

Remarks by Assistant Secretary Marshall Billingslea on Hizballah and Iran's Illicit Financial Networks

September 13, 2019

The Atlantic Council, September 13, 2019

As prepared for delivery

Good morning and thank you to the Atlantic Council for hosting today's event, and Missy Ryan for moderating. I am pleased to return here today to discuss one of our nation's most critical national security challenges: the illicit financial networks that sustain Iran and its proxy, Hizballah.

Treasury, alongside our interagency colleagues, has been the tip of the spear in advancing the Administration's maximum pressure campaign against Iran and disrupting support to terrorist organizations. This mission is at the heart of our work at Treasury and central to this Administration's efforts to secure our homeland, promote peace in the Middle East, and – given Iran and Hizballah's globe-spanning plots – protect the safety of people around the world. I had the heart-wrenching experience this past July to attend the 25th anniversary memorial of Iran and Hizballah's bombing of a Jewish cultural center in Buenos Aires. I raise this because the sinister symbiosis between Iran and its proxy Hizballah finds no clearer expression than the AMIA bombing in Argentina. Perpetrated by a Hizballah suicide bomber at Iran's direction and with its support, this massacre took the lives of 85 innocent civilians and wounded hundreds more. It followed a similar bombing just two years earlier in Buenos Aires that killed 29 and injured many others.

These attacks were not singular events or anomalies. Rather, they exemplify what Iran and Hizballah stand for. Since then, plot after plot – some successful, some not – demonstrate their continued intent to shed innocent blood as they seek regional domination and global influence. As a case in point: Iran and Hizballah's backing of the Assad regime in Syria, as it slaughtered hundreds of thousands of civilians and displaced millions more, illustrate the lengths to which they will go to further their nefarious aims.

I. CRIPPLING THE IRANIAN SUPPORT NETWORK

Iran's economy bankrolls its aggression. That is why Treasury is actively targeting Iran's key industries: to drive the realization by Iran's Supreme Leader that economic collapse is inevitable if Iran does not stop its sponsorship of terror and proliferation activities, and return to the negotiating table. We are focusing in particular on oil, its primary source of funds, as well as other areas – including banking, petrochemicals, shipping, and metals – that help benefit Iran's Islamic Revolutionary Guard Corps (IRGC) and its Qods Force (QF), the patron of Hizballah.

A central element of our work involves identifying and dismantling the international networks that illicitly supply the regime and its proxies with revenue. In recent days you have seen us focus on a joint Iran-Hizballah “oil for terror” shipping network, which we have targeted three times under our terrorism authorities, first in November 2018 and then twice within the past two weeks. This network has illicitly sold more than half a billion dollars worth of Iranian crude oil this year, predominantly to the brutal Assad regime in Syria. At IRGC-QF Commander Qasem Soleimani's direction, this network of 37 publicly identified entities, individuals and vessels, operated by Hizballah members, relies upon layers of intermediaries to obfuscate IRGC-QF's role in the scheme.

It is this nexus of terrorism and oil that drives our continued pursuit of the vessel *Adrian Darya 1*, formerly the *Grace 1*, among the latest of Iran's evasion efforts. As our sanctions, legal actions, and related efforts against this vessel and its captain show, we will relentlessly pursue those who undertake or assist such efforts. It is also important to stress that Iran lied to the United Kingdom and Gibraltar, promising the *Adrian Darya* would not go to Syria. But that is precisely what it did. But releasing the *Adrian Darya* go from Gibraltar was an expensive mistake. It risks putting more than one hundred million U.S. dollars in the coffers of the Qods Force and Hizballah, something that should never have happened. Our allies should not need reminding that Iran cannot be trusted, but perhaps this experience will be remembered in the future.

Of course, it is not just Iran's oil sector that is funding terror; such conduct also goes to the very heart of its financial sector. The United States has exposed three times in the past year how senior officials at Iran's Central Bank — the banker of the Iranian government and supervisor of Iranian banks — facilitated financial transactions to the benefit of both the IRGC-Qods Force and Hizballah.

Central to such schemes is Iran's widespread use of deceptive practices to obscure the true participants, beneficiaries, and purposes of its activity. These illicit means include misusing banks and exchange houses, operating opaque procurement networks, utilizing front or shell companies, and exploiting commercial shipping.

