

U.S. DEPARTMENT OF THE TREASURY

Press Center



Assistant Secretary for Terrorist Financing David S. Cohen Remarks on Terrorist Financing

1/28/2010

TG-515

Before the Council on Foreign Relations As Prepared for Delivery

Good morning ladies and gentleman. It is a great privilege to speak before the Council on Foreign Relations. This organization has long been at the forefront of serious and informed discussion of our nation's most significant foreign policy and national security challenges. And so let me begin by thanking you for the invitation to speak today.

A little over one week ago in Kabul, the Taliban, reportedly working with al Qaeda, staged one of the most brazen attacks in recent memory. At about 9:30 in the morning, a suicide bomber attempted to break through the gates of a key ministry building. Security guards shot the attacker, who then detonated his suicide belt on the street, steps from the President's palace and the Ministry of Justice. A six-hour gun battle ensued. In the end, at least seven Taliban militants were killed, along with three members of the Afghan security force and two civilians.

You may assume the target that day was the President's palace or the Ministry of Justice. It wasn't. The target was the Afghan Central Bank--the country's key financial regulator.

Why would the Taliban and al Qaeda target the Central Bank? What about a financial regulator so threatens them that they would dispatch a suicide squad to attack it?

My belief is that the Taliban and al Qaeda understand the critical role that a strong, sound and transparent financial system plays in a safeguarding a nation's security. A strong Afghan Central Bank promotes economic growth and enables the Afghan government, rather than the Taliban, to provide services to the Afghan people. Crucially, it also promotes the financial transparency and regulatory structure necessary to prevent illicit finance--the very kind of financial activity the Taliban relies upon to support its violent and destabilizing campaign in Afghanistan.

We deplore this cowardly attack on a civilian target, and extend our condolences to the Afghan police officers and innocent civilians who were killed. Nonetheless, I think we can see in the attack on the Central Bank some evidence of success in our efforts, and the Afghan government's efforts, to tackle terrorist financing in Afghanistan.

What I would like to do this morning is to, first, take a step back and provide a brief overview of the Treasury Department's Office of Terrorism and Financial Intelligence--how we are organized and what we do to advance national security by combating financial support networks for violent extremist groups. Next, I will describe some of what we are doing to attack the finances of the Taliban, al Qaeda and other terrorist groups operating in Afghanistan and Pakistan. And finally, I will touch on some of the counter-threat finance challenges and priorities in that region in the months and years ahead.

First, a little background: For many years, The Treasury Department had an Office of Enforcement, headed by an Under Secretary and Assistant Secretary for Enforcement. Its principal mission was to oversee the law enforcement agencies that were part of the Treasury Department.

When the Department of Homeland Security (DHS) was created in 2002, most of Treasury's law enforcement agencies were redistributed to DHS and the Justice Department. What was left behind was a much smaller Office of Enforcement.

At the same time, there was a growing recognition that the Treasury Department could leverage its position as gatekeeper to the world's most important financial sector, its responsibility to help safeguard the worldwide financial system, and its unique legal authorities to advance our nation's most critical national security objectives.

Against this backdrop, the Department of the Treasury's Office of Terrorism and Financial Intelligence (TFI) was created in 2004. TFI is headed by an Under Secretary, and supported by two Assistant Secretaries. One Assistant Secretary, the Assistant Secretary for Terrorist Financing, is responsible for developing anti-money laundering and counter-terrorist financing policy. That is my job. The other

Assistant Secretary, the Assistant Secretary for Intelligence and Analysis, oversees the production and analysis of financial intelligence for use by policymakers in combating illicit financial activities.

TFI's Under Secretary also oversees the efforts of the Office of Foreign Assets Control (OFAC), which administers our sanctions programs, and the Financial Crimes Enforcement Network (FinCEN), which administers the Bank Secrecy Act and serves as the financial intelligence unit for the United States Government.

It is now well-understood that many of our most persistent and pernicious national security threats—including terrorists who threaten to strike our country and insurgents fighting our friends and allies—rely heavily on financial support networks. Money is an essential ingredient in their operations, every bit as important as fighters, weaponry and extremist ideology.

