

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Assistant Secretary for Terrorist Financing Daniel Glaser at Chatham House

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LONDON—Good morning, everyone. It is a pleasure to be with you today. I'd like to thank Chatham House for the invitation and opportunity to address the issue of terrorist financing. It's a privilege to join the distinguished guests here today, a number of whom I have worked closely with over the years.

I'd like to use my time today to talk about ISIL and how the U.S. Department of the Treasury and the United States government, as part of the Global Counter-ISIL Coalition, are working to disrupt ISIL's finances. While this is challenging and there is much work to still be done, it is clear that we are now seeing progress: progress in weakening ISIL's ability to make money and in disrupting its ability to make use of the money it raises. First, I'd like to talk about why ISIL presents a significant terrorist financing challenge in comparison with other terrorist organizations. I will then describe our strategy to disrupt their sources of revenue and cut them off from the international financial system and how we have made progress on these fronts.

ISIL Presents an Immense Terrorist Financing Challenge

At its most basic level, countering terrorist financing is a two-part effort. First, we work to cut terrorists off from their sources of revenue to limit their ability to make money. Second, we focus on isolating them from the international financial system so they cannot spend their money.

In the traditional terrorist financing model in which terrorist organizations raise funds primarily through donations, for example al-Qa'ida, we use the same tools to achieve both goals. In the al-Qa'ida case, our sanctions on key donors and facilitators have hampered the organization's ability to both raise money and to transfer it through the international financial system. Similarly, sharing lead information on terrorists' illicit financial activity to support our foreign partners' investigations and law enforcement actions has yielded progress on both fronts.

ISIL's revenue, however, is derived directly from the territory it controls, rather than from external donations. This hinders our ability to use our traditional tools, thereby requiring us to develop distinct approaches to address each aspect of the problem. To be sure, other terrorist groups control territory, like Hamas or al-Shabaab. However, the sheer scale of the wealth and diversity of revenue streams ISIL has been able to generate from within its territory makes countering its finances a qualitatively different problem. There is no simple or quick tool to separate ISIL from its vast wealth.

ISIL's Sources of Revenue

Let me turn now to ISIL's sources of revenue and what we knew a year ago. ISIL generates revenue from three primary sources. Last year, the most important source of revenue for ISIL was oil and gas: we estimate that ISIL made approximately \$500 million annually from the sale of oil, oil products, and gas.

Second, Treasury estimates that ISIL generated hundreds of millions per year by extorting both the local population and the financial and commercial activity taking place in the territory it controls. This included shaking down the population in the guise of "taxation," and pocketing profits from the production of agricultural products and other goods and services.

Third, ISIL gained considerable funds from seizing control of state-owned banks in northern and western Iraq in 2014. These funds from the bank vaults were estimated to be at least half a billion dollars at the time of capture, making them an important, albeit non-renewable, source of financing for ISIL in its earlier days.

Consequently, the proceeds generated by these three primary sources of revenue – oil and gas sales, taxation and extortion, and cash in seized bank vaults – provided ISIL with a considerable sum with which to run its operations and prop up its attempts to govern.

There are of course other, less significant, sources of ISIL revenue. For example, we estimate that ISIL may have received only a few million dollars from foreign donors in 2014, and likely again in 2015, a relatively minor amount compared with the approximately \$500 million it received from oil sales. This is not to say that foreign donations do not play a role in the conflict in Iraq and Syria. Al-Nusrah Front, for example, continues to receive substantial foreign donations.

Impact of Coalition Efforts to Disrupt ISIL's Sources of Revenue

ISIL clearly has vast financial resources, but it is important to stress that the revenue figures I have cited are more than a year old in some cases. We see indications that our efforts to disrupt ISIL's sources of revenue are bearing fruit, both because of targeted airstrikes against ISIL's financial and commercial activities and due to our efforts to decrease liquidity into ISIL-controlled territory. These efforts represent the first prong of our strategy against ISIL's finances: disrupting its sources of revenue.

As I noted earlier, oil has served as the primary source of revenue for ISIL. However, through airstrikes conducted under Operation Tidal Wave II, the Coalition has directly targeted ISIL's entire oil and natural gas supply chain: from oil fields, to refineries, to tanker trucks. Tidal Wave II has destroyed hundreds of trucks, disrupting fuel supply lines that terrorists use across Syria and into Iraq. The operation has also hit key infrastructure at oilfields and other oil production sites under ISIL control. While difficult to quantify, the strikes have undoubtedly impeded ISIL's ability to produce, sell, and profit from oil as it had been doing.

Working closely with the Government of Iraq, we also have focused on decreasing liquidity in ISIL-controlled territory by preventing ISIL from profiting from cash going into that territory. One of the most important steps to separate ISIL from its revenue was the Government of Iraq's August 2015 decision to ban and hold in escrow the distribution of government salaries into ISIL-held areas, thereby curtailing ISIL's ability to tax these funds.