In working to degrade Iran's ability to fund terror, the Trump administration has designated over one thousand individuals and entities using our terrorism, WMD, human rights, and Government of Iran-focused authorities. Treasury also works to prevent and disrupt this activity through diplomatic engagement, private sector consultation, industry advisories, and information sharing.

Our efforts are having an impact, leaving Iran with scarce funds to spend on its perfidious pursuits. Consider the following indicators: The IMF has predicted that Iran's GDP will shrink 6 percent in 2019. Since April 2018, the Iranian rial has lost more than half of its value, sinking to a historic low in September 2018. Our call on importers of Iranian oil to refrain from contravening our sanctions has resulted in Iran's oil exports falling to about 500,000 barrels per day as of August, according to reliable estimates (compared to its JCPOA peak production of 2.5 million barrels per day). The Iranian parliament itself has said that Iran's oil sector will likely shrink by at least 18 percent in 2019. Foreign direct investment and business activity within Iran is plummeting as the risks for the private sector continue to increase. Over a hundred international firms have cut ties with Iran, including SWIFT, the Society for Worldwide Interbank Financial Telecommunication. Iran's largest commercial airline – Mahan Air – has been banned from landing in the UK, France, and Germany. Consequences for Iran continue to mount, and will do so for as long as the regime maintains on its current course.

II. TARGETING HIZBALLAH'S ILLICIT NETWORKS

As a result of the pressure we have been able to impose on Iran, Hizballah is also feeling the squeeze. Hizballah fighters have been furloughed or assigned to the reserves where they earn lower salaries; media employees have been laid off; and payments to the families of fighters have been slashed. In March, Hizballah leader Hassan Nasrallah bemoaned Hizballah's financial situation and called on his supporters to increase donations, echoing his previous call for a "jihad of money". Nasrallah has since increased his exploitation of charitable donations, diverting that funding to pay for militants, as well as relying on political coercion and intimidation to squeeze Lebanon's financial sector for money.

Hizballah receives the bulk of its funding from Iran, but draining Iran's revenue will not alone deplete Hizballah's coffers. Hizballah supplements its income by using businessmen to operate a wide range of companies, using political relationships to gain favored contracts and even monopolies in prominent sectors. As one example, Hizballah financier Mohammad Bazzi exploited his political connection with deposed Gambian dictator Yahyah Jammeh, including through human trafficking, to build a business network spanning Europe, the Middle East and

Africa, all to Hizballah's benefit. Hizballah also benefits from various international criminal schemes, including money laundering, drug trafficking and counterfeiting, operated by its supporters, sympathizers, and members.

Illustrating Hizballah's links to criminal activity, this past April Treasury designated Lebanese money launderer Kassem Chams and his Lebanon-based Chams Exchange, which moved money on behalf of Hizballah, the Colombian narcotics organization La Oficina de Envigado, and a Lebanese drug money launderer. This network spanned countries across Latin America, moving tens of millions of dollars monthly for the narcos and terrorists--- a textbook example of how Hizballah benefits from criminal syndicates.

Just as we have done to Iran, we are demonstrating our resolve to dismantle Hizballah's financial infrastructure, root and stem. Since 2017 the U.S. Treasury has denied agents of the terror group access to the global financial system at an unprecedented rate, designating more than 50 individuals and entities.

Jammal Trust Bank, which we targeted on August 29, illustrates how Hizballah has penetrated seemingly legitimate firms. Jammal Trust had longstanding financial relationships with key Hizballah entities such as Hizballah's Executive Council and the Lebanon branch of Iran's Martyrs Foundation. In particular, Jammal Trust's facilitation of banking activities for Martyrs Foundation—which funnels money to the families of killed or imprisoned terrorists, including suicide bombers—enables Hizballah to subsidize those who commit acts of violence against innocent victims. Additionally, Jammal Trust maintained a deep relationship with Al-Qard al-Hassan, which Hizballah uses as a commercial cover for some of its financial activity. Indeed, all senior officials from Al-Qard al-Hassan had to do was identify themselves as such to Jammal Trust, and they were able to open personal accounts through which they conducted Hizballah business. Jammal Trust Bank's downfall was not brought about by a simple lapse of AML/CFT standards: they knew their customer, and it was Hizballah.

