



DEPARTMENT OF THE TREASURY
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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 the First
Quarter Fiscal Year 2024

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 the Department of State (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 174 ISIS-associated individuals and entities since 2014.

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

Treasury told us it did not sanction any individuals or organizations for providing support to ISIS during this reporting period.

c. The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: October 1, 2023 – December 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 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 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 Core's¹ revenue is declining, as the group lost millions of dollars due to pressure from Coalition forces in the Middle East. Law enforcement efforts also have disrupted financial support to ISIS members in Syria and Iraq. For example, on January 5, 2023, the United States and Türkiye jointly sanctioned a Türkiye-based ISIS financing network, which disrupted critical nodes ISIS used to transfer

¹ 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.

hundreds of thousands of dollars for its activities.² Due to counterterrorism efforts, ISIS Core is unable to meet its financial obligations, particularly payments to family members of deceased and imprisoned ISIS personnel; these potentially constitute the group's largest expense. Moreover, ISIS has had to pay its leaders sporadically, probably several hundred dollars per month, while skipping payments for fighters. ISIS has probably done so intentionally to extend the duration of its limited financing.

Treasury also told us that despite leadership losses and financial disruptions, ISIS continues to draw from millions of dollars in cash reserves it held as of late 2022, engaging in extortion and kidnapping for ransom, and, to a lesser extent, soliciting donations via online platforms. The cash reserves are buried in physical caches and are dug up and smuggled through Iraq and Syria. In both countries, the cash enters the hawala system³ and can be distributed via transfers in permissive jurisdictions. The hawala networks used by ISIS in Iraq and Syria have company branches and affiliates in multiple countries; these include poorly regulated informal financial sectors where ISIS probably exploits lax identification requirements to withdraw cash. Additionally, ISIS is increasingly using virtual assets for international funds transfers. These transfer methods allow ISIS leadership to support militant operations, recruit and maintain a loyal cadre of supporters, and secure the release of its members from detention.

Lastly, Treasury told us ISIS Core relied on regional offices of its General Directorate of Provinces⁴ to provide funding and operational guidance to ISIS branches and networks around the world. General Directorate of Provinces' Bilad al-Rafidayn Office financed families and relatives of ISIS prisoners and martyrs; al-Furqan Office is responsible for West Africa and the Sahel; the Dhu al-Nurayn Office oversees North Africa and Sudan; al-Karrar Office covers East, Central, and Southern Africa, as well as Yemen; and al-Siddiq Office is responsible for South, Central and Southeast Asia. ISIS continues sending funds globally to operationally capable branches, while ISIS leaders in Iraq

² For additional information, see Treasury's press release, "The United States and Türkiye Take Joint Action to Disrupt ISIS Financing" (January 5, 2023).

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

⁴ The General Directorate of Provinces is a series of regional offices established by ISIS to sustain the group's global capability and reputation following the defeat of the territorial caliphate.

and Syria have increasingly emphasized to their subordinates the importance of fundraising.⁵

Q4. In an unclassified, publicly releasable format, provide an update on any changes in methods ISIS uses to transmit and distribute funds into and out of al-Hol,⁶ other camps, and Syrian Democratic Forces (SDF)⁷ 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, 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 the Board of Trustees of the Fund for the Afghan People (Afghan Fund)⁸ met for the fourth time on October 2, 2023. The Board reviewed the activities undertaken since the last Board meeting to operationalize the Afghan Fund and approved additional steps to put in place robust safeguards to prevent any funds disbursed from being used for illicit activity. In particular, the Board approved contractual agreements with professional firms responsible for producing and auditing the Afghan Fund's financial statements, and with a law firm to assist with developing a framework to assure that

⁵ For additional information, see Treasury's "Fact Sheet: Countering ISIS Financing" (June 16, 2023).

⁶ Al-Hol (or al-Hawl) is an internally displaced person's 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.

⁷ 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.

⁸ The United States, through Treasury and State, 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.

the Fund has in place appropriate due diligence and controls procedures related to any potential disbursements. The Board also finalized the terms of reference for members of an international advisory committee, intended to deepen and diversify Afghan and international support for the Afghan Fund, and agreed to initiate the recruitment process.