The financial support these groups require goes far beyond the sums spent on a specific attack. These groups need sustained and substantial funding to pay operatives, support their families, indoctrinate and recruit new members, train, travel, and bribe officials.

The key idea underlying TFI's work is this: If we can *deter* those who would donate money to violent extremist groups, *disrupt* the means and mechanisms through which they transmit money, and *degrade* their financial support networks, we can make an extraordinarily valuable contribution to our national security.

TFI employs a variety of tools to do this work.

The foundation, of course, is solid financial intelligence—so we know where the money comes from, how it moves and where it winds up. Treasury's Office of Intelligence and Analysis, which is the only dedicated intelligence office in any finance ministry, works with its sister agencies in the U.S. intelligence community to map out terrorists' financial networks. FinCEN, which receives and analyzes financial reports from a wide variety of domestic financial institutions, also contributes to our understanding of terrorists' financial networks.

With this financial intelligence in hand, we can take a variety of actions to combat the financing of terrorist activity.

We can use Executive Order 13224 to block the assets of terrorists and their supporters, and forbid Americans—including U.S. financial institutions operating here and through branches abroad—from engaging in transactions with a designated person. We can also seek complementary action by the United Nations under UN Security Council Resolution 1267, by the European Union under its Common Positions and Community Regulations addressing terrorist financing, and by individual nations exercising autonomous authorities. Domestically, we can issue rules under Section 311 of the USA PATRIOT Act, as well as other provisions of the Bank Secrecy Act, to protect our domestic financial institutions from illicit transactions tied to the financing of terrorism.

We have several non-prescriptive tools to combat terrorist financing as well. We issue FinCEN advisories about foreign financial institutions, or methods of moving money, that we believe may be facilitating the transmission of funds for illicit purposes. We pass downgraded intelligence and other information to foreign governments' finance ministries, central banks and interior ministries, urging them to take action against those in their jurisdictions involved in terrorist financing. And we share information with both domestic and foreign financial institutions to alert them to specific risks they may be incurring.

Whichever tools we deploy, we know that our actions, and those of our international partners, are much more effective when there are strong systemic safeguards built into the international financial system. This means having in place laws and policies to foster financial transparency and to enable swift and sure action against terrorist financing.

We promote this goal by working closely with the Financial Action Task Force (FATF), an inter-governmental body that articulates standards to combat both money laundering and terrorist financing. In part through the dogged efforts of the Treasury Department, these standards have been recognized by more than 175 jurisdictions around the world, as well as by key international institutions such as the United Nations, the World Bank and the IMF.

In response to public assessments against the FATF's standards, many nations have summoned the political will to enhance their systemic safeguards against money laundering and terrorist financing. And because the implementation of strong safeguards is often hampered by a lack of capacity, we also work closely with Treasury's Office of Technical Assistance to provide support to foreign governments interested in developing robust counter-illicit finance capabilities.

Today, Treasury's multi-pronged and innovative approach to counter-terrorist financing is perhaps most clearly evident in our work in Afghanistan and Pakistan. Let me give you some specifics on the tools we are using.

As is the case elsewhere, targeted financial measures are the foundation of our efforts to disrupt and dismantle our enemies' financial networks in Afghanistan. To combat illicit financial activity in Afghanistan and Pakistan, we actively use both E.O. 13224, which allows us to designate terrorists, and the Foreign Narcotics Kingpin Designation Act, which allows us to designate narcotics traffickers.

For example, on July 1, 2009, Treasury designated Mohammed Yahya Mujahid and Nasir Javaid, members of Lashkar e-Tayyiba (LT), the Pakistan-based group behind the December 2008 terrorist attack in Mumbai, India. We also designated Arif Qasmani, an LT facilitator. On the narcotics front, we have recently taken action against two of the world's most notorious drug kingpins, the Haji Juma Khan Organization in Afghanistan and Imam Bheel in Pakistan.

These actions freeze the assets of those designated and cut them off from the US financial system. They also often result in the voluntary severing of financial ties with designees by much of the world's formal financial system. Moreover, the public nature of these designations serves as a strong deterrent to would-be funders, facilitators and enablers of extremist groups.

