



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
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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 the
Second Quarter Fiscal Year 2025

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 sanctions in place against the former Syrian regime that remain in force against Syrian authorities: (1) reasonable estimate of the (through March 31, 2025) sanctions in place against Syria and individuals known to be in the acting Syrian interim authorities; (2) an explanation for the legal basis for the continuation of sanctions placed on the former Syrian regime and conditions necessary for their relief or expiration; (3) any modification or elimination of sanctions applicable to Syria or acting Syrian authorities; and (4) any other actions taken in regard to sanction enforcement, planning and coordination for sanction relief, and other legal actions in regard to Syria.

Treasury told us that U.S. sanctions against Syria, which are administered by Treasury's Office of Foreign Assets Control (OFAC) and implemented through the Syrian Sanctions Regulations,¹ generally prohibit U.S. persons from engaging in most transactions involving Syria, including engaging in new investments in Syria, providing services to Syria, dealing in petroleum or petroleum products of Syrian origin, and engaging in transactions with the Government of Syria. On October 10, 2024, in accordance with the National Emergencies

¹ 31 CFR part 542, *Syrian Sanction Regulations*.

Act (NEA),² former President Biden continued in effect for one year the national emergency underlying the Syrian Sanctions Regulations.³ President Trump will need to continue in effect that national emergency no later than October 13, 2025, for the sanctions to continue past that date.

Treasury told us targeted sanctions under U.S. counterterrorism authorities also remain in effect. Hay'at Tahrir al-Sham (HTS)⁴ is designated as both a Specially Designated Global Terrorist pursuant to the Global Terrorism Sanctions Regulations⁵ and a Foreign Terrorist Organization pursuant to the Foreign Terrorist Organizations Sanctions Regulations.⁶ These designations have the effect of prohibiting most transactions by U.S. persons with HTS, and making it unlawful to materially support HTS. In accordance with the NEA, former President Biden continued in effect for one year the national emergency underlying the Global Terrorism Sanction Regulations on September 20, 2024.⁷ President Trump will need to continue in effect the national emergency no later than September 22, 2025, for the sanctions that apply to HTS due its Specially Designated Global Terrorist designation to continue after that date.

Treasury also told us that the Caesar Syria Civilian Protection Act of 2019 (Caesar Act),⁸ which was renewed for five years in December 2024, continues to provide for mandatory secondary sanctions⁹ on any foreign person who knowingly engages in certain significant activity with the Government of Syria, or any person designated with respect to Syria, absent a waiver issued pursuant to the Caesar Act.

² Section 202(d) of the NEA (50 U.S.C. § 1622(d)) provides for the automatic termination of a national emergency unless, within 90 days prior to the anniversary date of its declaration, the President publishes in the Federal Register and transmits to the Congress a notice stating that the emergency is to continue in effect beyond the anniversary date.

³ 89 FR 82929, *Continuation of the National Emergency With Respect to the Situation in and in Relation to Syria*.

⁴ HTS is a coalition of northern Syria-based Sunni Islamist insurgent groups that evolved from Jabhat al-Nusrah, or "Nusrah Front," al-Qa'ida's former branch in Syria.

⁵ 31 CFR part 594, *Global Terrorism Sanctions Regulations*.

⁶ 31 CFR part 597, *Foreign Terrorist Organizations Sanctions Regulations*.

⁷ 89 FR 77011, *Continuation of the National Emergency With Respect to Persons Who Commit, Threaten To Commit, or Support Terrorism*.

⁸ Enacted as part of P.L. 116—92, National Defense Authorization Act for Fiscal Year 2020 (December 20, 2019), the Caesar Act provides the U.S. Government a powerful way to promote accountability for the Assad regime's atrocities.

⁹ Primary sanctions generally prohibit U.S. persons from engaging in specified activities, as well as transactions in or involving the United States, with certain countries, entities, and individuals. Secondary sanctions target non-U.S. persons for activities that occur outside of U.S. jurisdiction.

There are almost 700 persons designated pursuant to Syria sanctions authorities, of which 26 are concurrently designated pursuant to the Caesar Act. In addition to these sanctions, Syria remains designated as a State Sponsor of Terrorism by the Department of State (State). Syria is also subject to export controls administered by the Department of Commerce.

Treasury told us that, on December 8, 2024, HTS led a collusion of Syrian rebels in toppling Syrian President Bashar al-Assad after 54 years of Assad family rule. In response to this dramatic regime change in Syria, OFAC issued a time-bound general license¹⁰ on January 6, 2025, to ensure sanctions do not impede the provision of essential services to the people of Syria and to allow regional partners to replace energy previously provided by Iran and Russia.¹¹

Q2. In an unclassified, publicly releasable format, describe what was done this quarter with Global Coalition to Defeat the Islamic State of Iraq and Syria (ISIS) (Global Coalition) partners in Iraq and Syria to disrupt ISIS financial networks.

