also taking a closer look at their own operations, terminating or declining to take on such business.

USA PATRIOT ACT SECTION 311

The Treasury has designated the following financial institutions to be of ‘primary money laundering concerns’ under Section 311:

- September 15, 2005: Banco Delta Asia of Macau
- April 21, 2005: VEF Bank and Multibanka of Latvia
- August 24, 2004: First Merchant Bank of the “Turkish Republic of Northern Cyprus”
- August 24, 2004: Infobank of Belarus
- May 11, 2004: Commercial Bank of Syria (CBS) and its subsidiary Syrian Lebanese Commercial Bank
- November 19, 2003: Myanmar Mayflower Bank
- November 19, 2003: Asia Wealth Bank of Burma

The Treasury has designated the following jurisdictions to be of ‘primary money laundering concerns’ under Section 311:

- November 19, 2003: Burma
- December 20, 2002: Nauru
- December 20, 2002: Ukraine

Note: On April 15, 2003, Treasury rescinded the 311 designation against the Ukraine in recognition of important steps taken to improve its anti-money laundering regime.

INTERNATIONAL COOPERATION ON TERRORIST FINANCING

The terrorist attacks in Dahab, Egypt on April 24, 2006, provide painful confirmation that we are still at risk. Indeed, from the railway bombings of Madrid and Moscow to the attacks in Casablanca and London, we have seen that terrorism does not discriminate among race, religion or national origin.

A robust international coalition is currently working to combat terrorist financing and to focus the world's attention on previously unregulated, high-risk sectors like charities and hawalas. As we continue to push terrorists out of the formal financial system, they will be forced to find new, unfamiliar ways to raise and move money, which may be slow, cumbersome and expose them to detection. As terrorists adapt to our vigorous efforts, we too must continue to broaden and expand our focus to stay one step ahead.

The success of our efforts to combat terrorist financing depends in large part on the support of our allies and the international community. The United States works with the international community to develop and strengthen counter-terrorist financing initiatives and regimes, and to enhance the transparency and accountability of global financial systems generally. We work bilaterally, regionally and multilaterally to improve global capabilities to identify and freeze terrorist-related assets. We are committed to establishing and bolstering international standards to address identified vulnerabilities, and to ensure global compliance with these standards. We also focus on financing mechanisms of particular concern, such as bulk cash smuggling, and facilitating information sharing to aggressively combat these emerging threats.

Internationally we have received support from countries and jurisdictions worldwide, including blocking orders to freeze assets from over 170 countries and jurisdictions. Along with other direct actions around the globe to deal with the common scourge of terrorism, more than 80 countries have also introduced new terrorist-related legislation, and over 100 are now members of the Egmont Group, an international network of Financial Intelligence Units.

A great success for the international community was the passage of United Nations Security Council Resolution 1617 last year, which strengthens the international regime for targeting the support networks of al Qaida and the Taliban and enables vigorous action to cut off al Qaida's support lines around the world. Resolution 1617 strengthens what might be the most powerful tool for global action against those who provide money, arms, technology, or other support to al Qaida and the Taliban: targeted sanctions. When an individual or entity is designated pursuant to the resolution, states are required to freeze their assets, deny them access to the international financial and commercial systems, and prevent them from traveling internationally or acquiring arms. Any who choose to do business with these targets face the same consequences. The message is clear: if you assist those seeking to destroy our society, you will be publicly identified and cut off from society's resources.

With this strengthened resolution, the international community is armed to take unified, decisive action against al Qaida's support networks. By exercising and implementing these authorities vigorously and globally, we have the power to deal al Qaida and other terrorist organizations a significant blow.

We have also worked with our counterparts in the Financial Action Task Force (FATF) to revise the 40 Recommendations on Money Laundering, thereby enhancing international standards of transparency and accountability for effectively combating money laundering and other financial crimes. In June 2003, the FATF issued the revised 40 Recommendations to address, among other things, shell banks, politically-exposed persons, correspondent banking, wire transfers, bearer shares, trusts, and an expansion of the sectors in which AML/CFT measures should be adopted.

The FATF has also adopted and issued the Nine Special Recommendations on Terrorist Financing to carry out, among other objectives, criminalizing terrorist financing, protecting charities and non-profit organizations from terrorist abuse, regulating alternative value transfer systems, such as hawalas, and strengthening information-sharing mechanisms.

The Ninth Special Recommendation on Terrorist Financing was issued in November 2004. It requires countries to have measures in place to detect the physical cross-border transportation of currency, including a declaration or disclosure system similar to our reporting requirements in the United States.

We have forged bilateral partnerships with other nations and called upon multilateral organizations to promote international standards and protocols for combating terrorist financing and financial crime generally. Such standards and protocols are essential to developing the financial transparency and accountability required to identify and attack elements of financial crime, including terrorist financing networks.

We have targeted specific financing mechanisms that are particularly vulnerable or attractive to terrorist financiers. Notably, these mechanisms include the abusive use of charities, NGOs, hawalas and other alternative remittance or value transfer systems, wire transfers, and cash couriers, as well as trade-based money laundering and cyber-terrorist financing.

To improve the global flow of financial information related to terrorist financing, we have also worked to establish and expand formal and informal international information-sharing channels, both bilaterally and multilaterally. Through the Financial Crimes Enforcement Network (FinCEN), the U.S. Financial Intelligence Unit (FIU), we have persuaded the Egmont Group to leverage its information-collection, analysis and sharing capabilities to support the global war on terrorism. These ongoing efforts have greatly improved our ability to identify and unravel terrorist financing networks by tracking and tracing terrorist money trails through multiple jurisdictions.