We have also been hard at work sharing financial intelligence with our partners in the Gulf, a major source of support to terrorist organizations in Afghanistan and Pakistan. Doing so has helped some Gulf countries build cases and take action to prosecute financial facilitators operating within their borders. This public manifestation of political will and, importantly, official condemnation of terror financing, also acts as a powerful deterrent.

Within Afghanistan, Treasury helped establish the Afghan Threat Finance Cell (ATFC) in 2009, a fusion center headed by the DEA, with the Treasury and Defense Departments as the co-deputies. Building on a similar, highly successful, effort in Iraq, and working in close coordination with Afghan counterparts, the ATFC uses the full spectrum of U.S. tools and authorities--including diplomacy, law enforcement actions, military operations and targeted financial measures--to go after threat finance in Afghanistan.

Over the past two years, we also have worked to enhance our engagement on illicit finance with the Afghan and Pakistani governments and private sector. At the working level we have bolstered our presence in the region and established Treasury attaché offices in both Kabul and Islamabad. Our Treasury attachés help facilitate the adoption and implementation of sound financial oversight and regulatory laws and practices, and build strong technical relationships with key in-country interlocutors.

We have also enhanced interaction between more senior Treasury officials and the Afghan and Pakistani governments. I, along with Deputy Secretary Neal Wolin, will travel in the near future to Afghanistan and Pakistan, meeting with senior officials and leaders of private financial institutions to discuss, among other things, strategies to combat illicit finance and increase financial transparency.

Treasury is also actively engaged in helping to build Afghan and Pakistani capacity to combat illicit finance. The Department has a resident advisor in the Afghan Central Bank's financial intelligence unit, FinTRACA, who helps them develop the systems and expertise to receive, analyze and disseminate reports of suspicious financial activity. This advisor has also assisted with the Central Bank's initiative to license *hawalas*, the informal financial networks that are prevalent throughout Afghanistan. Next week, an additional advisor will deploy to help the Central Bank improve its ability to regulate the Afghan financial sector.

In addition, we have plans to deploy advisors to Pakistan to help build the capacity of the State Bank of Pakistan's financial intelligence unit and to help improve Pakistani law enforcement's ability to conduct financial investigations.

And we are working closely with FATF, the World Bank and the IMF to encourage Afghanistan and Pakistan to implement the appropriate legal framework to prevent terrorist financing and money laundering. Staff from my office participated in a recent mutual evaluation of Pakistan's AML/CFT regime, and will soon participate in a mutual evaluation of Afghanistan's. We are committed to working with these countries to help them bring their systems up to the FATF's standards. To take one example, we have been directly engaged with the highest levels of Pakistan's government to encourage the passage by the Pakistani legislature of a new anti-money laundering law to replace, and improve upon, an interim ordinance that is currently in place.

Back here in Washington, Treasury is leading a whole-of-government process to develop new initiatives aimed at disrupting the financing for violent extremist groups operating in Afghanistan and Pakistan.

At the request of Ambassador Richard Holbrooke, the Special Representative for Afghanistan and Pakistan, last summer I established the Illicit Finance Task Force (IFTF). The IFTF pulls together expertise from civilian and law enforcement agencies, the intelligence community and the military, to devise more effective ways to disrupt extremist financial networks and support the development of well-regulated and transparent financial sectors in Afghanistan and Pakistan. Some IFTF working groups are focused on spurring the growth of banking services in rural areas of Afghanistan and Pakistan; a joint US-Russia initiative to target narcotics-related financial networks in Afghanistan; and customs and border oversight in South Asia and the Gulf. Others are sharpening our targeting tools, including through expanded law enforcement collaboration with our foreign partners, and enhancing our diplomatic engagement with our allies in the region.

And through the IFTF, Treasury and USAID are working with regulatory authorities, banks and mobile communications service providers in Afghanistan and Pakistan to bring mobile banking and payment card services to the Afghan and Pakistani people. Expanding the reach of the formal financial sector in this way has significant development benefits. It can facilitate the distribution of micro-finance loans in the Afghan agricultural sector, a top development focus of the U.S. government. At the same time it can help displace cash transactions, a move that will make Afghanistan less hospitable to illicit finance.