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

¹⁰ A license is an authorization from 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.

¹¹ Syria General License 24, "Authorizing Transactions with Governing Institutions in Syria and Certain Transactions Related to Energy and Personal Remittances," authorizes until July 7, 2025, subject to certain exceptions, transactions with governing institutions in Syria; transactions in support of the sale, supply, storage, or donation of energy to, or within Syria; and transactions that are ordinarily incident and necessary to processing the transfer of noncommercial, personal remittances to Syria, including through the Central Bank of Syria. For more information, see Treasury's press release, "U.S. Treasury Issues Additional Sanctions Relief for Syrian People" (January 6, 2025).

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 that, as of February 2025, ISIS had a little less than \$10 million in its reserves, most likely located in Iraq. In 2024, ISIS probably generated around \$8 million, through activities such as kidnapping for ransom, extortion, zakat,¹² and donations from international supporters. ISIS senior leadership determines where money is allocated and for what purpose, including for attack plotting, weapons procurement, or expansion into new territories.

Treasury also told us ISIS continues to rely on virtual assets and money service businesses in addition to traditional funds transfer methods. ISIS continues to embed virtual currency wallets in their media outputs, like Voice of Khorasan magazine,¹³ allowing ISIS to receive donations from international supporters. In the recent issue of Voice of Khorasan, ISIS is using the conflict in Syria to garner support from international followers, while the December 2024 issue solicited virtual currency donations through Monero.¹⁴ In 2024, ISIS probably earned over \$500,000 through virtual assets, most of which was probably donations. ISIS regularly uses virtual assets to make transfers across the organization, which allows them to quickly move money across borders with relative ease. In late 2024, ISIS members consolidated virtual currency accounts amounting to nearly \$40,000, illustrating that many ISIS offices have finance officials or members who are adept at using virtual assets. ISIS members probably use physical businesses and mobile applications to convert virtual assets into whatever currency they require.

¹² ISIS requires eligible Muslims to pay the zakat tax of 2.5 percent of their income and capital assets.

¹³ Treasury reported that Voice of Khorasan is ISIS-generated propaganda. For more information, see Treasury's fact sheet, "Fact Sheet on ISIS Financing" (August 8, 2024).

¹⁴ Monero is a digital currency that offers a high level of anonymity for users and their transactions.

Q4. In an unclassified, publicly releasable format, provide an update on any changes in methods ISIS used to transmit and distribute funds into and out of al-Hol,¹⁵ other camps, and Syrian Democratic Forces (SDF)¹⁶ detention facilities holding ISIS detainees. Include any changes to estimates of funds transmitted, particularly to residents in al-Hol.

Treasury told us ISIS supporters use a combination of cash, the hawala system,¹⁷ virtual currencies, and online fundraising platforms to transfer funds, including to individuals in al-Hol. The group's supporters have gathered and sent funds to intermediaries in Türkiye, who smuggle the cash into Syria or send the funds to hawala dealers operating in the camp. In al-Hol, ISIS supporters have received up to \$20,000 per month via the hawala system. The majority of those funds transfers have 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 it did not take any action this quarter to unfreeze Afghan Central Bank assets held in the United States. Former President Biden continued in effect for one year the national emergency underlying the freezing of Afghan Central Bank assets on January 15, 2025.¹⁸ President Trump will need to continue in effect the national emergency again no later than January 14, 2026, for these funds to remain blocked.

¹⁵ Al-Hol (or al-Hawl) is a refugee camp in northern Syria. It holds one of the largest concentrations of current and former ISIS members who continue to receive donations from ISIS supporters internationally.

¹⁶ The SDF is a multi-ethnic coalition of Kurdish, Arabic, and Christian fighters, created in 2015 with U.S. support. Operating in the local Autonomous Administration in North and East Syria, the SDF established itself as the West's main partner in the fight against ISIS.

¹⁷ The hawala system is a widely used informal value transfer system, a term used to describe those money or value transfer systems that operate informally to transfer money as a business.

¹⁸ 90 FR 6711, *Continuation of the National Emergency With Respect to the Widespread Humanitarian Crisis in Afghanistan and the Potential for a Deepening Economic Collapse in Afghanistan*.

Q6. In an unclassified, publicly releasable format, describe any changes this quarter to (1) licenses designed to facilitate the continued delivery of humanitarian assistance to Afghanistan, (2) the designation of Taliban and/or Haqqani¹⁹ officials as Specially Designated Nationals, and (3) the overall sanctions regime against the Taliban.

