



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
Third 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, describe Islamic State of Iraq and Syria (ISIS) funding in Iraq and Syria, to include what has changed since last quarter: (1) 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. (2) Provide an update on any changes in methods used by ISIS to transmit and distribute funds into and out of al-Hol,¹ other camps, and Syrian Democratic Forces (SDF)² detention facilities holding ISIS detainees. Include any changes to estimates of funds transmitted, particularly to residents in al-Hol. Provide an assessment of ISIS's ability to fund its activities in Iraq and Syria, noting

¹ 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.

² 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.

the metrics used to formulate this assessment and explain how ISIS's ability to fund these activities has changed over the past three quarters.

Treasury told us that ISIS has an estimated \$10 million in reserves.³ Some of these reserves are transferred out of Iraq and Syria to other globally dispersed offices with the use of virtual assets. ISIS relies on virtual assets and informal financial pathways including hawala networks⁴ in Turkiye and elsewhere to raise and transfer funds to individuals in al-Hol and other internal displacement camps in Syria. Historically, donors have used unhosted wallets,⁵ compliant and non-compliant crypto exchanges, and crypto-Automated Teller Machines.⁶ Treasury also told us that, in March 2025, a joint US-Iraq effort resulted in the death of a senior Iraq-based ISIS leader who was heavily involved in ISIS's finances. In 2022, TRM Labs Inc. (TRM)⁷ identified multiple methods of on- and off-ramping⁸ platforms used by campaign operators and donors.⁹

Q2. 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 that there have been no actions taken this quarter to unfreeze any Afghan Central Bank assets in the United States or held by any U.S. financial institution, based on Executive Order (EO) 14064.¹⁰ Former President Biden continued in effect for one year the national emergency underlying the freezing of Afghan Central Bank

³ For additional information, see Treasury's "Fact Sheet on ISIS Financing" (August 8, 2024).

⁴ Hawala networks are widely used informal channels for transferring funds, often internationally, outside of the banking system.

⁵ An unhosted wallet is a digital account not hosted by a third-party financial system. Unhosted wallets allow for anonymity and concealment of illicit financial activity.

⁶ A crypto-Automated Teller Machine is a kiosk designed to facilitate buying cryptocurrencies using any financial transaction card, including a cash or a debit card.

⁷ TRM is a blockchain intelligence company that helps financial institutions, crypto businesses, and government agencies detect and investigate crypto-related financial crime and fraud.

⁸ On- and off-ramping describes the process of exchanging fiat currency, like dollars or euros, for cryptocurrencies, like Bitcoin or Ethereum, and vice versa.

⁹ For additional information, see TRM's report, "Fundraising Campaigns for ISIS Families: Analyzing the Use of Cryptocurrency" (April 12, 2022).

¹⁰ EO 14064, "Protecting Certain Property of Da Afghanistan Bank for the Benefit of the People of Afghanistan" (February 11, 2022).

assets on January 15, 2025.¹¹ President Trump will need to continue the national emergency again no later than January 14, 2026, for these funds to remain blocked under EO 14064.

Q3. In an unclassified, publicly releasable format, describe any changes this quarter to (1) licenses¹² designed to facilitate the continued delivery of humanitarian assistance to Afghanistan, (2) the designation of Taliban and/or Haqqani¹³ officials as Specially Designated Nationals, and (3) the overall sanctions regime against the Taliban.

Treasury told us the existing licenses designed to facilitate the continued delivery of humanitarian assistance to Afghanistan have remained the same in this quarter. Additionally, the overall sanctions regime against the Taliban has not changed since the last quarter.

Q4. In an unclassified, publicly releasable format, describe ISIS-Khorasan (ISIS-K)¹⁴ 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. Provide an assessment of ISIS-K's ability to fund its activities in Afghanistan, noting the metrics used to formulate this assessment. Explain how ISIS-K's ability to fund these activities has changed over the past three quarters.

Treasury told us ISIS-K has received funding from ISIS global leadership to conduct external operations. ISIS-K relies heavily on virtual assets to receive funding from leadership and international donors. A large portion of ISIS-K's donations have come from ISIS-K's monthly magazine, the Voice of Khorasan.¹⁵ ISIS has included

¹¹ 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*.