Let me now turn to the way forward and how I see Treasury's national security role evolving in the future, especially in Afghanistan and Pakistan.

In his December 1, 2009, speech at West Point, President Obama reiterated that:

"Our overarching goal remains...to disrupt, dismantle and defeat al Qaeda in Afghanistan and Pakistan, and to prevent its capacity to threaten America and our allies in the future. To meet that goal...we must deny al Qaeda a safe haven. We must reverse the Taliban's momentum and deny it the ability to overthrow the government."

For the Treasury Department the message is clear: We need to redouble our efforts to combat the financial support networks of al Qaeda and the Taliban. A financially weakened al Qaeda is less capable of sending fighters into Afghanistan, training operatives to strike American and allied interests overseas, and organizing to attack us here at home. Likewise, a financially weakened Taliban will be a less capable fighting force, more vulnerable to ISAF military maneuvers, and less able to threaten the stability of the Afghan government.

The challenge, of course, is to continue to tighten our grip on the Taliban's and al Qaeda's financial networks. To some extent, this means sticking to our knitting--mapping the networks, particularly Gulf-based donors and facilitators; sharing information about risk; taking targeted action singly or in concert with others; sharing intelligence so others can take action through their legal systems; and building partner will and capacity.

And as their financial networks react and adapt to the actions we have taken, it means focusing even more intensively on interdicting cash smuggled out of the Gulf into Pakistan and Afghanistan. It also means more actively combating the use of *hawalas* for illicit purposes. Neither of these are new challenges; we have been focused on bulk cash smuggling and informal financial networks for years. But as we have become more successful in preventing the abuse of the formal financial system, illicit finance has increasingly migrated to these other transmission techniques.

We are also focused on the significant problem of official corruption in Afghanistan. Pervasive corruption in Afghanistan--in 2009 Transparency International rated Afghanistan the second most corrupt nation--hinders the development of legitimate government at all levels, and directly threatens our goal of ensuring that Afghanistan never again provides safe haven for al Qaeda. The Treasury Department is currently examining ways that we can apply our authorities to combat corruption.

Going forward, we will be increasingly focused on helping to build Afghan regulatory and law enforcement capacity. This will aid in the fight against illicit finance. But equally important, by helping to build capable and responsive governmental institutions, we will assist the Afghan government in countering extremist ideology. A well-functioning government that supervises a transparent, well-regulated financial sector, delivers justice and security, and meets the needs of its citizens can more effectively compete with the extremists' "shadow" government.

Before I conclude, I'd like to emphasize one final point: Our efforts to tackle terrorist financing are designed to stop every last penny from going to those who mean to do us harm. But we have no illusions that we can entirely prevent the flow of funds to terrorist groups. Some funds will find a way to flow.

But that does not mean the effort is futile--far from it. What we have learned is that by deterring would-be funders and disrupting the financial facilitation networks, we significantly impede terrorists' ability to operate. We may not be able to bankrupt al Qaeda, the Taliban, or even some of the lesser-known groups operating in the border region between Afghanistan and Pakistan. But through the coordinated, creative and relentless effort to attack their financial networks, we appreciably enhance our national security.

I want to close with a final note about your role, as thought leaders, in the effort to combat illicit financing. When intellectuals, academics and journalists focused on national security have the chance to explore our strategies in detail, and have the chance to discuss these strategies with Treasury officials--such as in this forum today--the community of people who understand how we use financial authorities to combat illicit finance expands. And this expansion generates greater effectiveness, for several reasons. Most directly, greater understanding of our authorities facilitates better compliance with laws and guidelines by U.S. persons. It also leads to the adoption of laws by foreign governments, and best practices by foreign financial institutions, which learn how to protect themselves from the risk of doing business with illicit actors. And it sparks innovative thinking in the policy community about how to use all tools of national power--not merely the traditional diplomatic and military tools--to address national security concerns.

So having the opportunity to speak with you, as individuals actively involved in the conversation about national security, is tremendously important as we hone our thinking about how to combat some of the most insidious and persistent threats we face. Thank you for being here, and I look forward to your questions.

###