Treasury told us it did not issue any licenses or designations or make changes to the overall sanctions regime this quarter.

Q7. In an unclassified, publicly releasable format, describe ISIS-Khorasan (ISIS-K)²⁰ funding in Afghanistan, 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 Afghanistan.

Treasury told us that, since July 2024, the ISIS leaders overseeing ISIS elements in Central, South, and Southeast Asia have continued to try to create stable revenue streams. One of their more successful methods of earning money is through the Voice of Khorasan magazine, which generated thousands of dollars in donations in 2024. ISIS publishes this magazine and other propaganda products in a number of languages, including English, Russian, Turkish, Pashto, Uzbek, Tajik, and Urdu.

Treasury also told us ISIS senior leaders allocated over \$100,000 to ISIS elements in South and Southeast Asia in 2024, including to ISIS-K for attack plotting. ISIS-K transferred at least \$2,000 in virtual assets to the Crocus City Hall²¹ attackers, showing a direct link between ISIS's use of virtual assets and external operations. Treasury has not observed large, completed allocations from ISIS senior leadership since these transactions. Treasury anticipates ISIS-K will continue to heavily use virtual assets to generate money and to move funds quickly and securely, given how regularly they utilize the technology.

Furthermore, Treasury told us that, in addition to using the hawala system, virtual assets, and money services, ISIS-K has used bank

¹⁹ The Haqqani Network is a Sunni Islamist militant organization primarily based in North Waziristan, Pakistan. It conducts cross-border operations into eastern Afghanistan, including Kabul.

²⁰ ISIS-K is an ISIS affiliate in the Khorasan region, which historically encompasses parts of modern-day Iran, Central Asia, Afghanistan, and Pakistan.

²¹ The March 22, 2024, ISIS-K terrorist attack at the Crocus City Hall concert venue in Moscow killed over 130 people and injured hundreds more.

accounts in Pakistan to make transfers. In 2025, Treasury expects to see ISIS elements in South and Southeast Asia and ISIS-K continue to try to generate their revenue through economic operations and through their media apparatus.

Q8. In an unclassified, publicly releasable format, describe Treasury's activities and interagency coordination with the Department of Defense, State, United States European Command, and other U.S. Government agencies in support of Operation Atlantic Resolve and related U.S. Government support to Ukraine. Include activities to sanction Russian leaders as well as Ukrainian and/or other individuals or entities engaging in fraud, corruption, or other misappropriation of U.S. assistance. Provide specific examples of said activities, as well as any measures of effectiveness for these efforts overall.

Treasury told us it maintains a high-level of coordination with interagency counterparts, including on sanctions, where they collaborate to build evidentiary packages²² supporting sanctions actions, including designations. Treasury works with State to seek foreign policy guidance and with all relevant agencies to assess U.S. Government equities and appropriate mitigation steps before imposing new sanctions. Treasury also coordinates with State to enhance Treasury's sanctions approach by encouraging allies and partners to take complementary action, as well as understanding and helping to resolve specific challenges related to partners and Treasury's sanctions actions.

Treasury told us sanctions remain an important facet of President Trump's strategy to combat threats to American and European security, including ending Russia's war against Ukraine. Treasury also told us it has imposed sanctions on approximately 90 percent of Russia's banking system by asset size, reducing Russia's connectivity and foreign willingness to facilitate dual-use and sensitive goods transactions. Treasury has issued thousands of designations and undertaken extensive engagement to hinder Russia's evasion and procurement networks. Treasury restricted Russia's energy revenues through implementation and enforcement of the oil price cap and targeted designations of vessels and oil companies, alongside Treasury's partners' efforts. This has presented Moscow with difficult tradeoffs as it funds the war. Treasury has established and used a new secondary sanctions regime that has hindered Russia's attempts

²² Evidentiary packages are memoranda that compile evidence linked to the basis of a Treasury sanctions action.

to abuse third country²³ banks to support its military-industrial base. U.S. and multilateral sanctions have put considerable strain on Russia's economy over the past three years, and Treasury has taken innovative measures to mitigate the impact on the global economy.

²³ A "third country" refers to a nation that is neither the target of sanctions nor an adopter of sanctions against another country. These third countries are not legally bound by the sanctions but can play a significant role in facilitating or evading them. For instance, countries like Armenia, Cyprus, and Saudi Arabia have been involved in sanctions evasion and avoidance related to the sanctions imposed on Russia. Their actions can impact the effectiveness of sanctions and influence international relations. For additional information, see Treasury's press release, "U.S. Continues to Degrade Russia's Military-Industrial Base and Target Third-Country Support with Nearly 300 New Sanctions" (May 1, 2024).