

# *Progress in the War on Terrorist Financing*

September 11, 2003

---

## **OVERVIEW**

The opening salvo in the war on terrorism was launched with a stroke of a pen on September 23, 2001 when President Bush signed Executive Order 13224, freezing the assets of terrorists and their supporters and authorizing the Secretaries of Treasury and State to identify, designate and freeze the U.S.-based assets of those who financially facilitate terrorism. President Bush's action began an unprecedented international campaign to deter and dismantle the sources of terrorist financing.

In the nearly two years since the September 11 attacks, those efforts have left few places for terrorists and their supporters to hide their money. The U.S. and our international partners have seized or frozen nearly \$200 million in terrorist-related assets and have designated 315 individuals and organizations as terrorists or as part of terrorist support networks. Pipelines of terrorist financing that once funneled millions of dollars to terrorists have been dismantled. Several key fundraisers and facilitators have been identified and arrested around the world, further limiting sources of money for terrorists.

The fight to stop the financing of terror is virtually without borders. Nearly every country in the world has expressed support in the war on terrorist financing -- 173 nations have implemented orders to freeze terrorist assets, more than 100 countries have introduced new legislation to fight terrorist financing, and 84 countries have established Financial Intelligence Units to share information.

The 9/11 hijackers took advantage of a financial system that afforded them the ability to transmit and receive money with relative anonymity and to find the financial resources to carry out their plots. But, the past two years have yielded tremendous progress in securing the financial system against terrorist financing and in shining the light of international scrutiny on sectors of the financial system previously untouched by regulation or oversight. Designations and freezing of assets, structural changes to financial systems around the world, and the cooperation of international partners have helped to dry up sources of financial support for terrorism and have restricted the ability of terrorists to operate. Our efforts and the world's focus have made it more difficult for terrorists to succeed in their attacks. The war on terrorist financing, like the war on terror as a whole, is a long fight. While there is still much work to be done, the progress made since the first 9/11 will hopefully help to prevent the next.

## Designation and Freezing of Assets

Executive Order 13224 gave the Secretaries of State and Treasury the authority to designate individuals and organizations as terrorists and terrorist supporters - freezing their U.S. assets, prohibiting financial transactions with U.S. persons, and publicly shaming those designated by notifying the world of their involvement in terrorism.

International cooperation has broadened the net of designations to encompass not just the U.S., but jurisdictions globally. Through bilateral cooperation and multilateral action by the United Nations, 173 countries have implemented blocking orders to freeze the assets of terrorists.

In a world interconnected by a vast financial web, the ability to ostracize terrorists and their supporters and banish them from the international financial system deters those who would fund acts of terror and cripples the ability of terrorists to operate on a global scale. By freezing assets and dismantling key nodes of terrorist financing, designation provides an extraordinary tool to starve terrorists of the financing to carry out their plans, helping to prevent terrorist attacks before they happen.

### Since September 11, 2001:

- **1439** accounts, containing more than **\$136.7 million** in assets, frozen worldwide - including **\$36.6 million** in the U.S.
- More than **\$60 million** in additional terrorist related assets seized by authorities globally.
- **315** individuals and organizations listed as Specially Designated Global Terrorists (SDGTs) under Executive Order 13224.
- **Countless millions in additional funds** prevented from flowing to terrorists by disruption of terrorist financing networks, deterrence of donors, and international efforts to secure the world financial system from the financing of terror.
- Several major sources of terrorist financing dismantled:
  - In August, 2003, Sec. Snow announced the U.S. designation of several charities funding Hamas and several members of Hamas' senior leadership. In the weeks since, the EU has now reached consensus to designate the political wing of Hamas. Several other jurisdictions, including the Palestinian Authority and the U.K., have also taken action to freeze assets of Hamas related charities.
  - In support of previous action by European partners, the U.S. designated the **Al-Aqsa International Foundation**, a major source of funding to Hamas in April of 2003, helping to shut-down the German based charity.
  - The Somali based **al-Barakaat** network once provided funding and transferred money too and from al-Qaida. The U.S. and our international partners took action to designate al-Barakaat and close down their operations in November of 2001.
  - Three major U.S. based charities providing funding to terrorists, the **Global Relief Foundation, Benevolence International Foundation** and **Holy Land Foundation for Relief and Development** were designated and shuttered in December of 2001.

# International Cooperation

The same international financial system that allows commerce to flow freely between nations also provides terrorists a way to move money around the globe in seconds. Terrorism is a global problem, and therefore our effort to disrupt its financing must extend beyond borders -- to block the money wherever it is hidden and to track it down wherever it flees.