¹² A license is an authorization from Treasury's Office of Foreign Assets Control to engage in a transaction(s) that otherwise would be prohibited.

¹³ 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.

¹⁴ ISIS-K is an ISIS affiliate in the Khorasan region, which historically encompasses parts of modern-day Iran, Central Asia, Afghanistan, and Pakistan.

¹⁵ Treasury reported that Voice of Khorasan is ISIS-generated propaganda published in several languages to reach a wider audience. For more information, see Treasury's fact sheet, "Fact Sheet on ISIS Financing" (August 8, 2024).

advertisements in the magazines that have embedded quick response codes linked to cryptocurrency wallets.

Q5. In an unclassified, publicly releasable format, describe Russian and Belarusian efforts to evade sanctions related to Russia's war in Ukraine. Include: (1) The evolution of the trends related to Russian and Belarusian efforts to evade sanctions from February 2022 until the present, including any new trends related since the previous quarter; (2) a description of how Treasury identifies and implements operations in response to Russia and Belarus' evolving approaches to sanctions evasion; (3) an assessment of the use of third-party intermediaries or transshipment points¹⁶ to evade sanctions against Russia and Belarus; (4) actions Treasury has taken to prevent Russian and Belarusian sanction evasion; and (5) any notable successes and challenges associated with preventing Russian and Belarusian sanctions evasion.

Treasury told us the United States, in concert with partners, has imposed wide-ranging financial and trade restrictions on Russia since its full-scale invasion of Ukraine in 2022. To disrupt Russia's procurement of critical inputs to its military-industrial base, Treasury has targeted procurement networks operating in Russia and third countries,¹⁷ including Belarus, which enables Russia's unmanned aerial vehicles and missile development, chemical and biological weapons production, and other military programs. In August 2024, Treasury sanctioned Belarusian entities involved in supporting Russia's war in Ukraine through military resource production and transshipment of goods to Russia.¹⁸ The most recent tranche of

¹⁶ Third-party intermediaries and transshipment points are commonly used tactics to circumvent Russia-related sanctions and export controls, disguise the involvement of Specially Designated Nationals and Blocked Persons, and obscure the true identities of Russian end users.

¹⁷ 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).

¹⁸ For additional information, see Treasury's press release, "Treasury Tightens Sanctions on Belarus's Military Support to Russia and Lukashenko Regime" (August 9, 2024).

Russian sanctions aimed at third country evasion was issued in January 2025.¹⁹

Treasury told us that Russia remains agile, leveraging increasingly complex schemes that abuse third-country financial institutions and other actors to evade U.S. and coalition sanctions. The Kremlin has been forced to increasingly rely on covert procurement networks, many run by the Russian intelligence services, to acquire critical goods. These networks use supply chains and intermediaries in a variety of jurisdictions, including China, Hong Kong, the United Arab Emirates, Türkiye, Iran, India, and Belarus to obfuscate their acquisition of sensitive and dual-use goods.

Treasury also told us that, in addition to targeted sanctions actions to combat Russia's evolving evasion efforts, it has conducted outreach to foreign governments and the foreign and domestic private sector. This approach has been effective in suppressing Russian procurement efforts and creating friction for payments to and from Russia. Russian firms are not using one single bank or payment channel, but instead leverage banks that best enable their access to customers and suppliers abroad, often while obfuscating Russian involvement. Globally, secondary sanctions²⁰ risks have reduced risk tolerance for Russia-related business and evasion schemes. Treasury engagement has prompted banks in several jurisdictions, particularly China, Türkiye, the United Arab Emirates, and Central Asian countries, to shift away from sanctioned Russian banks and other entities. Treasury has also provided information to foreign governments and private sector actors to enable them to take disruptive actions.

¹⁹ For additional information, see Treasury's press release, "Treasury Intensifies Sanctions Against Russia by Targeting Russia's Oil Production and Exports" (January 10, 2025).

²⁰ Secondary sanctions target non-U.S. persons for activities that occur outside of U.S. jurisdiction.