



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

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MEMORANDUM FOR DEPARTMENT OF DEFENSE
LEAD INSPECTOR GENERAL

FROM: Gregory Sullivan /s/
Audit Director

SUBJECT: Overseas Contingency Operations - Summary of Work
Performed by the Department of the Treasury Related to
Terrorist Financing and Anti-Money Laundering for Second
Quarter Fiscal Year 2023

This summary provides an update on the Department of the Treasury's (Treasury) programs to combat terrorist financing and money laundering. Per your request, we provided this information in a question and answer format to help streamline the information. This information is provided by Treasury management and is not audited by Treasury Office of Inspector General.

Q1. In an unclassified, publicly releasable format, provide information on individuals and organizations sanctioned for providing support to the Islamic State of Iraq and Syria (ISIS) as follows:

- a. **Reasonable estimate of the cumulative number of individuals and organizations sanctioned (by Treasury, not cumulative with State) for providing support to ISIS since 2014.**

Treasury told us it uses the full range of its authorities to aggressively target ISIS leaders, operatives, financiers, and associated organizations around the world. These efforts have resulted in Treasury designating 136 ISIS-associated individuals and entities since 2014.

b. Details on individuals and organizations sanctioned for providing support to ISIS in the reporting period: January 1, 2023 – March 31, 2023.

On January 5, 2023, Treasury sanctioned a network of four Türkiye-based ISIS financial facilitators and two related companies¹ pursuant to Executive Order (EO) 13224.²

ISIS Financial Facilitator Brukan al-Khatuni

- Abd Al Hamid Salim Ibrahim Brukan al-Khatuni (Brukan al-Khatuni) was sanctioned for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, ISIS. He is an Iraqi national, illegally living in Türkiye, who engaged in financial facilitation and recruitment activities for ISIS. Brukan al-Khatuni played a significant role in transferring funds through his network in support of ISIS and ISIS senior leaders. In 2016, he moved to Türkiye to manage ISIS’s financial facilitation network there and transferred funds from Arabian Gulf-based donors to ISIS. Also in 2016, he joined an ISIS recruitment cell, which was tasked with spreading the ideology of ISIS’s previous emir, Abu Bakr al-Baghdadi. As of 2018, Brukan al-Khatuni had assumed an important role in managing ISIS financing in Türkiye. That same year, ISIS transferred millions of dollars to Brukan al-Khatuni. Brukan al-Khatuni managed hawala³ offices and played roles in ISIS money management, transfer, and distribution. In 2021, Brukan al-Khatuni sent funds to Yasir ‘Ali Ahmad Nuwayran al-Farraji (al-Farraji), an ISIS cell member arrested by the Kurdistan Regional Government Counterterrorism Directorate in March 2021, for planning attacks against Kurdish military and security forces in Erbil, Iraq. Al-Farraji later confessed to planning attacks in Erbil in a public statement in April 2021.

¹ For additional information, see Treasury’s press release, “The United States and Türkiye Take Joint Action to Disrupt ISIS Financing” (January 5, 2023).

² EO 13224, “Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism” (Sep. 23, 2001) provides a means by which to disrupt the financial support network for terrorists and terrorist organizations.

³ The hawala system is a widely used form of Informal Value Transfer Systems, a term used to describe those money or value transfer systems that operate informally to transfer money as a business.

Al-Khatuni Network

- Sham Express, a Türkiye-based company founded by Brukan al-Khatuni in 2020, was sanctioned for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, ISIS. The company had also been used by ISIS-affiliated individuals to transfer funds for the group. Prior to his arrest in July 2021, then-ISIS finance leader 'Abd-al-Rahman 'Ali al-Ahmad al-Rawi (al-Rawi)⁴ established financial channels throughout Russia, Europe, China, and Africa to transfer existing ISIS funds and generate additional ISIS revenue. Al-Rawi worked with Sham Express in connection with these activities. ISIS financial facilitators also used Sham Express to support the smuggling of gold from Syria and Sudan via Iraq, Egypt, and Libya to generate additional revenue for ISIS.
- Wadi Alrrafidayn for Foodstuffs (Wadi Alrrafidayn) is a money service business in Mersin, Türkiye, sanctioned for being owned, controlled, or directed by, directly or indirectly, Brukan al-Khatuni. Brukan al-Khatuni and his sons all worked at Wadi Alrrafidayn, which Brukan al-Khatuni later re-branded.
- Muhammad Abd Al Hamid Salim Brukan al-Khatuni was sanctioned for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, ISIS. He is one of Brukan al-Khatuni's sons who coordinated with an ISIS finance official to facilitate the transfer of over \$500,000 in June 2021.
- Umar Abd Al Hamid Salim Brukan al-Khatuni was sanctioned for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, ISIS. He is one of Brukan al-Khatuni's sons who coordinated with an ISIS finance official to facilitate the transfer of over \$500,000 in June 2021.