Major bombings in Indonesia, Saudi Arabia, and Iraq underscore the global nature of the terrorist threat. To respond to such a threat requires the cooperation of all nations and the focus of the international community. An unprecedented 209 of the 219 countries in the world have expressed support for the global effort to fight terrorist financing. This level of support is perhaps one of the most significant success stories in the terrorist financing effort.

## **Since September 11, 2001:**

- **209 countries** have offered their support in the financial war on terror.
- **173 countries** have issued blocking orders freezing terrorist assets.
- **100 countries** have passed new laws, strengthening their safeguards against terrorist financing.
- **80 countries** have established Financial Intelligence Units to share information on terrorist financing.
- **The UN Security Council** has approved Resolutions 1372 and 1390 that compel action by member states to combat terrorist financing.
- **The Financial Action Task Force (FATF)** has issued 8 Special Recommendations on Terrorist Financing and revisions to the 40 Recommendations on Money Laundering, incorporating international standards to prevent terrorist financing.

The United Nations has adopted Security Council resolutions requiring all members to freeze assets of any al-Qaida and Taliban related financial target listed by the UN and to take actions to prevent the financing of terror. The Financial Action Task Force (FATF), an international body devoted to the development and promotion of policies aimed at combating money laundering and terrorist financing, has issued important standards that outline steps that countries should take to bolster defenses against terrorist financing and money laundering.

Countries around the world are implementing new laws to secure their financial systems against terrorist financing and are working together to identify and disrupt the financing of terror. More than 80 countries have established Financial Intelligence Units to share information and 173 countries have implemented blocking orders to freeze terrorist assets.

## **Securing the Financial System and Preventing the Abuse of Charities**

Cutting off terrorists from the international financial system is fundamental to our efforts to disrupt their activities. Enhanced safeguards are making it more difficult for terrorists to move money through formal financial systems and are exposing them to greater risk of detection when they do. As a result, terrorists are crippled in their ability to move money and to operate on a global scale. In addition, the worldwide attention on the abuse of charities by terrorist groups has resulted in unprecedented actions to secure charitable giving.

Protection of the U.S. financial system begins with a robust regulatory regime that enhances the ability of financial institutions to deny access to terrorists and money launderers. Over the past two years, we have expanded dramatically the protections afforded our domestic financial system through the implementation of important anti-money laundering and anti-terrorist financing provisions of the U.S.A PATRIOT Act.

For example, we have issued regulations to facilitate the sharing of critical information related to the financing of terrorism -- between law enforcement and financial institutions and among financial institutions themselves. Regulations have enhanced the financial audit trail by ensuring that basic customer information is collected, customer identity is verified, and increased due diligence is performed for high risk accounts. Finally, we have extended, and are continuing to extend, the reach of our anti-money laundering and anti-terrorist financing regulatory regime to additional categories of financial institutions to reflect the reality that terrorist financiers may resort to non-traditional means of moving their assets.

Our efforts to protect the financial system, however, cannot stop at our shores. To fight terrorist financing, all countries must take steps to safeguard their financial sectors from abuse by terrorists. The world has recognized this reality.

Immediately following the September 11<sup>th</sup> attacks, the Financial Action Task Force (FATF) held an Extraordinary Session in Washington D.C. to issue the "Eight Special Recommendations on Terrorist Financing." These Eight Recommendations -- which address such issues as wire transfers, charities, alternate remittance systems, and asset freezing -- have been recognized as the international standard for terrorist financing.

The FATF followed this up in June of this year with a major revision of the "Forty Recommendations on Money Laundering" that require additional steps to secure financial systems against terrorist financing. The revised Forty Recommendations expand the definition of money laundering, enlarge the scope of institutions to which anti-money laundering controls must be applied, articulate specific customer identification measures that financial institutions should take, provide for enhanced scrutiny of certain high risk categories of customers, prohibit shell banks, and tighten controls on correspondent banking.

Countries throughout the world are working to put these important measures into place and the FATF has joined forces with the IMF and World Bank on a global program to assess compliance with these standards by countries throughout the world.

The United States government is also working closely with domestic and international partners to deal with the threat of terrorist financing through charities. In November 2002, the Treasury Department released voluntary best practices for charities, which provide guidelines that empower charities to reduce the risk of abuse of their organizations to fund terror. The Treasury Department is actively reaching out to the charitable community in an effort to work together to prevent terrorist financing through charitable institutions. These guidelines, combined with our outreach efforts, have launched a reassessment of how charities conduct business and the steps they should take to safeguard the giving for their donors.

The international community, through the FATF, has also set forth international best practices that set the standard for how governments should approach the problem of terrorist financing through charities. Countries around the world have taken important steps to increase the oversight and regulation of charities and to take actions against those involved in the funding of terror. Over the past two years, the U.S. and our international partners have taken action against 23 such charities.