This action sends a signal that providing financial services to Hizballah will put entire businesses at risk. For too long, Hizballah and complicit companies like Jammal Trust Bank have prioritized the terrorist agenda of Iran at the expense of the Lebanese Shia community. Jammal Trust Bank broke Lebanon's own laws and violated the public's trust. We expect the Lebanese authorities to ensure there are consequences for this, starting with liquidation of the bank and ending with a full range of civil and criminal consequences.

One final point on Hizballah: we also are using long-existing authorities in new ways, such as the Rewards For Justice (RFJ) program, on which we have partnered with the State Department. By

incentivizing people to come forward with information regarding Hizballah's financial mechanisms we have received tips from across the world with leads coming in from South America, West Africa, and Lebanon itself. We recently expanded the RFJ program to elicit tips on the IRGC's oil-smuggling networks, which as our recent "oil for terror" designations illustrate, also enrich Hizballah. So let me use this opportunity to send a message to the private sector; if you give us information that leads to the financial disruption of Hizballah, we will reward you for it. We will pay as much as \$10 million, in fact.

III. INTERNATIONAL COOPERATION AND ENGAGEMENT

The U.S. presidency of the Financial Action Task Force, or FATF, over the past year provided another opportunity to galvanize the international community. At its plenary this past June, the FATF for the first time imposed a financial countermeasure on Iran, calling on all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran. The FATF also agreed to impose two additional countermeasures in October 2019 if Iran still has not acceded to the Palermo and TF conventions, namely: 1) enhanced reporting mechanisms; and 2) increased audit requirements for Iranian branches and subsidiaries. These actions may seem very technocratic. But in the banking world, this translates into real costs. It also raises the stakes for Iranian banks, whose illicit activities are more likely to be discovered through intensified regulatory scrutiny.

Our joint actions and collaborative efforts, leveraging the intelligence, law enforcement, and policy communities, have also demonstrated our coordinated approach to tackling the global threat posed by Hizballah. In May 2018, for example, the Terrorist Financing Targeting Center (TFTC) – comprised of Saudi Arabia, its host, and Bahrain, Kuwait, Oman, Qatar, the UAE, and the United States – designated Hizballah's senior leadership, including members of Hizballah's Shura Council. Together with our Gulf partners we also designated Hasan Nasrallah, the Secretary General of Hizballah.

We are further encouraged by the steps countries such as the United Kingdom, Netherlands, Argentina, Kosovo, and Paraguay have taken to proscribe Hizballah as a terrorist organization. Such laws and announcements are strong steps, and we now must use these authorities concretely to disrupt Hizballah operations.

IV. TOWARDS SYSTEMIC SOLUTIONS: HARDENING THE FINANCIAL SYSTEM AGAINST IRAN AND HIZBALLAH'S NETWORKS

Together with our partners we have taken major steps towards depriving Iran and Hizballah of the funds they need. But preventing another AMIA bombing — another Burgas, another Syria —

will require the resolve of the entire international community.

We call on the international community to see —based on the evidence we have presented — that purchasing Iranian oil funds terrorist groups such as the IRGC, its Qods Force, and Hizballah. Opposing terrorism means not funding it, including by not buying Iranian oil. Full stop.

To this end we must — and will — continue our aggressive campaign of sanctions actions to disrupt illicit Iranian and Hizballah activity.

As Hizballah's leader Hassan Nasrallah has said, “[a]s long as Iran has money, we have money.” We heard him loud and clear. Today, as a result of our efforts, both parties have a lot less. Less, however, is still not enough. We at Treasury, in tandem with the rest of our government and international partners, will relentlessly deprive these terrorists and their sponsors of the funds they need to shed innocent blood.

Terrorists and their patrons will always try to find new ways to fund their malign activities—but we can and must identify these schemes and stop them in their tracks. Terrorists will try to slip past sanctions—but we can and must protect the effectiveness of these critical tools. Terrorists will always need funding—but we can and we must criminalize such conduct and punish those who engage in terrorist financing to keep the international community safe. I appreciate the opportunity to speak today, and welcome your questions. Thank you.

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