⁴ Treasury designated al-Rawi pursuant to EO 13224 on April 15, 2019.

- Lu'ay Jasim Hammadi al-Juburi (Lu'ay Jasim) was sanctioned for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, ISIS. He used Sham Express to transfer money on behalf of ISIS between Türkiye, Syria, and Iraq. Lu'ay Jasim, previously an al-Qa'ida member since 2008, joined ISIS in 2014. He worked in ISIS's financial administration for several years until he moved to Mersin, Türkiye, where he managed a business used by ISIS members in Türkiye to illegally transfer funds throughout the region, notably Iraq and Egypt.

c. The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: January 1, 2023 – March 31, 2023.

No sanctioned individuals or organizations were removed from the sanctions list this reporting period.

Q2. In an unclassified, publicly releasable format, describe what was done this quarter with Coalition partners in Iraq and Syria to disrupt ISIS financial networks.

Treasury told us it continues to work with interagency and Coalition partners, including the Government of Iraq, to prioritize identifying ISIS's financial reserves and financial leaders, disrupting ISIS's financial facilitation networks in the Middle East. In addition, Treasury is working to designate ISIS facilitators, front companies, and fundraisers in various countries. Treasury also takes a leadership role in the Global Coalition to Defeat ISIS, serving as a co-lead of the Counter ISIS Finance Group along with its counterparts from Italy and Saudi Arabia.

Q3. In an unclassified, publicly releasable format, describe ISIS funding in Iraq and Syria, to include what has changed since last quarter, the estimated amount of funds at its disposal, how funds are generated and distributed, and any shortfalls in the amount or distribution of funds this quarter. Include the methods ISIS uses to transfer funds into and distribute funds within Iraq and Syria.

Treasury told us ISIS's financial situation remains largely unchanged since the previous quarter. ISIS continued to raise funds through extortion of oil smuggling networks in eastern Syria, kidnapping for ransom targeting civilian businesses and populations, extortion,

looting, and the possible operation of front companies. The group relied on money services businesses, including hawalas, throughout Iraq, Syria, and Türkiye, to transfer funds internationally. ISIS probably has tens of millions of U.S. dollars available in cash reserves dispersed across the region.

Treasury provided additional information related to ISIS financing in Syria and Iraq, which it published in November 2022, but remains relevant this quarter.⁵

Despite substantial leadership losses this year, ISIS Core⁶ remains intact and maintains access to as much as \$25 million in cash reserves held in Syria and Iraq. The terrorist group amassed these funds during its 2014-2017 occupation of Iraqi and Syrian territories by selling oil, extorting local economies, and looting banks. ISIS leadership uses these funds to support its branches and networks around the world, finance extremist operations, maintain a loyal cadre of supporters, conduct recruitment, secure the release of its members from prisons and internally displaced persons camps, and pay family members of deceased and imprisoned ISIS personnel. However, ISIS Core's revenue streams are diminishing due to pressure from the military forces of the Global Coalition and law enforcement actions in the region. We estimate that ISIS militants operating in Syria and Iraq spend more money per month than they can generate during the same period. As a result, ISIS leaders rely on declining incomes from extorting local businesses, kidnapping for ransom, looting, and sporadic external donations to fill their coffers. This year, ISIS leaders in Iraq and Syria have increasingly emphasized the importance of fundraising to their subordinates probably because the group recognizes that it will be unable to support members without increasing their revenue in the coming years.

⁵ Treasury, "Fact Sheet: Countering ISIS Financing" (November 18, 2022).

⁶ ISIS Core refers to the main portion of ISIS in Iraq and Syria, along with the key leaders of the global organization. The term is mainly used to differentiate the main ISIS leadership from the regional ISIS affiliates, such as ISIS-Khorasan and ISIS-Philippines.

Q4. In an unclassified, publicly releasable format, describe the methodology ISIS uses to transmit and distribute funds into and out of al-Hawl⁷ and other camps, as well as Syrian Democratic Forces detention facilities holding ISIS detainees. Include any changes to estimates of funds transmitted, particularly to residents in al-Hawl.