Treasury also told us the Board acknowledged the growth of the Afghan Fund's assets, which reached \$3.69 billion at the end of September 2023. This growth underscores the Board's commitment to preserving the value of the Afghan Fund's assets on the behalf of the Afghan people. Regarding asset allocation, the Board reiterated the primary objective of safety first, then liquidity, when considering investments. The Board also discussed the challenges faced by Afghanistan's financial sector and international payments. The Board decided to seek further information and to reconsider this matter at the next Board meeting. Furthermore, the Board reached a consensus on the pivotal role that the Afghan Fund could play in facilitating the repayment of outstanding debts to multilateral development banks. This would expedite the allocation of multilateral development bank resources to enhance the macro-financial stability in 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 told us that since August 2021, the Taliban has implemented expansive policies of targeted discrimination against women and girls that impede their enjoyment of a wide range of rights, including but not limited to those related to education, employment, peaceful assembly, and movement. Treasury also told us Afghanistan is the only nation in the world where women and girls are prohibited from pursuing secondary education. Throughout Afghanistan, the Taliban's policies banning access to education for women and girls have been

⁹ A license is an authorization from Treasury's 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.

met with strong opposition from both women and men, including activists advocating for girls' access to education. The Taliban's response to this opposition has been severe, including disrupting protests, beating protesters, banning assemblies, and detaining and assaulting journalists covering the demonstrations.

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. OFAC designated Fariduddin Mahmood and Khalid Hanafi on December 8, 2023, pursuant to Executive Order 13818,¹¹ for serious human rights abuses related to the repression of women and girls, including restricting access to secondary education for women and girls in Afghanistan based solely on gender.¹² This gender-based restriction reflects severe and pervasive discrimination against women and girls and interferes with their enjoyment of equal protection.

Fariduddin Mahmood is a member of the Taliban's so-called "cabinet," which decided to close education centers and schools to women and girls after the sixth grade. He serves as the so-called "head of the Afghanistan Academy of Sciences" and supported the education-related bans on women and girls. Khalid Hanafi serves as the Taliban's so-called "Minister" for the so-called "Ministry for the Propagation of Virtue and Prevention of Vice," whose members engaged in serious human rights abuse, including killings, abductions, and assaults. OFAC also clarified that the designation of an individual with a leadership role in a governing institution does not itself block the governing institution. Accordingly, engaging in a routine interaction with a governing institution in which a blocked individual is an official, but that does not directly or indirectly involve the blocked individual in question, is not prohibited.¹³

¹¹ Executive Order 13818, "Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption" (December 20, 2017), allows a person to be sanctioned for being responsible for or complicit in, or to have directly or indirectly engaged in, serious human rights abuse.

¹² For additional information, see Treasury's press release, "Treasury Designates Perpetrators of Human Rights Abuse and Commemorates the 75th Anniversary of the Universal Declaration of Human Rights" (December 8, 2023).

¹³ For additional information, see OFAC's "Frequently Asked Question 1145. What if a governing institution in Afghanistan is led by an individual who has been blocked pursuant to the Global Magnitsky Sanctions Regulations?" (December 8, 2023).

Q7. 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.

Treasury told us ISIS Core's General Directorate of Provinces has probably transferred tens of thousands of dollars to its Afghanistan-based al-Siddiq Office. This office is responsible for overseeing ISIS activities in Asia and probably disbursed funds and guidance to ISIS branches and networks across the continent. In addition to employing unregistered money services businesses, established hawala networks, and cash couriers, al-Siddiq Office has increasingly used virtual assets service providers to finance its subordinates. The beneficiaries of al-Siddiq Office funding include ISIS branches and networks in Afghanistan, Pakistan, India, Bangladesh, Maldives, and the Philippines. These ISIS affiliates probably relied on the funding to sustain operations and cover other expenses, while some probably used the funds to conduct attacks and increase propaganda output. ISIS-K probably bolstered its ranks with recruits from Russia, Kazakhstan, Azerbaijan, Tajikistan, Uzbekistan, and elsewhere. Some ISIS branches, including ISIS-K and ISIS-East Asia (which includes ISIS-Philippines), have conducted limited financial transactions in the formal financial sector, including through bank accounts, bank cards, and registered money services businesses (including mobile money service providers).

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 support for 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 that at the direction of President Biden, it has effectively deployed sanctions to prevent Russia's efforts to procure critical components to support its unjust war against Ukraine and to limit the Kremlin's financial resources to wage its war of choice. Treasury maintains a high level of coordination with interagency

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

counterparts, including on sanctions, such as collaborating with interagency counterparts to build evidentiary packages. 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 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 specific partners and Treasury designations.

Treasury also told us it has imposed sanctions on over 80 percent of Russia's banking system, preventing access to the global system. Treasury has issued hundreds of designations, which have hindered Russia's efforts to evade sanctions in third countries. Treasury has restricted Russia's energy revenues, relative to last year, through implementation of the oil price cap, alongside actions on oil taken by Treasury's partners. Russia's macroeconomic performance has been constrained due to the impact of the war and Treasury's multilateral sanctions, even as Treasury has taken innovative measures to spare the global economy from collateral damage.¹⁵

¹⁵ For more information, see Treasury's featured story, "Sanctions and Russia's War: Limiting Putin's Capabilities" (December 14, 2023).