This decision has already had a significant effect and, as it is implemented, its impact will be far-reaching. The funds had represented a substantial, continuing source of liquidity into ISIL-controlled territory: we estimate that Iraqi authorities paid at least \$170 million per month in 2015 – or the equivalent of than \$2 billion per year – to employees residing in ISIL-controlled territories until the August order to halt such payments. Iraq's decision was an important step towards undermining ISIL's ability to exploit the local population.

It is interesting to note that recent Coalition strikes have also reduced the levels of cash in ISIL-controlled territory. Recent targeting of bulk cash sites in Mosul has incinerated at least millions of dollars under ISIL's control – if not more.

As you can see, there is no silver bullet for disrupting illicit revenue sources – a financial campaign against any large, complex organization requires thoughtful and persistent efforts – and in the case of ISIL, these include the use of non-traditional financial tools, like military action. It is clear that these measures in fact have played a key role in pressuring ISIL financially. We know ISIL has substantial expense, including fighter salaries, weapons procurement, and the provision of basic services for the local population. According to a recently obtained document prepared by ISIL, in late 2015, the organization's leaders in Raqqa reduced the monthly salaries of all fighters in that province by fifty percent, due to "exceptional circumstances," as the letter notes, a likely reference to U.S. and Coalition measures. When we see indications that ISIL cannot pay the salaries of its own fighters, we know we are hitting them where it hurts.

Preventing ISIL's Access to the International Financial System

As I outlined in my introduction, countering terrorist financing is a two-part effort and I've just described how we are tackling the first part: to cut ISIL off from its sources of revenue. I'll now address the second part, isolating ISIL from the international financial system so it cannot spend its money. In order to do that, we must take steps to impede ISIL's ability to engage in all forms of financial transactions.

The first step is working to deny ISIL access to the Iraqi financial system. This requires close coordination with Iraq, which is taking measures to defend its financial system from abuse by ISIL. For example, following the fall of Mosul, Treasury worked closely with the Central Bank of Iraq (CBI) to ensure that approximately 90 bank branches within ISIL-controlled territory in Iraq were cut off from the Iraqi and international financial systems, and we believe that this has indeed been accomplished.

Banks, however, are not the only financial institutions of concern: ISIL likely uses certain exchange houses as important points of access to the financial system. In response, the CBI has identified and developed a list of nearly 150 ISIL-related exchange houses that are prohibited from accessing the CBI currency auction in Iraq. The list has been published on the CBI's website and shared with regional governments, and it is imperative that regional governments take steps to prevent these banned exchange houses from accessing their respective financial systems.

In addition to these broad measures, in July 2015 the U.S. and Iraq established the bilateral Committee to Counter Terrorist Financing to exchange information on specific terrorist financing activity and to coordinate efforts to investigate and shut down such activity.

Of course, the responsibility for preventing ISIL's access to the international financial system does not stop with Iraq. It also requires a regional approach. Given their proximity and connectivity to Iraq, countries in the region must exchange information among their governments and with financial institutions, investigate and prosecute individuals acting as ISIL financial facilitators, and disrupt illicit trade or smuggling routes.

Ultimately, effectively countering ISIL's finances will require a global approach. In December, the U.S. Treasury Secretary Jacob Lew chaired the first ever UN Security Council meeting of finance ministers. At that meeting, the Security Council adopted Resolution 2253 expanding the longstanding al-Qa'ida Sanctions Regime to increase its focus on and advance multilateral efforts to counter ISIL. Like the United States—which in 2015 sanctioned more than 30 ISIL-linked senior leaders, financiers, foreign terrorist facilitators, and ISIL branches, effectively shutting them out of the U.S. financial system—the UN has also sanctioned key ISIL facilitators and will continue to do so under the new resolution.

Finally, through the bodies like the Counter ISIL Finance Group (CIFG) and the Financial Action Task Force (FATF), Treasury is marshaling the will and resources of the international community to undermine ISIL financing globally. The CIFG is one of the five working groups established by the international counter-ISIL Coalition, and includes participation from 31 countries and several multilateral bodies. The CIFG seeks to understand ISIL's financial and economic activities—such as identifying and preventing ISIL's movement of funds across borders and examining its financial relationships with its affiliate groups—and to develop and coordinate countermeasures internationally.

The FATF, as the global standard-setting body for countering money laundering and the financing of terrorism, works to make the international financial system a hostile place for terrorist organizations and their supporters. This coming weekend, the FATF will host a joint meeting with the Counter ISIL Finance Group (CIFG) to develop a greater understanding within the international community of how ISIL raises and moves funds and examine measures that can be taken against it.

Conclusion

Let me close by saying the challenge of countering ISIL's finances is not an impossible task. This gathering here today at Chatham House is yet another indication of the determination of the international community to tackle hard problems and to support each other in the task.

ISIL, like any terrorist organization, needs money to survive and as I've highlighted for you, diverse efforts are underway to deprive ISIL of its resources and deny it access to the international financial system. If we are to succeed, we must remain steadfast and leave no stone unturned in our efforts as an international community to disrupt and undermine ISIL's finances.

Thank you for your time.