Treasury told us ISIS supporters use a combination of cash, hawalas, virtual currencies, and online fundraising platforms to transfer funds, including to individuals in al-Hawl. The group's supporters have gathered and sent funds to intermediaries in Türkiye who smuggle the cash into Syria or send the funds to hawalas operating in the camp. In al-Hawl, ISIS supporters have received up to \$20,000 per month via the hawala system; the majority of those transfers originated outside Syria or passed through neighboring countries, such as Türkiye.

Q5. In an unclassified, publicly releasable format, provide an update on any actions taken this quarter regarding the unfreezing of Afghan Central Bank assets held in the United States and the implementation of these funds for humanitarian aid for the Afghan people.

Treasury told us the Board of Trustees of the Fund for the Afghan People⁸ (Afghan Fund) met for the second time on February 16, 2023, and took additional steps to operationalize the Afghan Fund. Treasury also told us robust safeguards have been put in place to prevent the funds from being used for illicit activity. In its first meeting, the Board agreed on additional steps to continue to safeguard the Afghan Fund's assets for Afghanistan's people, including hiring an external auditor to conduct annual audits, and developing compliance controls and foundational corporate governance documents.

⁷ Al-Hawl (or al-Hol) is an internally displaced person's camp in northern Syria housing upwards of 70,000 refugees. It holds one of the largest concentrations of current and former ISIS members who continue to receive donations from ISIS supporters internationally.

⁸ The United States, through Treasury and the State Department, and in coordination with international partners, announced the establishment of the Afghan Fund on September 14, 2022. The Afghan Fund will protect, preserve, and make targeted disbursements of its \$3.5 billion in assets to help provide greater stability to the Afghan economy to benefit the people of Afghanistan.

Q6. In an unclassified, publicly releasable format, describe any changes this quarter to (1) licenses⁹ designed to facilitate the continued delivery of humanitarian assistance to Afghanistan, (2) the designation of Taliban and/or Haqqani¹⁰ officials as Specially Designated Nationals, and (3) the overall sanctions regime against the Taliban.

Treasury's Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals.

Treasury told us that OFAC is not easing pressure on the Taliban. The Taliban remains designated as a Specially Designated Global Terrorist (SDGT) under EO 13224, while the Haqqani Network remains designated as an SDGT and a Foreign Terrorist Organization under section 219 of the Immigration and Nationality Act.¹¹

OFAC issued seven Afghanistan-related general licenses¹² to enable the flow of legitimate humanitarian assistance supporting the basic human needs of vulnerable populations in Afghanistan through legitimate and transparent channels. These channels include the U.S. Government, international organizations, and nongovernmental organizations, so that such entities can continue to engage in humanitarian assistance and certain other activities that support the Afghan people. However, OFAC limited the scope of these general licenses to continue to deny resources to malicious actors. For example, the licenses do not allow financial transfers to the Taliban;

⁹ A license is an authorization from the Office of Foreign Assets Control (OFAC) to engage in a transaction(s) that otherwise would be prohibited. There are two types of licenses: general licenses and specific licenses. General licenses allow all U.S. persons to engage in the activity described in the general license without needing to apply for a specific license. A specific license is a written document issued to a particular person or entity, authorizing a particular transaction in response to a written application.

¹⁰ The Haqqani Network is a Sunni Islamist militant organization primarily based in North Waziristan, Pakistan. It conducts cross-border operations into eastern Afghanistan and Kabul.

¹¹ 8 U.S.C. 1189, *Designation of foreign terrorist organizations*.

¹² OFAC General Licenses No. 14, "Authorizing Humanitarian Activities in Afghanistan" (September 24, 2021); No. 15, "Transactions Related to the Exportation or Reexportation of Agricultural Commodities, Medicine, Medical Devices, Replacement Parts and Components, or Software Updates in Afghanistan" (September 24, 2021); No. 16, "Authorizing Noncommercial, Personal Remittances to Afghanistan" (December 10, 2021); No. 17, "Official Business of the United States Government" (December 22, 2021); No. 18, "Official Activities of Certain International Organizations and Other International Entities" (December 22, 2021); No. 19, "Certain Transactions in Support of Nongovernmental Organizations' Activities in Afghanistan" (December 22, 2021); and No. 20, "Authorizing Transactions Involving Afghanistan or Governing Institutions in Afghanistan" (February 25, 2022).

the Haqqani Network; any entity in which the Taliban or the Haqqani Network owns, directly or indirectly, individually or in the aggregate, a 50 percent or greater interest; or any blocked individual who is in a leadership role of a governing institution in Afghanistan other than for the purpose of effecting the payment of taxes, fees, or import duties, or the purchase or receipt of permits, licenses, or public utility services, provided that such payments do not relate to luxury items or services.